Audit Report

OIG-13-010

Audit of the Community Development Financial Institutions Fund's Fiscal Years 2012 and 2011 Financial Statements

November 13, 2012

Office of Inspector General

DEPARTMENT OF THE TREASURY

ACCESSIBILITY NOTICE

The attachment to our report, the Community Development Financial Institutions Fund (CDFI) Agency Financial Report (AFR) FY 2012, does not conform to the requirements of Section 508 of the Rehabilitation Act; it also includes Financial Statements and schedules within the Notes to the financial statements (in the Financial Statements and Notes section on pages 55-76) that do not meet the Web Content Accessibility Guidelines (2.0) that call for using table markup to present tabular information[1].

To obtain a Section 508 compliant copy of CDFI's FY 2012 AFR, contact CDFI

Also see:

Web Accessibility and Section 508 Compliance policy page

[1] The objective of this technique is to present tabular information in a way that preserves relationships within the information even when users cannot see the table or the presentation format is changed. Information is considered tabular when logical relationships among text, numbers, images, or other data exist in two dimensions (vertical and horizontal). These relationships are represented in columns and rows, and the columns and rows must be recognizable in order for the logical relationships to be perceived.

Using the table element with the child elements tags (tr, th, and td) makes these relationships perceivable. Techniques such as inserting tabs to create columns or using the pre element are purely visual, and visually implied logical relationships are lost if the user cannot see the table or the visual presentation is changed.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 13, 2012

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

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2012 and 2011 Financial Statements

I am pleased to transmit the attached audited Community Development Financial Institutions Fund (CDFI) financial statements for fiscal years 2012 and 2011. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of CDFI's statements of financial position as of September 30, 2012 and 2011 and the related statements of operations and changes in net position and cash flows for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

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

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

In its audit, KPMG LLP found:

- the financial statements were fairly presented, in all material respects, in conformity 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 and regulations tested.

KPMG LLP also issued a management letter dated November 12, 2012, discussing a matter involving internal control that was identified during the audit but was not required to be included in the auditors' reports. This letter will be transmitted separately.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on CDFI's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 12, 2012, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

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

Attachment

Community Development Financial Institutions Fund

United States Department of the Treasury

Agency Financial Report

FY 2012

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Message from the Director

Fiscal year (FY) 2012 was an overall success on many levels, but it also marked the year in which the Community Development Financial Institutions Fund (CDFI Fund) made its largest single announcement of award dollars and award recipients.

On August 6, 2012, the CDFI Fund announced the FY 2012 monetary awards for two of its most successful programs: the Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program). The awards totaled more than $186 million — $175 million for the CDFI Program (including $23 million in awards through the Healthy Food Financing Initiative) and nearly $11.5 million for NACA Program — and were made to 210 organizations serving low-income and Native communities across the country.

Indeed, the CDFI Fund has established new records for the amount awarded through the CDFI Program in each of the past three years ($104.8 million in FY 2010, $167.3 million in FY 2011, and $175.3 million in FY 2012). We have now awarded more than $1.2 billion through the CDFI Program since our organization was created in 1994.

There were a number of other important accomplishments at the CDFI Fund in FY 2012.

In February 2012, we selected 70 Community Development Entities to receive allocations of New Markets Tax Credit authority, totaling $3.6 billion, through the calendar year (CY) 2011 round of the New Markets Tax Credit Program (NMTC Program). The CDFI Fund has now awarded $33 billion in tax credit authority through nine rounds of the program.

The demand for our Bank Enterprise Award Program, which provides awards to Federal Deposit Insurance Corporation (FDIC)-insured banks and thrifts that increase their investments in CDFIs, community development lending, investments, and service-related activities, also remains strong. The CDFI Fund announced the 2011 BEA awardees during the first quarter of FY 2012. Seventy seven (77) FDIC-insured institutions were selected to receive approximately $22 million in FY 2011 BEA Program awards. For the FY 2012 funding round of the program, we received 71 applications requesting more than $88.5 million in awards.

We also made significant progress toward launching the new CDFI Bond Guarantee Program, a potential new source of long-term capital for loans in low-income communities. The CDFI Fund is the administrator for the program, and so far we have: hired full-time staff to design and implement the program; engaged in numerous public appearances and meetings regarding the program; developed a financial model for subsidy rate calculations required for issuing guarantees under the program; developed policies and a program structure that is responsive to the industry, the Office of Management and Budget (OMB), and the authorizing statute; and drafted regulations that will soon be published. As of the publication of this Report, we are developing program documents, application forms, compliance instruments, legal agreements, and program standard operating procedures.

Finally, we have taken a number of steps to expand our Capacity Building Initiative, which provides training and technical assistance to help CDFIs develop their ability to deliver financial products and services to underserved communities. In the past year, we presented the first training sessions of a two-year program designed to build the capacity of established Native CDFIs. We also launched two other training programs to help CDFIs that specialize in microfinance and small business lending meet the growing demand for loans.

Also, as part of the Capacity Building Initiative, we created resource banks on the CDFI Fund's website that make materials used in some of the most popular training programs available to the general public and members of the community development industry. And we published an in-depth report that examines the state of the CDFI industry and its performance through the recent recession, as well as a major study of the lack of access to healthy and affordable food financing in our nation's low-income communities.

FY 2012 has been another very productive year for the CDFI Fund, and I am pleased to present this edition of our Agency Financial Report. As this document clearly demonstrates, the CDFI Fund has continued to succeed in its mission to generate economic opportunity in communities where such opportunity is needed most.

I would like to thank the entire staff of the CDFI Fund for their exceptional dedication and hard work throughout FY 2012. I am confident that we will strive to reach even greater heights in FY 2013.

Donna J. Gambrell

Director
Community Development Financial Institutions Fund

Community Development Financial Institutions Fund Overview

Overview

In 1994, the Community Development Financial Institutions Fund (CDFI Fund) was created for the purpose of promoting economic and community development through investment in and assistance to Community Development Financial Institutions (CDFIs). Since 1996, the CDFI Fund has administered the Community Development Financial Institutions Program (CDFI Program) and the Bank Enterprise Award Program (BEA Program) to help build the capacity of CDFIs, increase investment in CDFIs, and increase community development lending, investments, and service-related activities in distressed communities, respectively. The CDFI Fund's role in promoting community and economic development was expanded in FY 2001 when the Secretary of the Treasury delegated to the CDFI Fund the responsibility of administering the New Markets Tax Credit Program (NMTC Program). The breadth and depth of the CDFI Fund's reach was further expanded in FY 2008, with the enactment of legislation that created the Financial Education and Counseling Pilot Program (FEC Pilot Program) and the enactment of legislation that created the Capital Magnet Fund (CMF), both of which were implemented in FY 2010; and again in FY 2010 with the enactment of legislation that created the CDFI Bond Guarantee Program for which the CDFI Fund began implementation planning in FY 2011.

Since its creation in 1994, the CDFI Fund has awarded more than $1.7 billion to CDFIs, community development organizations, and financial institutions through the CDFI Program, the BEA Program, and the Native Initiatives, which includes the Native American CDFI Assistance Program (NACA Program). In addition, the CDFI Fund has allocated $33 billion in tax credit authority to Community Development Entities (CDEs) through the NMTC Program.

Authorizing Legislation

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

CDFI Fund's Vision and Mission

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

> ***Community Development Financial Institutions Program***, which provides Financial Assistance awards to institutions that are certified as CDFIs, and Technical Assistance grants to certified CDFIs and entities that will become certified as CDFIs within three years;
>
> ***Native Initiatives***, which assists entities in overcoming barriers that prevent access to credit, capital, and financial services in Native American, Alaskan Native, and Native Hawaiian communities (Native communities). The Native Initiatives' central component is the Native American CDFI Assistance Program (NACA Program), which increases the number and capacity of existing or new CDFIs serving Native Communities. In addition, the Native Initiatives provide training to help strengthen and develop Native CDFIs;

New Markets Tax Credit Program, which provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling investors to claim tax credits against their federal income taxes. The CDEs in turn use the capital raised to make investments in low-income communities;

Bank Enterprise Award Program, which provides monetary awards to FDIC-insured banks for increasing their levels of loans, investments, services, and technical assistance within Distressed Communities, and financial assistance to CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance, during a specified period;

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

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

CDFI Bond Guarantee Program, which will provide a federal guarantee for bonds issued by Qualified Issuers on behalf of CDFIs for economic and community development purposes.

What is a CDFI?

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

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

CDFI Customers

CDFIs serve a wide range of customers, including:

- Small business owners who provide employment opportunities and needed services to disadvantaged communities;
- Affordable housing developers who construct and rehabilitate homes in low-income communities;
- Community facilities used to provide child care, health care, education, and social services in underserved communities;
- Commercial real estate developers who finance the acquisition, construction, or rehabilitation of retail, office, industrial, and community facility space in low-income communities; and

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

Certification of Community Development Financial Institutions and Community Development Entities

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

1) Have a primary mission of promoting community development;

2) Serve principally an investment area or targeted population;

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

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

5) Maintain accountability to its target market; and

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

CDFI certification is a requirement for accessing Financial Assistance and Technical Assistance awards from the CDFI Fund through the CDFI Program and the NACA Program, and certain benefits through the BEA Program. In addition, organizations pursue CDFI certification in order to leverage CDFI funding from non-Federal sources such as banks, foundations, state and local governments.

The certification of organizations as CDFIs has been a long-standing activity of the CDFI Fund. During FY 2012, 56 CDFIs were newly certified and 20 CDFIs lost their status as CDFIs due mostly to mergers, acquisitions, and business failure. As of September 30, 2012, there were 999 certified CDFIs. This compares to 963 CDFIs that were certified as of the end of FY 2011. CDFIs are headquartered in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

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

Many CDEs create multiple subsidiary CDEs to own specific assets or classes of assets; as a result, 580 new CDEs were certified in the year ending September 30, 2012. Benefits of CDE certification include being able to: (1) apply to the CDFI Fund to receive an allocation of NMTC authority to offer to investors in exchange for equity investments in the CDE and/or its subsidiaries; or (2) receive loans or investments from other CDEs that have received a NMTC allocation. CDEs must be certified in order to receive allocations of tax credit authority. As of September 30, 2012, 5,878 CDEs were certified. This compares to 5,298 CDEs that were certified as of the end of FY 2011. CDEs are headquartered in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Breakdown of Types of Certified CDFIs

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

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

- ***Community development credit unions*** are regulated non-profit cooperatives owned by members that promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people;

- ***Community development loan funds*** (usually non-profits) provide financing and development services to businesses, organizations and individuals in low-income urban and rural areas and can be further categorized based on the type of client served: micro-enterprise, small business, housing, and community service organizations; and

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

CDFI Fund's Key Performance Results for FY2012

The CDFI Fund's key performance results for FY 2012 are provided below with CDFI Fund-wide summary performance results in the top panel, and selected program-level results in the bottom panel. Please note that this information summarizes awardees performance results for program year 2011. These performance measures were newly adopted in FY 2012 so there was little baseline information for projecting targets. The FY 2011 baseline data was adjusted downward to project for a decline in lagged American Recovery and Reinvestment Act of 2009-related impacts; hence some measures over or under shot the targets. Additional trend information and revised projection methods should improve the formulation of future targets. It should also be noted that the lag in performance reporting are based on information reported by CDFI Program awardees and reflects the time it takes awardees to deploy funds and make investments for which actual and projected results can be estimated.

The CDFI Program awardees and NMTC Program allocatees helped provide funds for projects that created or maintained 57,023 jobs. In addition, , the CDFI Program awardees and NMTC Program allocatees helped finance 4,680 businesses, and real estate loans financed 27,433 affordable housing units, including 22,445 rental units and 4,988 owner units.

In FY 2012, the Community Development Financial Institutions (CDFI) Fund's core program (the CDFI Program) awardees reported originating 17,547 loans or investments totaling nearly $1.3 billion, based on their portfolio of activities in 2011.

The New Markets Tax Credit (NMTC) Program, which provides tax credit allocation authority to Community Development Entities (CDEs) for targeted investments in LICs, reported allocatees making $5.5 billion of loans and investments in Qualified Active Low-Income Community Businesses, with 70.6 percent of the dollars invested in loans and investments in severely distressed communities.

CDFI Fund's Key Performance Measures for FY2012 (Based on Program Activities Reported in 2011)	**2011 Baseline**	**2012 Targets**	**2012 Results**
CDFI FUND-WIDE SUMMARY RESULTS:			
All Affordable Housing Units Financed	**19,083**	**16,419**	**27,433**
Rental Units			22,445
Owner Units			4,988
All Businesses Financed[1]	**5,729**	**5,104**	**4,680**
All Jobs at End of Reporting Period	**55,274**	**43,335**	**57,023**
PROGRAM-LEVEL RESULTS:			
CDFI Program: Lending and Investing Activity:			
Amount of Total Loans/Investments Originated ($millions)	$1,228	$1,188	$1,298
Number of Total Loans/Investments Originated	16,313	16,000	17,547
NMTC Program: Lending and Investing Activity:			
Total Qualified Low-Income Community Investments ($million)	$4,700	$4,000	$5,518
Percent of NMTC Program Loans/Investments in Severely Distressed Communities[2]	72.4%	70.4%	70.6%

[1] This number reflects netting out businesses that received more than one loan.
[2] "Severely distressed" communities include Census tracts with poverty rates above 30 percent; or median family incomes below 60 percent of the metropolitan or state median; or unemployment rates greater than 1.5 times the national average.

Compliance Monitoring and Evaluation

The CDFI Fund is committed to a vision for compliance management which is informed not only by the results of CDFI Fund Program reporting requirements, but also by risk analysis that highlights to the CDFI Fund awardees and allocatees whose financial wherewithal requires special attention from the Fund's compliance management staff.

In FY 2012, the CDFI Fund took several important steps in order to ensure that its compliance management function will be a robust effort that includes the following:

- review compliance reports from awardees and allocatees on a timely basis, and actively pursue instances of late reporting or failure to report on the part of awardees and allocatees;
- analyze compliance reports for accuracy and data integrity, identifying cases of non-compliance with assistance and allocation agreements on a timely basis;
- pursue quick corrective actions in response to such instances of non-compliance, including rendering findings of agreement default and appropriate sanctions when warranted; and
- identify existing awardees and allocatees whose overall financial health presents a significant risk for continued investment of public funds and pursues appropriate actions in response to findings.

The full level of compliance management required has been hampered in recent years by insufficient resources in both staffing and technology. In FY 2012, the CDFI Fund took significant actions to increase resources in both areas. As noted elsewhere in this document, the CDFI Fund plans to award a contract for an Awards Management Information System (AMIS) in early FY 2013 and complete deployment in early FY 2015. AMIS will replace legacy business systems used by the CDFI Fund for its business processes. For compliance management, AMIS will electronically perform compliance testing for Performance Goals and Measures required by assistance and allocation agreements and provide reports of exceptions on a timely basis both to CDFI Fund compliance staff and to awardees and allocatees.

When AMIS is fully implemented, electronic compliance testing will enable CDFI Fund compliance staff to perform more thorough compliance analysis, through desk reviews of awardee financial and programmatic data and on-site reviews of awardee accomplishments. At the same time, the CDFI Fund is in the process of increasing its full-time staff by five full-time employees, an increase of nearly 50 percent over FY 2011 staffing levels.

The table below summarizes key steps initiated by the CDFI Fund in FY 2012 to strengthen its compliance management function including, but not limited to, the expansion of staff and technology resources described above.

Progress Toward Strengthening Compliance Management

Close out at least 1,000 older monetary awards for which compliance requirements had been satisfied and award terms were concluded with no assistance agreement defaults.	Completed
Develop detailed plan for deployment of existing and expanded staff resources to address compliance management and associated post-award processes.	Completed
Increase compliance management resources by five full-time staff positions.	In progress; on track for completion in 1st Quarter FY 2013
Engage a third-party resource to perform a thorough process review of the CDFI Fund's compliance function and develop a risk-based approach to compliance management.	In progress; on track for completion in FY 2013

Develop a detailed inventory of all outstanding compliance report reviews.	Completed
Develop and implement monthly internal reporting that provides data on compliance reports outstanding, reports pending review, reports reviewed and found compliant, reports reviewed and determined to be non-compliant, and awards in default.	Completed
Develop performance baseline for percent of awardees in default relative to their assistance agreements.	Completed
Develop an initial schedule for compliance-based desk reviews and/or site visits for awardees and allocatees. The first of these site visits occurred prior to the end of FY 2012, with a continuation of same during FY 2013 and beyond.	Completed
Implement electronic compliance testing through Awards Management Information System in tandem with a risk-based approach to compliance management.	In progress; on track for implementation from early FY 2013 through early FY 2015

Allocation of CDFI Fund Funding

The CDFI Fund's appropriations comprise program funds and administrative funds. Program funds are used for program awards (such as grants, loans, deposits, equity investments, and capacity building / training contracts); administrative funds used to cover the costs to administer all programs, including the NMTC Program. As NMTCs are not monetary awards, they are not reflected in the chart below. NMTC Program administrative expenses are included in the administration costs below.

In FY 2012, the CDFI Fund allocated $221.0 million in appropriated funds as follows:

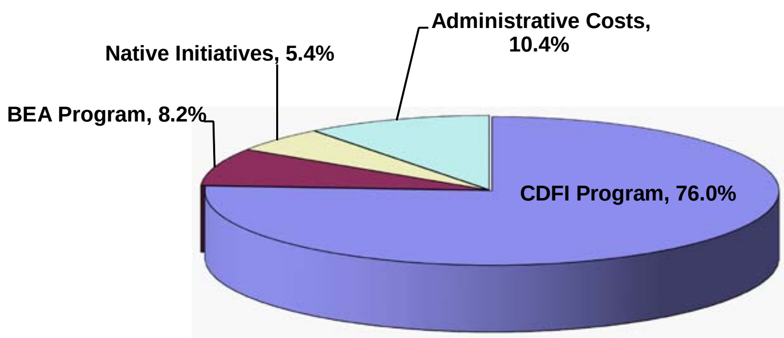
Funding Allocation
(Amounts in Millions)

	FY 2012	FY 2011
Amounts Funded		
CDFI Program	$168.00	$169.70
BEA Program	18.0	21.9
Native Initiatives	12.0	12
Capital Magnet Fund	0.0	0.0
CDFI Bond Guarantee Program	0.0	0.0
NMTC Program & Administrative Costs	23.0	22.9
Total Amounts Funded	221.00	226.5
Less Amounts Not Obligated	31.7	35.5
Total Funding Used	**$189.3**	**$191.0**

1

In FY 2011, the CDFI Fund carried over $35.5 million which included $7.0 million from the CDFI Program, $0.6 million from the NACA Program, $21.9 million for the BEA Program, and $6.0 million for Program Administration.
In FY 2012, the CDFI Fund carried over $31.7 million which included $7.4 million from the CDFI Program (this includes unobligated balances from HFFI and the Subsidies for Direct Loans), $18.0 million from the BEA Program, $0.1 million from the NACA Program, and $6.2 million for Program Administration.

Percent of Amounts Funded in FY 2012



Sources of Funding

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

Sources of CDFI Fund Funding

(Amounts in Millions)

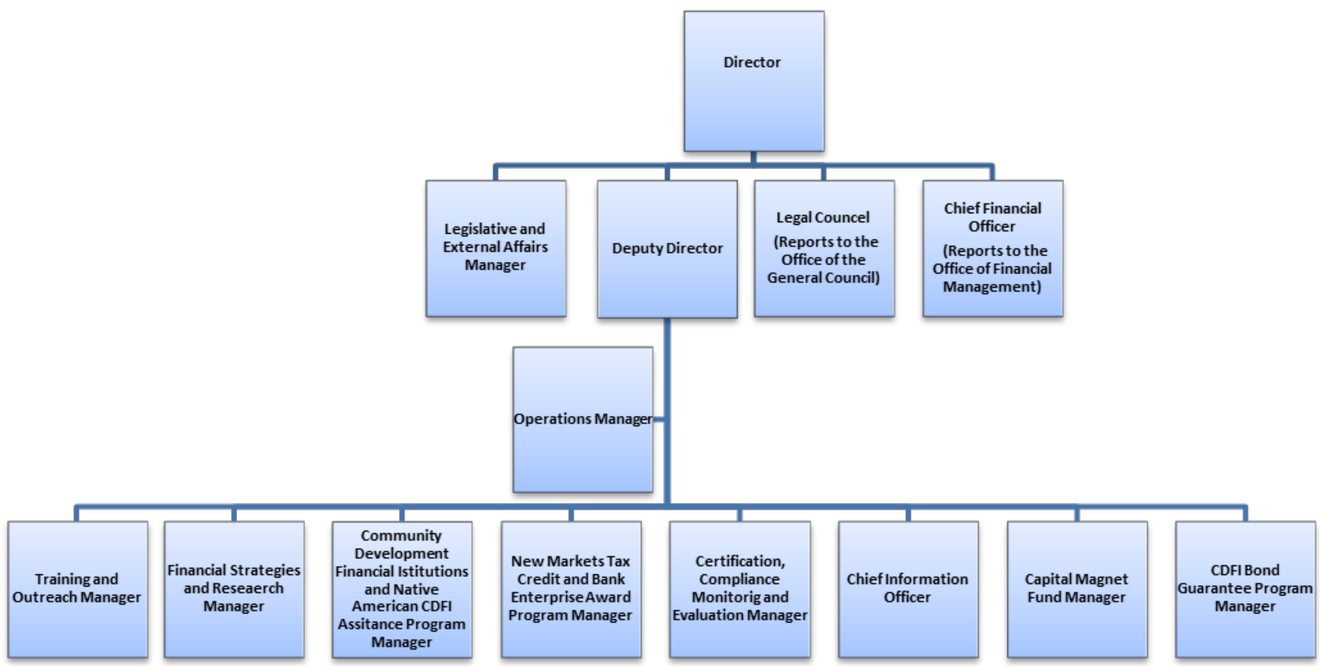
	FY 2012	FY 2011
Appropriations	$221.0	$226.5
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	2.5	0.8
Carryover from Prior Year	35.5	104.1
Spending Authority from Offsetting Collections	0.0	0.3
No-Year Funds	4.0	4.0
Borrowing Authority Used	4.2	1.8
Total Sources of Funds	$267.2	$337.5

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

Organization of the CDFI Fund

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

Community Development Financial Institutions Fund
Organizational Chart
September 2012



Program Discussion and Analysis

Community Development Financial Institutions Program

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

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

In FY 2012, the CDFI Program announced awards totaling \$175.3 million to CDFIs - \$152.2 million in CDFI Fund Program awards and \$23.1 million in HFFI awards. The CDFI Program used \$8.0 million of the FY 2011 funds and \$165.1 million of the FY 2012 funds for \$173.1 million in FY 2012 awards.[3] The total FY 2012 funding of \$168.0 million was allocated as follows: \$141.0 million for the CDFI Program awards, \$22.0 million for the HFFI awards and \$5.0 million for the Capacity Building Initiative contracts. In FY 2012, the CDFI Program awarded \$4.4 million for the Capacity Building Initiative contracts; the remainder of \$0.6 million was carried over into FY 2013.

Financial Assistance

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

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

The CDFI Program makes FA awards in the form of equity investments, loans, deposits, and grants, and the CDFI is required to match its FA award dollar-for-dollar with non-Federal funds of the same type as the award itself. This requirement enables CDFIs to leverage private capital to meet the demand for affordable financial products and services, including loans, investments, training, technical assistance, and basic financial services such as checking or savings accounts, in economically distressed communities.

FY 2012 FA Awards

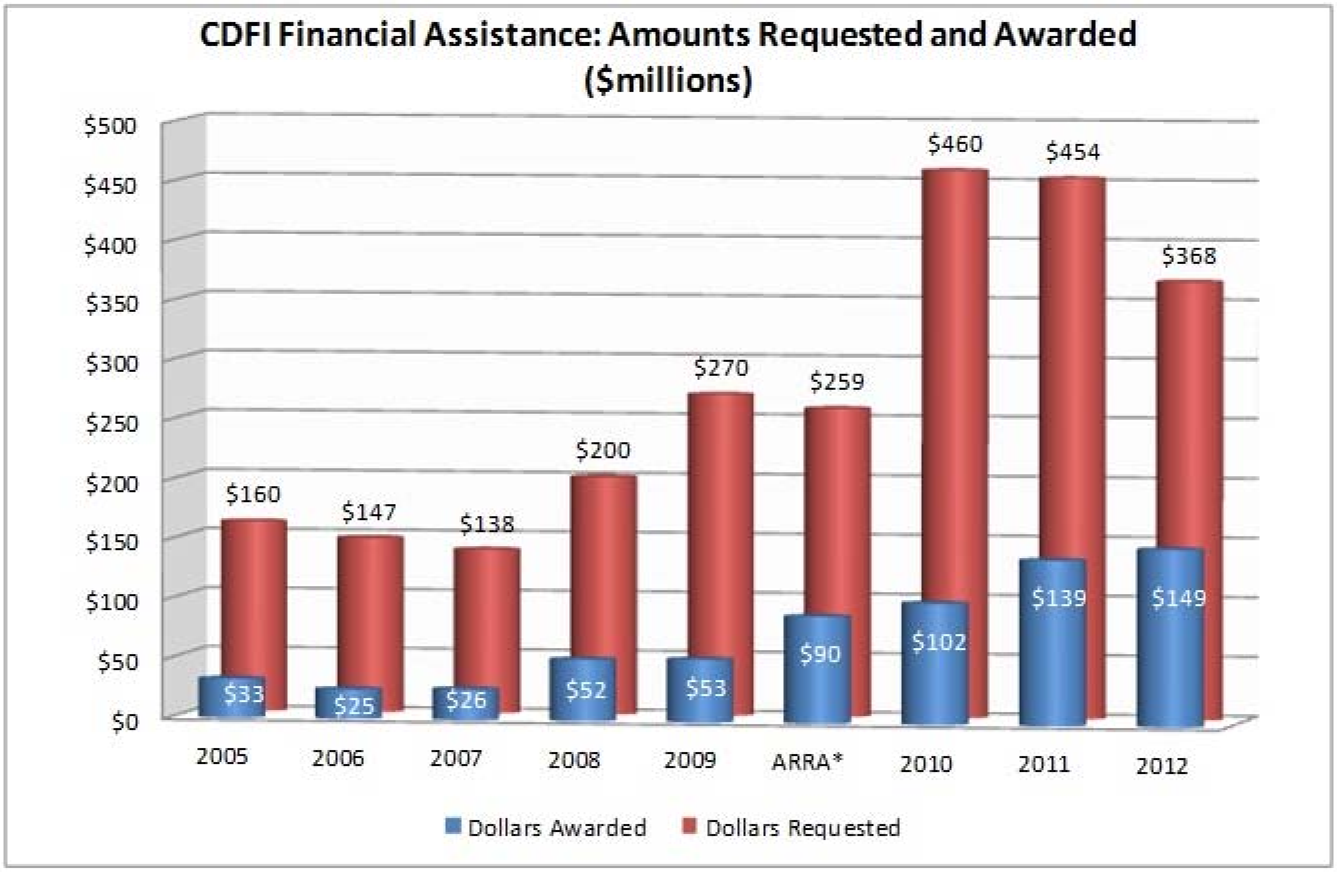
In FY 2012, the CDFI Fund received applications from 273 organizations, requesting a total of more than \$367.6 million in FA awards, including 75 SECA applicants requesting \$40.8 million and 198 Core applicants seeking \$326.8 million.

The CDFI Fund awarded a total of \$149.2 million to 144 organizations in FY 2012, including 36 SECA awards totaling \$17.0 million and 108 Core awards totaling \$132.2 million.

[3] Final FY 2012 awards were \$2.2 million less than announced due to lower obligations actually incurred under the terms of the final award agreements.

Table 1 – FY 2012 FA Awards		
	Awards	**Amount Awarded**
Core	**108**	**$132,235,566**
SECA	**36**	**$ 16,996,000**
Totals	**144**	**$ 149,231,566**

The following graph shows the total amount of FA funds requested and awarded since FY 2005. The CDFI Program has consistently received more applications than it can fund. In FY 2012, the CDFI Fund capped awards at $1.5 million in an attempt to meet the heavy demand. By capping award amounts, the CDFI Fund was able to make more awards.



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

Healthy Food Financing Initiative

In FY 2011, the CDFI Fund launched the new Healthy Food Financing Initiative (HFFI) in coordination with efforts being undertaken by the U.S. Department of Agriculture (USDA) and the Department of Health and Human Services (HHS), and provided FA awards through the CDFI Program to support the initiative. The HFFI represents the Federal government's first coordinated step to eliminate "food deserts" – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products; developing and equipping grocery stores; and strengthening producer-to-consumer relationships. In addition, the HFFI is part of a larger effort to create quality jobs and promote comprehensive community development strategies to revitalize distressed neighborhoods into healthy and vibrant communities of opportunity. FA awards made through the HFFI can be used to make loans and investments and to provide development services that promote and increase access to healthy food options in low-income communities.

In FY 2012, the CDFI Fund announced more than $23 million in FA awards through the CDFI Program to 12 organizations to finance healthy food activities. These CDFIs will use the funds to enhance their capacity to make investments in a range of healthy food projects serving food deserts, including grocery stores, mobile food retailers, farmers markets, cooperatives, corner stores, bodegas, and stores that sell other food and non-food items along with a full range of healthy foods. The 12 awardees were located in 10 states: Colorado, Illinois (two awards), Kentucky, Louisiana, Massachusetts, New York (two awards), Ohio, Pennsylvania, Texas, and Virginia.

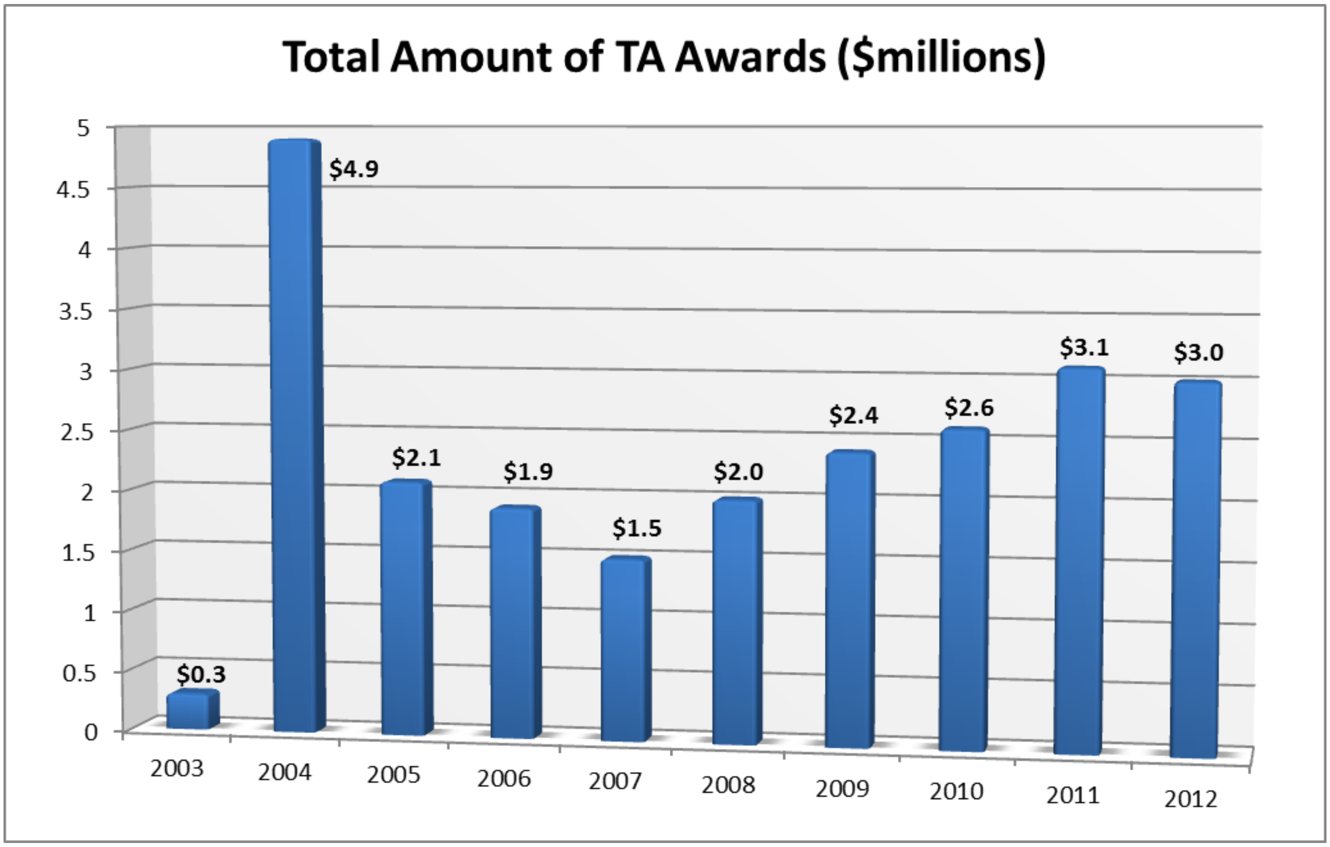
Technical Assistance

Through the Technical Assistance (TA) component of the CDFI Program, the CDFI Fund provides grants to build the capacity of both start-up and existing CDFIs. TA grant funds can be used for items such as staff salaries, benefits, staff training, professional services, supplies, and equipment. Applicants often request funds to analyze their target markets, develop lending policies and procedures, or to build staff lending capacity. There is no matching requirement for applicants seeking TA.

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

FY 2012 TA Awards

In FY 2012, the CDFI Fund received 116 applications requesting a total of more than $11.1 million in TA-only grants. Thirty-three organizations received awards totaling $3.0 million. The following graph shows the total amount of TA awards since 2003.



CDFI Program Performance

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

The FY 2012 performance information provided here pertains to each awardee's performance results for program year 2011. It should also be noted that the lag in performance reporting reflects the time it takes to deploy funds and make investments for which actual and projected results can be estimated. The delay in performance reporting reflects the length of time from notice of award to award disbursement, the time it takes for an awardee to deploy the funds, and the additional time it takes to compute and report awardee impact information to the CDFI Fund's CIIS reporting system. The FY 2012 performance results reported in the table below reflect program outcomes and activities for 2011 and are based on information entered into CIIS by reporting CDFI Program awardees.

In FY 2012, CDFI awardees reported originating 17,547 loans or investments totaling nearly $1.3 billion, based on their portfolio of activities in 2011. This includes $197.8 million for 4,379 home improvement and purchase loans, $363.1 million for 6,345 business and microenterprise loans, and $318.5 million for 503 residential real estate transactions. These data on the amount and number of loans or investments originated provide baselines for benchmarking and targeting program performance in the forthcoming fiscal year. CDFI Program awardees helped provide funds for projects that created or maintained 25,618 jobs. In addition, real estate loans financed 24,466 affordable housing units, including 21,193 rental units and 3,273 owner units. CDFIs also provided financial products and services to unbanked and underserved individuals by maintaining 3,216 Individual Development Accounts totaling $3.2 million in savings. CDFIs reported providing financial literacy counseling and other training opportunities to 233,100 individuals. Finally, loans and investments originated by CDFIs over the last three years were located in more than 21 percent of eligible census tracts.

Annual Performance of CDFI Program Awardees for FY2012
(Based on Program Activities Reported in 2011)

Lending and Investing Activity	
Amount of Total Loans/Investments Originated	**$1,298,058,191**
Number of Total Loans/Investments Originated	17,547
Business and Microenterprise Originations	**$363,082,649**
Number of Originations	6,345
Consumer Originations[4]	**$39,152,252**
Number of Originations	5,216
Home Improvement and Home Purchase Originations	**$197,793,730**
Number of Originations	4,379
Residential Real Estate Originations	**$318,562,704**
Number of Originations	503
Commercial Real Estate Originations	**$202,965,931**
Number of Originations	262
All Other Originations	**$176,500,925**
Number of Originations	842
Jobs at End of Reporting Period	**25,618**
Affordable Housing Units Financed	**24,466**
Rental Units	21,193
Owner Units	3,273
Businesses Financed[5]	**4,102**
Percent of Eligible Areas Served[6]	**21.2%**
Financial Access and Literacy	
Open Individual Development Accounts	3,216
Dollars Saved in Individual Development Accounts	$3,191,074
Individuals Served By Financial Literacy or Other Training	233,100

[4] Due to changes in reporting requirements during FY2012, not all institutions reported consumer loan originations for this year. The actual value of consumer originations is likely to be higher.
[5] This number reflects netting out businesses that received more than one loan.
[6] Defined as the percentage of all eligible Census tracts receiving at least one origination in the past ***three*** calendar years.

Native Initiatives

The Native Initiatives program was created to increase opportunities for Native American, Alaska Native and Native Hawaiian communities (Native Communities) to access credit, capital, and financial services by creating or expanding CDFIs primarily serving those communities. The Native Initiatives has two main components: the Native American CDFI Assistance Program (NACA Program), and specialized training opportunities available under the CDFI Fund's Capacity Building Initiative.

The program was established after the CDFI Fund published the "Native American Lending Study" in November 2001, which evaluated access to credit, capital, and financial services in Native Communities. The Study affirmed the importance of developing Native CDFIs to play a key role in the broader effort to lead Native Communities into the nation's economic mainstream. Congress subsequently specified that the CDFI Fund use certain amounts of its annual appropriations to facilitate the development of Native CDFIs.

A Native CDFI is a CDFI that is created to primarily serve the needs of Native Communities. As of June 2012, there were 72 certified Native CDFIs in 19 states.

Native CDFIs focus, largely, on two different financial sectors: 1) affordable housing (housing development and homeownership); and 2) economic development (job creation, business development, and commercial real estate development). Some Native CDFIs serve as national or regional intermediaries, providing financial products and services to local Native CDFIs and other community development organizations.

NACA Program FY 2012

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

FA awards are primarily used for financing capital. FA awards are made in the form of loans, grants, deposits, and equity investments to support the certified Native CDFIs' financing activities, and require the Native CDFI to match the CDFI Fund's award dollar-for-dollar with funds from a non-Federal source. TA grants are generally used to acquire products or services including computer technology, staff training, and professional services, such as market analysis, and support for other general capacity-building activities. TA grants do not have a matching requirement. NACA awardees use their awards to increase their capacity to serve their Target Market and/or to create/become certified CDFIs.

The performance results reported by NACA Program awardees in FY 2012 show Native CDFIs originated 1,170 loans or investments totaling $21.7 million based on their portfolio of activities in 2011.

In FY 2012, the CDFI Fund received 66 NACA eligible applications requesting a total of $20.9 million for both FA and TA funding. The CDFI Fund awarded 33 organizations a total of $11.4 million for both FA and TA funding in FY 2012.

FY 2012 NACA FA Awards

In FY 2012, the CDFI Fund awarded 15 organizations totaling approximately $9.0 million in FA. The FY 2012 NACA FA awardees include 12 loan funds, two credit unions, and one bank or thrift state-chartered institution. The CDFI Fund capped the FA awards in FY 2012 at $750,000. As a result, the CDFI Fund was able to make more FA awards. The CDFI Fund assumes that the demand will remain high as an increasing number of Native CDFIs put into practice the CDFI Fund's training and continue to build their lending programs.

Technical Assistance Grants

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

FY 2012 NACA TA Awards

In FY 2012, 18 organizations received TA awards totaling $2.4 million. Out of 18 organizations receiving a NACA Program TA award, 16 were loan funds and two were credit unions. Below is a chart of the NACA TA use of funds categories.

FY 2012 NACA Technical Assistance Uses of Funds Categories		
Category	Amount	Percent of Total
Personnel (Salary)	$1,406,395	57.8%
Personnel (Fringe Benefits)	$357,087	14.7%
Training	$86,155	3.6%
Travel	$163,484	6.7%
Professional Services	$229,825	9.4%
Materials/Supplies	$75,770	3.1%
Equipment & Other Capital Expenditures	$19,325	0.8%
Other Costs	$95,906	3.9%
Total	**$2,433,947**	**100%**

Training Initiatives

Through the Native Initiatives, the CDFI Fund engaged a contractor to provide the resources for Native CDFI leaders to identify and address critical challenges of their organization. Please see *The Leadership Journey: Native CDFI Growth and Excellence* in the Capacity Building section for more information.

Capacity Building Initiative

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

Specific training series launched or ongoing in FY 2012 include:

•The *Foreclosure Solutions* series, provided by NeighborWorks® America. This series helps CDFIs build their capacity to operate highly-effective foreclosure intervention programs. The series offers training, technical assistance, and access to tools and resources. Through this series, participants are improving their understanding of foreclosure intervention strategies and effectively implementing these strategies in their communities. Since inception, 44 participants attended the Foreclosure Solutions training events and two CDFIs received technical assistance.

•The *Portfolio Management* series, provided by NeighborWorks®America. This series helps CDFIs improve the capacity to manage their portfolios, including assessing and reducing portfolio risk. Participants are learning techniques and strategies through a combination of training, technical assistance, organizational assessments and an online resource bank. Since inception, 173 participants attended the Portfolio Management training events, 358 participated in webinars, and 118 CDFIs received technical assistance.

•The *CDFI Capitalization* series, provided by NeighborWorks®America. This series helps CDFIs learn strategies and techniques for increasing their capitalization and improving their liquidity. Participants have access to training, technical assistance, organizational assessments, and an online resource bank. Since inception, 189 participants attended the CDFI Capitalization training events, 363 participated in webinars, and 104 CDFIs received technical assistance.

•The *Financing Healthy Food Options* series, provided by Opportunity Finance Network. This series supports CDFIs engaged in the eradication of food deserts in their target markets. Training, technical assistance, research and specialized resources are available to participants. Since inception, 195 participants attended the Financing Healthy Food Options training events, 548 participated in webinars, and 30 CDFIs received technical assistance.

•The *Leadership Journey: Native CDFI Growth and Excellence* series, provided by NeighborWorks® America. This series supports the continued growth and long-term sustainability of experienced Native CDFIs by providing the forum, tools, and resources for Native CDFI leaders to identify and address the critical challenges of their organizations. Since inception, 29 participants attended a place-based training in Albuquerque, NM, 28 participants attended a NeighborWorks Training Institute in New Orleans, LA, and 33 participated in two webinars. Currently, 15 cohort organizations are receiving technical assistance and leaders from 14 cohort organizations are receiving executive coaching.

•The *Innovations in Small Business Lending* series, provided by Deloitte Financial Advisory Services LLP. The series will support business-oriented CDFIs that are experienced in providing loans and services to small and medium-sized enterprises. Participants will have access to training and customized technical assistance designed to increase services to small businesses and explore new market opportunities. The first training is scheduled to take place in November 2012.

•The *Scaling Up Microfinance* series, provided by Opportunity Finance Network. The series will expand the capacity of CDFIs that specialize in microfinance through an advanced training and technical assistance program focused on decreasing costs, building human capital, and improving business models in order to attract investments. The first training is scheduled to take place in October 2012.

•The *Strengthening Small and Emerging CDFI* series, provided by Opportunity Finance Network. The series will expand the capacity of small and emerging CDFIs through a comprehensive training and technical assistance program. The first training is scheduled to take place in January 2013.

New Markets Tax Credit Program

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

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

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

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

Additionally, the Tax Relief and Health Care Act of 2006 required that Treasury prescribe regulations to ensure that non-metropolitan counties receive a proportional allocation of Qualified Equity Investments (QEIs). The CDFI Fund's process for ensuring proportional non-metropolitan investment is described in the NMTC Program calendar year (CY) 2012 Notice of Allocation Availability (NOAA).

Results of the First Nine NMTC Allocation Rounds

NMTC allocations are awarded annually through a competitive process. CY 2002 was the first year in which applications for NMTC authority were submitted to the CDFI Fund. To date, the CDFI Fund has completed nine allocation rounds and has made 664 awards totaling $33 billion in allocation authority. This amount includes the $3 billion of Recovery Act-authorized allocations ($1.5 billion through the 2008 NMTC allocation round and $1.5 billion through the 2009 NMTC allocation round).

	Applications		**Allocations**	
Round	Number	Amount (Billions)	Number	Amount (Billions)
1	345	$25.8	66	$2.5
2	271	$30.4	63	$3.5
3	208	$22.9	41	$2.0
4	254	$28.3	63	$4.1
5	258	$27.9	61	$3.9
6	239	$21.3	102	$5.0
7	249	$22.5	99	$5.0
8	250	$23.5	99	$3.5
9	314	$26.7	70	$3.5*
Totals	2,388	$229.3	664	$33.0

Demand for NMTC allocation authority has been high since the program's inception, as 2,388 applicants have requested tax credits supporting a total of more than $229 billion in equity investments – approximately seven times the amount of allocation authority available for awards by the CDFI Fund. Through the first nine allocation rounds, only about 28 percent of applicants were selected to receive an award. The average tax credit allocation award through the first nine rounds was approximately $49.7 million.

CY 2011 NMTC Allocation Round

In February 2012, the CDFI Fund announced that 70 applicants were awarded $3.6* billion in the CY 2011 NMTC Allocation Round. The 70 applicants selected to receive awards are headquartered in 29 different states and the District Columbia, and they anticipate making awards in 49 different states and the District of Columbia.

These 70 allocatees have committed to achieving results above and beyond minimal program requirements:

- All 70 allocatees indicated that 100 percent of their investment dollars would be made either in the form of equity, equity equivalent financing, or debt that is at least 50 percent below market and/or is characterized by at least five concessionary features. Such features include, among other things,

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

subordinated debt, reduced origination fees, higher than standard loan-to-value ratios, lower than standard debt service coverage ratios, non-traditional collateral, and longer than standard amortization periods.

- All 70 allocatees committed to providing at least 75 percent of their investments to areas of higher economic distress (and/or areas targeted for development by other government programs) than are minimally required under the NMTC Program.

- NMTC Program regulations require that at least 85 percent of QEI dollars be invested into Qualified Low-Income Community Investments (QLICIs). All 70 of the allocatees indicated that they would invest at least 95 percent of QEI dollars into QLICIs. In real dollars, this means that at least $466 million above and beyond what is minimally required by the NMTC Program will be invested into low-income communities.

As detailed in the CY 2011 Notice of Allocation Authority (NOAA), the CDFI Fund sought to ensure that: (1) an appropriate proportion of awards were provided to "Rural CDEs"; and (2) that at least 20 percent of all dollars invested by allocatees under the CY 2011 allocation round are invested in non-metropolitan counties. With respect to the first objective, nine allocatees, receiving allocations totaling $505 million, met the criteria for "Rural CDE" designation. In total, 34 of the 70 allocatees are required to deploy some or all of their investments in non-metropolitan counties. This ensures that approximately $708 million will be deployed in non-metropolitan counties after removing costs for CDE administrative expenses.

CY 2012 NMTC Allocation Round

In CY 2012, the CDFI Fund began the application review process for the 2012 NMTC allocation round. Applications for the CY 2012 NMTC allocation round were due on September 12, 2012. The CDFI Fund received 282 applications for the 2012 NMTC allocation round, the third highest number of applications in the history of the NMTC Program. The applications requested a total of $21.9 billion in NMTC allocation authority.

NMTC Evaluation Research

In 2007, the CDFI Fund engaged the Urban Institute to conduct a multi-year comprehensive evaluation of NMTC Program outcomes. The research design for the evaluation includes: (1) a review of relevant economic development, performance measurement, and tax credit literature; (2) informal discussions with key NMTC stakeholders; (3) an analysis of existing NMTC administrative data; (4) development of a typology of NMTC projects; (5) an examination of secondary public and private data; and (6) a random sample of case study data collection through phone and online surveys with CDEs, community officials, NMTC investors, and borrowers/investees. The Urban Institute has produced a series of reports for the CDFI Fund, detailing the methodology for the primary surveys that took place in FY 2011. The Urban Institute contract expires on September 30, 2012. The CDFI Fund is reviewing the final report which was submitted in October 2012.

The CDFI Fund's Financial Strategies and Research office made important improvements to the CIIS data reporting system in FY 2012 to improve the quality of data being reported by CDEs, including expanding the data collected on fees associated with NMTC transactions.

NMTC Activities to Date

Allocation agreements were executed with each of the 664 allocatees from the first nine rounds. As of September 30, 2012, allocatees had reported raising QEIs totaling more than $28.9 billion. This figure represents almost 88 percent of the $33 billion in allocation authority issued to CDEs to date. In fiscal year 2012, over $5.0 billion in QEIs were raised.

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

All results in the chart below represent the allocatees' CIIS data reported for fiscal year 2012 (program year 2011). As shown in the table below, for this program year allocatees reported making $5.5 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs), and a total of $26.4 billion of loans and investments in QALICBs since the program's inception. In FY 2012, allocatees reported that these funds will create 31,405 jobs and funded construction-related jobs totaling 52,448. In FY 2012, 53.3 percent of the dollars invested were invested in "real estate QALICBs" (i.e., businesses that develop or lease real property for use by others). In addition, 45.7 percent of the dollars were invested in "non-real estate QALICBs" (i.e., operating businesses) in low-income communities, and the remaining one percent of investments were direct investments into other CDEs. Allocatees reported providing $856,979 in financial counseling and other services to 8,323 businesses in low-income communities. Adding together all QLICIs yields a grand total of $26.4 billion of cumulative investments was reported in CIIS since 2003. The data reported in FY 2012 represents the allocatees' 2011 activities.

Annual Performance of NMTC Program Allocatees for FY 2012
(Based on Program Activities Reported in 2011)

Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICI)	**$5,518,906,558**
Number of QLICI	1,278
Real Estate Activity (Investments in QALICB*)	**$2,943,303,798**
Number of QLICI	685
Non-Real Estate Activity (Investments in QALICB)	**$2,524,022,844**
Number of QLICI	578
Loans/Investments Made to Other Community Development Entities (CDEs)	**$51,579,916**
Number of QLICI	15
Percent of Loans/Investments in Severely Distressed Communities†	**70.6%**
Jobs at Reporting Period End	**31,405**

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

Projected Construction Jobs	**52,448**
Affordable Housing Units Financed	**2,967**
Rental Units	1,252
Owner Units	1,715
Square Feet of Commercial Real Estate	**18,629,898**
Manufacturing	4,834,029
Office	7,653,933
Retail	6,141,936
Businesses Financed	**578**
Financial Counseling and Other Services	
Total Investments	$856,979
Number of Businesses Served	8,323

Cumulative Performance of NMTC Program Allocatees[*]
(Based on Program Activities Reported in 2003-2011)

Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICI)	**$26,436,582,401**
Number of QLICI	6,814
Real Estate Activity (Investments in QALICB)	**$15,452,128,443**
Number of QLICI	3,419
Non-Real Estate Activity (Investments in QALICB)	**$10,337,013,471**
Number of QLICI	3,208
Loans/Investments Made to Other Community Development Entities (CDEs)	**$647,440,487**
Number of QLICI	187
Percent of Loans/Investments in Severely Distressed Communities	**70.5%**
Jobs at Reporting Period End	**111,277**
Projected Construction Jobs	**247,555**
Affordable Housing Units Financed	**7,488**
Rental Units	3,477
Owner Units	4,011
Square Feet of Commercial Real Estate	**109,305,592**
Manufacturing	17,147,937
Office	49,446,383
Retail	42,711,272
Businesses Financed[†]	**1,781**
Financial Counseling and Other Services	
Total Investments	$33,053,365
Number of Businesses Served	34,295

[*] Numbers of Qualified Low-Income Community Investments (QLICI) refer to the number of transactions, not the number of New Markets Tax Credit projects.
[†] The cumulative estimate of businesses financed nets out those businesses that have reported in multiple years as part of the same project.

Bank Enterprise Award Program

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

Providing monetary awards for reinvestment in distressed communities leverages the CDFI Fund's dollars and puts more capital to work in distressed communities throughout the nation. The BEA Program is highly targeted to areas with larger populations. In general, approximately 14,000 Census Tracts qualify as distressed communities under the program.

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

Promoting CDFI Investments through the BEA Program

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

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

Eligibility

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

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

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

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

FY 2011 BEA Program Awards

The CDFI Fund announced the 2011 BEA awardees during the first quarter of FY 2012. Seventy seven (77) FDIC-insured institutions were selected to receive approximately $22 million in FY 2011 BEA Program awards. In the FY 2011 funding round, awardees provided $59.7 million in qualified loans or investments in distressed communities, $7.4 million in qualified loans, deposits and technical assistance to CDFIs, and $358 thousand in qualified financial services in distressed communities.

FY 2012 BEA Program Awards

In FY 2012, the CDFI Fund received 71 eligible applications requesting a total of approximately $88.5 million, compared to 82 applications requesting a total of approximately $78 million in FY 2011. FY 2012 applicants are headquartered in 22 states and the District of Columbia, compared to the 23 states and the District of Columbia represented in the prior year. The FY 2012 BEA Program application encountered delays in order to include mandated Congressional language that at least 10 percent of BEA Program Awards are used for projects that serve populations living in Persistent Poverty Counties, as defined below[*]. Therefore, the CDFI Fund's BEA Program awards will not be announced until the first quarter of FY 2013.

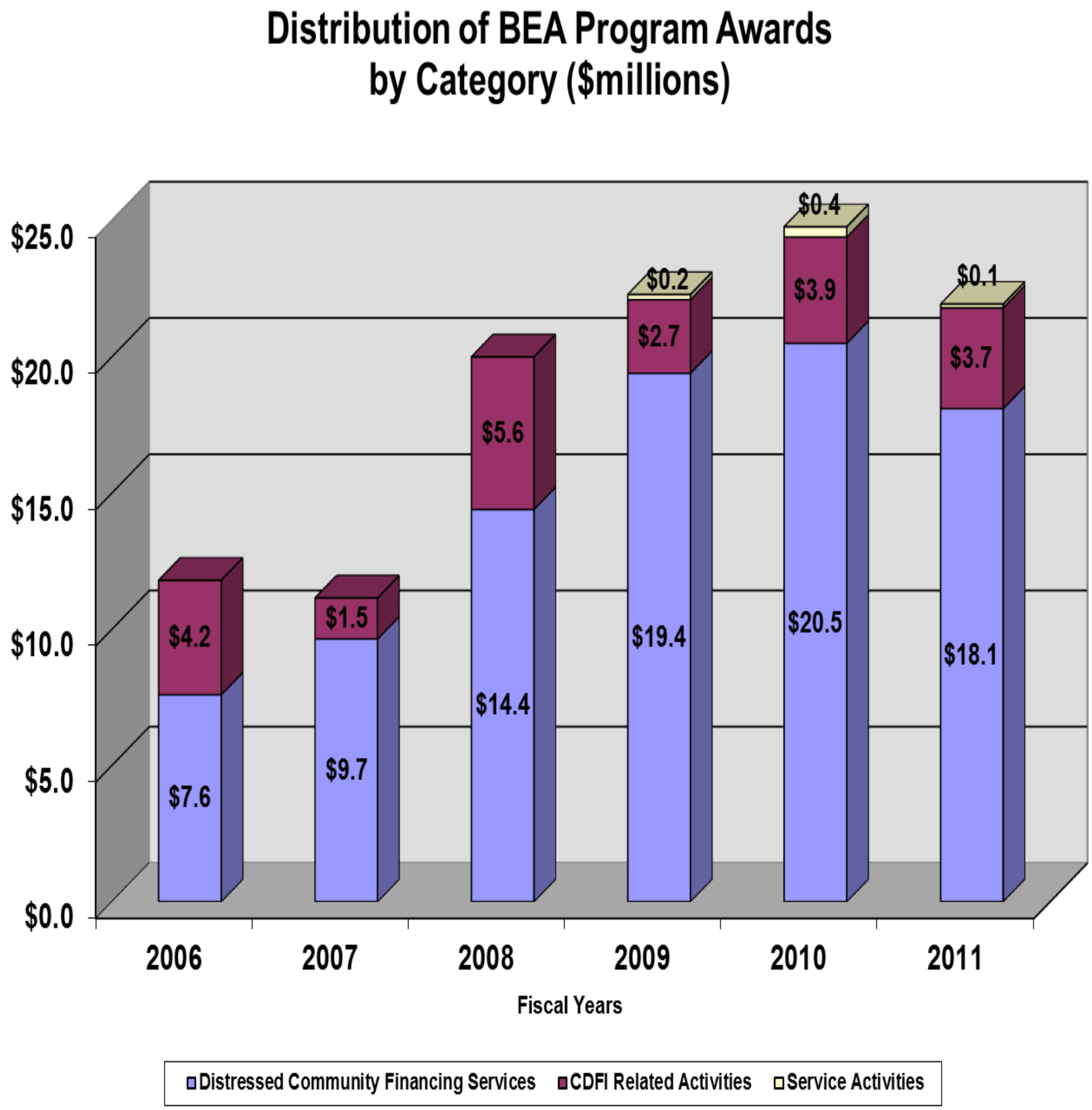
FY 2012 BEA Community Impact

FY 2012 BEA Program applicants increased their qualified community development activities by $432.4 million over the prior year's awardees:

- $403.5 million increase in loans and investments in distressed communities;
- $23.4 million increase in loans, deposits, and technical assistance to CDFIs; and
- $5.5 million increase in the provision of financial services in distressed communities.

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

[*] The appropriation language defined Persistent Poverty Counties as any county that has had 20 percent or more of its population living in poverty over the last 30 years, as measured by the 1990 and 2000 decennial censuses, and the 2010 American Community Survey.



* The 2012 BEA Program award announcement is expected during the first quarter of FY 2013.

Financial Education and Counseling Pilot Program

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

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

All awardees are required to submit performance reports for three years following the receipt of grant funds. No funding was appropriated for FY 2011 and FY 2012.

Capital Magnet Fund

In its inaugural FY 2010 funding round for the Capital Magnet Fund (CMF), the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards will be used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities. The CDFI Fund received a total of 230 applications requesting $1 billion for the FY 2010 CMF funding round. No funding was appropriated for FY 2011 and FY 2012.

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

CDFI Bond Guarantee Program

The CDFI Bond Guarantee Program (BG Program) was enacted through the Small Business Jobs Act of 2010. Through the BG Program, the Secretary of the Treasury will provide a 100 percent guarantee of bonds (including principal, interest, and call premiums) issued by Qualified Issuers. Bonds issued through the program will support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Qualified Issuers will use bond proceeds to finance loans for eligible community and economic development purposes. In FY 2012, the CDFI Fund developed the program structure and terms and conditions. Assuming that Congress provides the requisite appropriations authority, the CDFI Fund will begin program implementation in FY 2013. In each of FY 2013 and FY 2014, the CDFI Fund anticipates providing up to $1 billion in bond guarantees to qualified bond issuers.

Financial Management

Status of Financial Management

This section includes the assurance statement required under the Federal Managers' Financial Integrity Act, a summary of the results of the FY 2012 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2012, and a discussion of the CDFI Fund's financial position and results of operations during the past fiscal year.

Management Assurances

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

The systems of management control for the CDFI Fund organizations under my purview are designed to ensure that:

(a) Programs achieve their intended results;
(b) Resources are used consistent with overall mission;
(c) Programs and resources are free from waste, fraud, and mismanagement;
(d) Laws and regulations are followed;
(e) Controls are sufficient to minimize any improper or erroneous payments;
(f) Performance information is reliable;
(g) System security is in substantial compliance with all relevant requirements;
(h) Continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and
(i) Financial management systems are in compliance with federal financial systems standards, i.e., FMFIA Section 4 and FFMIA.

For all CDFI Fund responsibilities, we provide herein reasonable *assurance* that the above listed management control objectives, taken as a whole were achieved by our office during FY 2012. Specifically, this assurance is provided with reference to Sections 2 and 4 of the FMFIA. I further assure that the CDFI Fund's financial management systems are in substantial compliance with requirements imposed by FFMIA.

The analytical basis for this assurance being provided is based on management knowledge derived from day-to-day management operations, monitoring of program results, and ongoing observations of staff and program operations.

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

Donna J. Gambrell

Donna Gambrell

Director, CDFI Fund

Description of the CDFI Fund’s Financial Management System

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

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

Results of FY 2012 Financial Statement Audit

The FY 2012 audit of the CDFI Fund’s financial statements resulted in an unqualified opinion.

FY 2012 Financial Management Initiatives

In FY 2012, financial management focus was on continuing to implement the information technology initiatives identified in FY 2011.

Community Investment Impact System (CIIS)

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

Cumulatively through FY 2012, CIIS was used by 597 CDFIs and 218 CDEs to report institutional-level data, with 44 organizations reporting in both categories. Through FY 2012, a cumulative 294 organizations submitted data on more than 481,000 transactions in CDFI loan/investment portfolios.

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

In accordance with the Transparency Act, the Privacy Act and other applicable laws and regulations, the CDFI Fund released to the public in December 2011 the CDFI institutional and transactional level CIIS data for the 2004-2010 reporting years. The last data release for the 2003-2005 reporting period included only data from the Institutional Level Report (ILR) and took place in December 2007. Since then, the size and scope of the CDFI data have increased significantly by two orders of magnitude as it now includes detailed Transaction-Level Report (TLR) data.

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

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

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

Use of Grants.gov for Paperless Processing of Grant Applications

The Federal Financial Assistance Management Improvement Act (FFAMIA) requires all federal grant-making agencies to migrate 100 percent of their electronic grant program applications to the Grants.gov system administered by the Department of Health and Human Services. In FY 2012, the CDFI Fund achieved 99% compliance with the FFAMIA. The CDFI Fund was not able to receive five grant applications through Grants.gov out of 478 total grant applications. During the transition of the Central Contractor Registration (CCR) to the System for Award Management (SAM), five CDFI Fund grant applicants were unable to complete the registration process for SAM prior to the CDFI Fund grant application deadline; therefore, these five applicants were unable to use Grants.gov to apply. The CDFI Fund intends to continue working with Grants.gov for the receipt of all future grant applications.

Migration to an Award Management Information System for Internal Application Processing

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

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

The CDFI Fund is in the acquisition phase for AMIS. Previously, the CDFI Fund had analyzed its mission-oriented business processes and developed a single, enterprise business model that streamlined and eliminated redundancies, and removed stove-piped and program-specific procedures. Based on this enterprise business model, the CDFI Fund developed and released an acquisition package for AMIS. The CDFI Fund plans to award an AMIS contract in early FY 2013 and complete deployment of AMIS in early FY 2015. With the deployment of AMIS, the CDFI Fund expects to be able to handle larger volumes of grants, tax credits, and loan portfolios while achieving more transparency and better data quality, and providing better service to customers.

Federal Funding Accountability and Transparency Act

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

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

Management Responsibilities

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

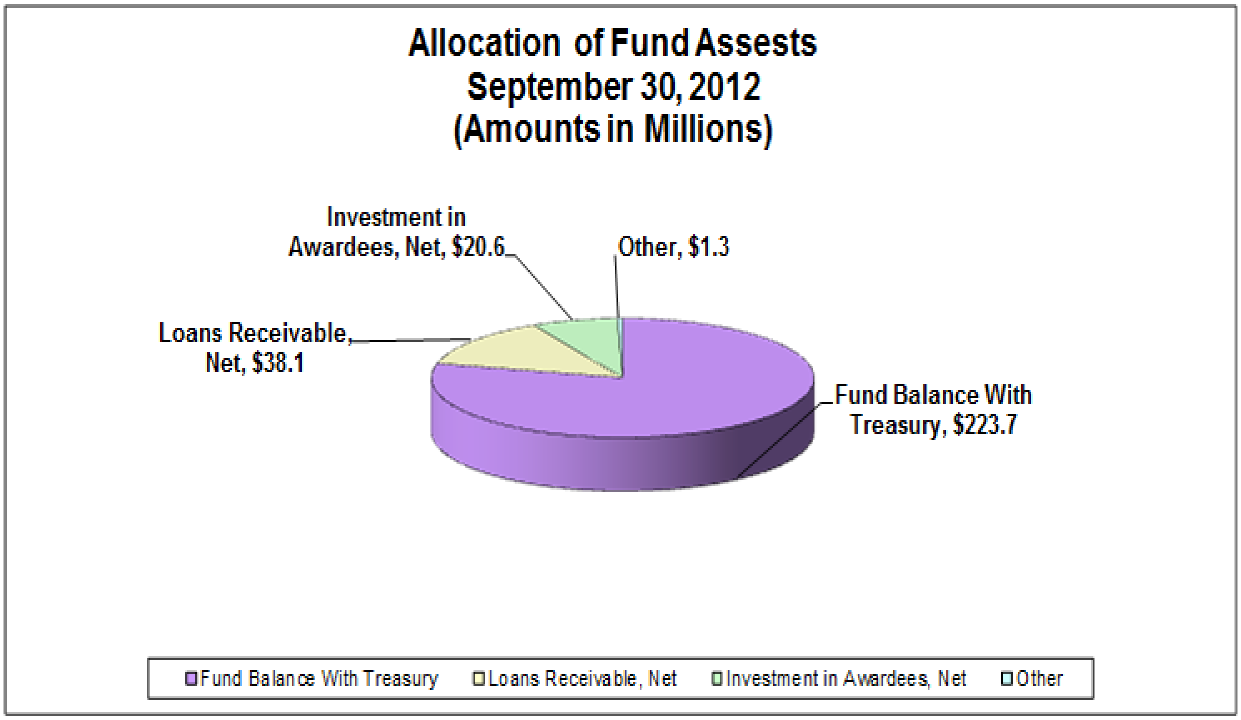
Limitations of the Financial Statements

The financial statements report the financial position and results of operations of the CDFI Fund for the fiscal years ending on September 30, 2012 and 2011, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(Amounts in Millions)

	FY 2012	FY 2011	Increase / (Decrease)
Assets	$283.7	$258.4	$25.3
Liabilities	$58.2	$80.1	($21.9)
Net Position	$225.6	$178.2	$47.4
Revenue and Financing Sources	$172.3	$248.3	($76.0)
Expenses	$172.9	$249.5	($76.6)
Shortage of Revenue and Financing (Net Loss)	($0.6)	($1.2)	$0.6



Assets

Assets increased by $25.3 million during FY 2012, consisting primarily of a $32.9 million increase in the Fund Balance with Treasury which includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments. Loans receivable also decreased due to $6.4 million in loan repayments.

Fund Balance with Treasury

The Fund Balance with Treasury reflected a $32.9 million increase from the prior year, due to differences in the timing of when appropriation revenue is received versus when expenses are paid.

Loans Receivable

Loans receivable are increased when loan awards (under the CDFI and NACA programs) are disbursed by the CDFI Fund and decreased for loan repayments and loan write-offs. During FY 2012, net loans decreased by $7.1 million resulting, in part, from loan repayments of $6.4 million and an increase in the allowance for bad debts of $0.8 million. The CDFI Fund had a slight increase in delinquent and impaired loans resulting in an increase in the allowance for bad debts.

Investments

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

- Non-voting equity securities - $14.6 million
- Convertible subordinated debt - $0.5 million
- Limited partnerships - $2.4 million
- Secondary Capital - $3.1 million
- Certificates of Deposit - $0.05 million

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

Liabilities

The decrease in liabilities during the year of $21.9 million consisted primarily of a decrease in awards payable of $20.0 million and a decrease in debt of $2.6 million.

Awards Payable

Awards payable consists of CDFI Program awards of $22.6 million and BEA Program awards of $0.2 million. Awards payable decreased by $20.0 million in FY 2012 as most CDFI Program awards were announced and disbursed within FY 2012.

Debt

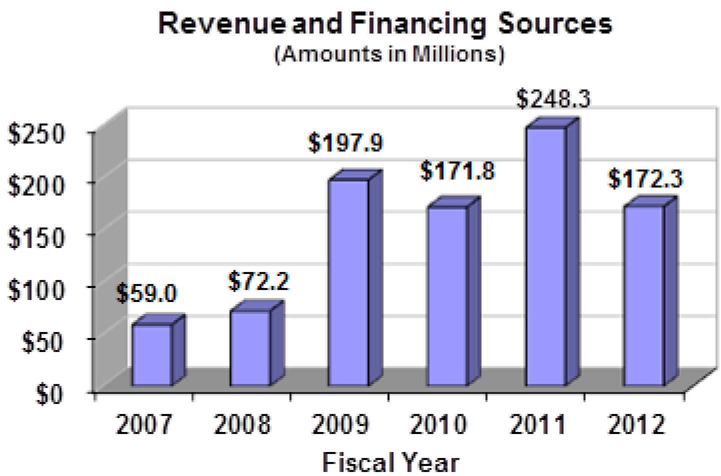
During FY 2012, the CDFI Fund borrowed $3.7 million due to a downward subsidy reestimate and $0.5 million to meet annual interest payments due to the Treasury Department, at interest rates ranging partly from 1.85% to 6.48%, depending on maturity dates or risk categories. The CDFI Fund borrowing was partly offset by the repayments of amounts borrowed from Treasury totaling $6.7 million. Principal repayments collected from awardee loans during the year are used to repay the Treasury borrowings, and therefore amounts collected and repaid to Treasury each year will vary from year to year, as they are a function of awardee loan terms.

Net Position

Net position increased during the year by $47.4 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received (net of appropriations cancelled, rescinded and adjusted for credit subsidy reestimates) and appropriations used; 2) any adjustment of the CDFI Fund's subsidy reestimate; and 3) the excess (shortage) of revenue and financing sources over (under) expenses. During FY 2012, appropriations received and appropriations for subsidy reestimate (net of amounts cancelled, rescinded and downward subsidy reestimate) were $217.6 million, and appropriated capital used was $169.7 million resulting in an increase in net position of $47.9 million. This increase in net position was offset slightly by the $0.6 million loss recorded by the CDFI Fund in FY 2012.

Revenue and Financing Sources

The primary source of revenue and financing sources for the CDFI Fund is the annual appropriation used to fund expenses ("appropriated capital used" as reflected in the statement of operations). Pursuant to Federal grant accounting requirements, the amount of appropriated funds recognized as revenue is, with certain adjustments, equal to the amount of operating expenses for the year. Operating expenses for the year excluding those paid by others were $170.0 million.



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Expenses

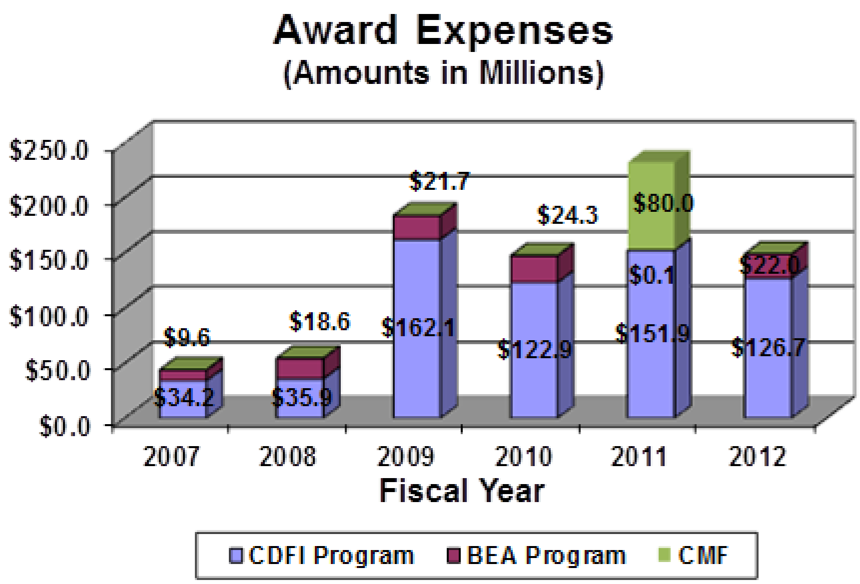
The change in the CDFI Fund's operating expenses, excluding administrative expenses paid by others during FY 2012 and FY 2011, consisted of the following:

Comparison of Operating Expenses
Excluding Administrative Expenses Paid by Others
Fiscal Years 2012 and 2011
(Amounts in Millions)

	FY 2012	FY 2011	Difference
Award Expenses	$148.6	$232.0	($83.4)
Administrative Expenses	$20.6	$18.2	$2.4
Bad Debt Expense	$0.8	($4.2)	$5.0
Total **Operating** Expenses	$170.0	$246.0	($76.0)

Award Expenses

Award expenses during the year decreased $83.4 million primarily due a decrease of $80.0 million in CMF awards; the CMF Program ended in FY 2011. CDFI Program award expenses decreased $25.2 million and BEA award expenses increased $21.8 million due to the timing of the awards.



Administrative Expenses
Administrative expenses increased by $2.4 million during FY 2012 primarily due to a $1.9 million increase in Bond Guarantee Program expenses and a $0.9 million increase in contractual services resulting from information technology enhancement projects. These increases were partially offset by a $0.6 million decrease in rent, communications, utilities and miscellaneous charges.

Bad Debt Expense
Bad debt expense is a function of the impairment related to loans receivable at year-end including impact of certain loan modifications made during the year. The CDFI Fund performs an analysis process that includes a loan-by-loan review using key financial ratios from the awardees' most recent audited financial statements. This analysis results in both specific and general estimates of allowance necessary for FY 2012 and FY 2011. Bad debt expense increased during FY 2012 by $0.8 million due to an increase in delinquent and impaired loans.

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

For FY 2012, expenses not covered by budgetary resources totaled $1.7 million, consisting of interest expense on Treasury borrowings. Interest and dividend income totaled $1.7 million.

In FY 2012, the CDFI Fund recorded an investment impairment loss of $0.3 million.

Independent Auditors' Report

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

Independent Auditors' Report

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the accompanying statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2012 and 2011, and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the CDFI Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Financial Institutions Fund as of September 30, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2012, on our consideration of the CDFI Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 12, 2012

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

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2012 and 2011 and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2012.

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

The management of the CDFI Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our fiscal year 2012 audit, we considered the CDFI Fund's internal control over financial reporting by obtaining an understanding of the design effectiveness of the CDFI Fund's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Exhibit I presents the status of the prior year's material weaknesses.

We noted a certain additional matter that we have reported to management of the CDFI Fund in a separate letter dated November 12, 2012.

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

KPMG LLP

November 12, 2012

Exhibit I

Community Development Financial Institutions Fund

Status of Prior Year's Findings

Fiscal Year 2011 Findings & Recommendations	Deficiency Type	Fiscal Year 2012 Status
I-A Grant Accruals - Implement policies, procedures and controls for grant accruals	Material Weakness	Closed
I-B Grant Disbursements - Refine policies and procedures for timing of fund disbursements	Material Weakness	Closed

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

Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2012 and 2011, and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2012.

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

The management of the CDFI Fund is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the CDFI Fund. As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements are free of material misstatement, we performed tests of the CDFI Fund's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the CDFI Fund. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

We noted a certain additional matter that we have reported to management of the CDFI Fund in a separate letter dated November 12, 2012.

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

KPMG LLP

November 12, 2012

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2012 and 2011

Assets		2012	2011
Fund Balance with Treasury (Note 5)	$	223,738,732	190,790,334
Advances and prepayments		155,920	268,995
Loans receivable, net of allowance for bad debts of $7,822,492 in 2012 and $7,052,981 in 2011 (Note 6)		38,119,879	45,247,578
Investments, amortized cost (Note 7)		3,636,860	3,922,396
Investments, cost method (Note 9)		14,554,770	14,610,771
Investments, equity method (Note 10)		2,405,372	2,615,220
Interest and other receivable		491,426	296,172
Internal-use software, net of accumulated amortization of $4,458,544 in 2012 and $4,291,958 in 2011		435,011	601,597
Internal-use software in development		208,345	-
Total assets	$	283,746,315	258,353,063
Liabilities and Net Position			
Accounts payable	$	1,104,506	636,399
Awards payable		22,782,621	42,752,841
Accrued payroll		541,847	479,408
Accrued annual leave		582,756	510,498
Debt (Note 11)		33,180,363	35,731,306
Total liabilities		58,192,093	80,110,452
Commitments (Note 12)			
Unexpended appropriations (Note 13)		208,892,405	160,937,168
Cumulative results of operations		16,661,817	17,305,443
Total net position		225,554,222	178,242,611
Total liabilities and net position	$	283,746,315	258,353,063

The accompanying notes are an integral part of these statements

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
Years Ended September 30, 2012 and 2011

		2012	2011
Revenue and financing sources:			
Appropriations	$	169,650,386	245,929,283
Imputed other income - expenses paid by others (Note 14)		903,840	895,512
Interest, non-federal		918,960	1,062,081
Interest, federal		82,572	134,717
Dividends		131,919	130,780
Other		260,811	78,587
Equity in income of associates, net		352,146	74,109
Total revenue and financing sources		172,300,634	248,305,069
Expenses:			
CDFI and CMF grants (Note 15)		126,682,863	231,927,165
BEA grants		21,951,000	125,100
Administrative expenses (Note 16)		20,580,133	18,183,728
Increase in (reversal of) bad debt expense		769,511	(4,225,036)
Administrative expenses paid by others (Note 14)		903,840	895,512
Total operating expenses		170,887,347	246,906,469
Interest expense, federal		1,742,070	1,865,874
Impairment losses		145,764	777,649
Discount on investments		169,079	-
Total expenses		172,944,260	249,549,992
Net loss	$	(643,626)	(1,244,923)
Cumulative results of operations, beginning of year	$	17,305,443	18,550,366
Net loss		(643,626)	(1,244,923)
Cumulative results of operations, end of year	$	16,661,817	17,305,443

The accompanying notes are an integral part of these statements

Community Development Financial Institutions Fund
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Net loss	$	(643,626)	(1,244,923)
Adjustments to reconcile net loss to net cash (used in) provided by operations:			
Impairment losses		145,764	777,649
Discount on investments		169,079	-
Equity in gain of associates		(352,146)	(74,109)
Amortization expense (Note (4h))		166,586	351,857
Accretion of discount		(73,307)	(73,307)
Increase in (reversal of) bad debt expense		769,511	(4,225,036)
Change in assets and liabilities:			
Decrease (increase) in advances and prepayments		113,075	(23,140)
Decrease (increase) in interest and other receivable		(195,254)	147,788
Increase in accounts payable and accrued payroll		530,546	441,809
Increase (decrease) in awards payable		(19,970,220)	10,859,118
Increase (decrease) in accrued annual leave		72,258	(1,526)
Net cash (used in) provided by operating activities		(19,267,734)	6,936,180
Cash flows from investing activities:			
Proceeds from disposition of investments		661,995	477,005
Internal-use software in development		(208,345)	-
Disposition of internal-use software		-	61,069
Collection of loan principal		6,358,188	3,249,022
Net cash provided by investing activities		6,811,838	3,787,096
Cash flows from financing activities:			
Increase (decrease) in unexpended appropriations, net		47,955,237	(17,631,534)
Borrowings from Treasury		4,158,278	1,805,699
Borrowing re-payments to Treasury		(6,709,221)	(7,813,743)
Net cash provided by (used in) financing activities		45,404,294	(23,639,578)
Net change in Fund Balance with Treasury		32,948,398	(12,916,302)
Fund Balance with Treasury, beginning of year		190,790,334	203,706,636
Fund Balance with Treasury, end of year	$	223,738,732	190,790,334

The accompanying notes are an integral part of these statements

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2012 and 2011

(1) Description of Reporting Entity

The Community Development Financial Institutions Fund (CDFI Fund) was created as a bipartisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law No. 103-325). The CDFI Fund was placed in the Department of the Treasury and began operations in July 1995.

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund is intended to help create a national network of financial institutions dedicated to community development that leverages private resources (financial and human) to address community development needs.

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

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

The CDFI Fund implemented the New Markets Tax Credit (NMTC) Program during fiscal year 2002. Under this program, the CDFI Fund provides an allocation of tax credits to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the CDFI Fund's grant programs, the allocation of tax credits to CDEs has no effect on the financial statements of the CDFI Fund.

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

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

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

(2) Community Development Financial Institutions Bond Guarantee Program

The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. The CDFI Fund will serve as the program administrator and the U.S. Department of the Treasury (Treasury Department) will guarantee the full amount of notes or bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds or notes are intended to support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs. The law provides $13.5 million be made available to the CDFI Fund to establish and administer the program. The CDFI Fund expects to promulgate program regulations during fiscal year 2013, and subject to Congressional action, begin program implementation in fiscal year 2013.

(3) Limitations of the Financial Statements

The financial statements report the financial position and results of operations of the CDFI Fund for the fiscal years ending on September 30, 2012 and 2011, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

(4) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Reclassifications

In fiscal year 2012, changes to the presentation of Footnote 16, Administrative Expenses, were made, and as such, fiscal year 2011 balances reported in Footnote 16 have been reclassified to conform to the presentation in the current year.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant items subject to such estimates include allowance for bad debts and the identification and valuation of investment impairments.

(d) ***Fund Balance with Treasury***

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

(e) ***Loans Receivable, net of Allowance for Bad Debts***

Loans receivable relate to direct loans made to certain CDFI Program awardees and are recorded at face value 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. During fiscal years 2012 and 2011, the CDFI Fund received requests from awardees requesting an extension of their maturity dates. The requests were processed in collaboration with the Department of the Treasury Office of the Deputy Chief Financial Officer (DCFO). A restructuring of a loan constitutes a troubled debt restructuring for purposes of FASB ASC-310-40 if the creditor grants a concession to the debtor that it would not otherwise consider. While the loan extensions are being processed, awardees do not make principal payments. The CDFI Fund continues to accrue and collect interest on all loans that are under restructuring.

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

(f) ***Interest and Other Receivable***

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

(g) ***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 Entity Interest Accounting.

- 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.

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

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

For non-voting equity securities and limited partnerships, a decline in the fair value of any security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine if an impairment is other-than-temporary, the CDFI Fund considers whether (1) it has the ability and intent to hold the investment until a market price recovery and (2) evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the industry in which the investee operates.

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

The software is amortized using the straight-line method over the estimated useful life of seven years. Amortization expense for the years ended September 30, 2012 and 2011 was $166,586 and $351,857, respectively.

(i) Internal-Use Software in Development

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

(j) Leases

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

(k) Awards Payable

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

(l) Retirement Plans

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

Employees hired prior to January 1, 1984, were provided an opportunity to join either FERS and Social Security or remain in CSRS. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2012 and 2011 was $764,252 and $681,519, respectively.

For all employees, a Thrift Savings Plan (TSP) account is automatically established, and the employee can have up to a predetermined maximum amount withheld from their base salary, which is deposited into their TSP account. For FERS employees only, the CDFI Fund makes matching contributions ranging from 1% to 4% for employees who contribute to their TSP account (there is no matching contribution for CSRS employees). The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2012 and 2011 was $276,937 and $244,419, 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, 2012 and 2011 was $45,686 and $46,181, respectively.

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

(m) Annual, Sick, and Other Leave

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

(n) ***Debt***

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

(o) ***Contingencies***

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

(p) ***Revenue and Other Income***

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

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

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

(q) ***Tax Status***

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

(r) ***Fair Value Measurements***

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the CDFI Fund has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

See Note 8 for more information and disclosures relating to the CDFI Fund's fair value measurements.

(s) Recent Accounting Pronouncements

In January 2010 FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, providing amendments to ASC Topic 820, *Fair Value Measurements and Disclosures*. These amendments require new disclosures pertaining to activity in Level 3 fair value measurements. The new disclosures are effective for annual reporting periods beginning after December 15, 2010. The new guidance expands the CDFI Fund's fair value disclosures but has not had any impact on its statements of financial position or statements of operations.

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

(t) Newly Issued Not Yet Effective Accounting Standards

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

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, providing amendments to ASC Topic 820, *Fair Value Measurements*. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. A nonpublic entity is required to apply the ASU prospectively for annual periods beginning after December 15, 2011. The CDFI Fund does not expect that these amendments will have a material impact on its statements of financial position or statements of operations.

(5) Fund Balance with Treasury

Fund Balance with the Department of the Treasury as of September 30, 2012 and 2011 consisted of the following components:

		2012	2011
Available	$	43,293,027	53,503,763
Obligated		176,682,185	135,472,769
Expired		3,763,520	1,813,802
	$	223,738,732	190,790,334

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

(6) Loans Receivable

The CDFI Fund assesses and monitors the credit quality of its loans on an ongoing basis using audited financial statements of awardees. All loans receivable are considered part of the CDFI Fund's business loan portfolio; the CDFI Fund does not further disaggregate loans by segment or class. All loans receivable have been assessed and monitored through September 30, 2012.
The CDFI Fund is exposed to several risk factors related to its 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.

As of September 30, 2012 the CDFI Fund had a total recorded investment in impaired loans from troubled debt restructurings of $4,402,500 of which $3,582,500 had a related allowance for bad debt of $2,322,500. The amount of the recorded investment in impaired loans for which there is no related allowance for bad debt is $820,000. The CDFI Fund had a total recorded investment in other impaired loans of $1,636,870 and a $1,546,870 related allowance for bad debt. As of September 30, 2011 the CDFI Fund had a total recorded investment in impaired loans from troubled debt restructurings of $3,705,000 of which $3,375,000 had a related allowance for bad debt of $1,965,000. The amount of the recorded investment in impaired loans for which there is no related allowance for bad debt was $330,000. The CDFI Fund had a total recorded investment in other impaired loans of $1,236,870 and a $1,236,870 related allowance for bad debt.

During the years ended September 30, 2012 and 2011 the CDFI Fund had average recorded investments in impaired loans of $5,766,037 and $4,745,203, respectively. During these years the CDFI Fund recognized related interest income of $99,950 and $83,620, respectively. The CDFI Fund recognizes interest income on impaired loans as earned in accordance with loan agreements.

For the years ended September 30, 2012 and 2011, grants in the amount of $0 and $3,000,000, respectively, were disbursed to debtors owing receivables whose terms have been modified in troubled debt restructurings. As of September 30, 2012 and 2011 there were commitments in the amount of $4,961,418 and $0, respectively to disburse grants to debtors owing receivables whose terms have been modified in troubled debt restructurings.

The activity in the allowance for bad debt and recorded investment in loans receivable for the years ended September 30, 2012 and 2011 were as follows:

		2012	2011
Allowance for bad debt:			
Beginning balance	$	7,052,981	11,278,017
Write-offs		-	-
Recoveries		-	-
Provision	$	769,511	(4,225,036)
	$	7,822,492	7,052,981
Individually evaluated for impairment	$	3,869,370	3,201,870
Collectively evaluated for impairment	$	3,953,122	3,851,111
Loans receivable:			
Individually evaluated for impairment	$	9,093,338	9,395,838
Collectively evaluated for impairment	$	36,849,033	42,904,721
	$	45,942,371	52,300,559

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

Credit Quality Indicators	Descriptions
Pass	Timely interest and principal payments; strong debt service capacity, liquidity and viability; very favorable operating environment.
Doubtful	Weak debt service capacity, liquidity and/or viability; evidence of financial deterioration; likely to repay but with hardship.
Loss	Poor financial performance; serious liquidity, debt service capacity and/or viability issues; going concern issues; full loss is probable.

The credit quality indicators for loans receivable as of September 31, 2012 and 2011 were as follows:

Total Loans

		2012	2011
Pass	$	40,723,001	47,688,689
Doubtful		2,250,000	2,350,000
Loss		2,969,370	2,261,870
Total	$	45,942,371	52,300,559

The following table provides an analysis of the aging of the past due loans receivable as of September 31, 2012 and 2011:

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
2012	$ -	-	1,150,000	1,150,000	44,792,371	45,942,371	-

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Financing Receivables	Recorded Investment > 90 Days and Accruing
2011	$ -	-	1,000,000	1,000,000	48,300,559	49,300,559	-

The following table illustrates certain required information related to impaired loans as of September 31, 2012 and 2011:

2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Loans	$ 820,000	820,000	-	546,667	20,600
With an allowance recorded:					
Loans	5,219,370	5,219,370	3,869,370	5,219,370	79,350
Total	$ 6,039,370	6,039,370	3,869,370	5,766,037	99,950

2011	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Loans	$ 330,000	330,000	-	206,250	15,675
With an allowance recorded:					
Loans	4,611,870	4,611,870	3,201,870	4,538,953	67,945
Total	$ 4,941,870	4,941,870	3,201,870	4,745,203	83,620

The loans receivable in nonaccrual status as of September 30, 2012 and 2011 are as follows:

	2012	2011
Total	$ 1,150,000	$ 1,000,000

(7) Investment Securities

The carrying amount, net of applicable discounts, gross unrealized holding losses and fair value of held-to-maturity debt securities by major security type at September 30, 2012 and 2011 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2012:			
Certificates of deposit	$ 50,000	$ -	$ 50,000
Convertible debt securities	456,412	-	456,412
Secondary capital securities	3,130,448	-	3,130,448
Total	$ 3,636,860	$ -	$ 3,636,860
Investments, Held-to-Maturity at September 30, 2011:			
Certificates of deposit	$ 150,000	$ -	$ 150,000
Convertible debt securities	368,206	-	368,206
Secondary capital securities	3,404,190	-	3,404,190
Total	$ 3,922,396	$ -	$ 3,922,396

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2012:

	Fair Value	Net Carrying Amount
Held-to-Maturity:		
Due within one year	$ 1,047,194	$ 1,047,194
Due after one through five years	74,617	74,617
Due after five through ten years	800,000	800,000
Due after ten years	1,715,049	1,715,049
	$ 3,636,860	$ 3,636,860

The CDFI Fund evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Significant factors considered include investee audit opinions, regulatory findings and trends in various financial criteria. Based on this evaluation, the CDFI Fund recognized no other-than-temporary impairment losses of these investments in 2012 or 2011.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2012 and 2011, this category consists of one debenture of $2 million notional amount (amortized cost of $456,412 and $368,206 as of September 30, 2012 and 2011, respectively) which matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price.

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

Certificate of deposit is an investment in a federal credit union awardee, and has an interest rate of zero percent.

(8) 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, 2012 and 2011. 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.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Fund Balance with Treasury	$ 223,738,732	$ 223,739,000	$ 190,790,334	$ 190,790,000
Loans receivable	38,119,879	27,594,000	45,247,578	30,428,000
Investments, amortized cost	3,636,860	3,637,000	3,922,396	3,922,000
Investments, cost method	14,544,770	21,497,000	14,610,771	21,608,000
Interest and other receivable	491,426	491,000	296,172	296,000
Financial liabilities:				
Awards payable	22,782,621	22,783,000	42,752,841	42,753,000
Debt	33,180,363	21,658,000	35,731,306	23,772,000

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

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

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

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

(b) Fair Value Hierarchy

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

There were no assets measured at fair value on a nonrecurring basis in 2012 or 2011 that were still on the balance sheet at year end.

Investments with a carrying value of $89,764 were written down to their fair value of $0 resulting in an impairment loss of $89,764, which was included in earnings for 2012.

(9) Cost Method Investments

Investments accounted for under the cost method consist of non-voting common stock held in for-profit CDFI Program awardees and preferred non-voting stock held in two awardees. The aggregate amount of these investments is $14,554,770 and $14,610,770 at September 30, 2012 and 2011, respectively. All securities were evaluated for impairment. One investment was written off during fiscal year 2012 totaling $56,000. Four investments were written off during fiscal year 2011 totaling $777,649.

(10) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in Sustainable Jobs Fund, LP (12%), an interest in Pacific Community Ventures (9%) and a non-voting redeemable transferable interest in BCLF Ventures II, LLC (18%). Equity method investments totaled $2,405,372 and $2,615,220 at September 30, 2012 and 2011, respectively.

(11) Debt

Debt consists of amounts borrowed from the Department of the Treasury and included the following activity for the years ended September 30, 2012 and 2011:

	2012	**2011**
Beginning balance	$ 35,731,306	$ 41,739,350
New borrowings	4,158,278	1,805,699
Repayments	(6,709,221)	(7,813,743)
Ending balance	$ 33,180,363	$ 35,731,306

The payments to the Department of the Treasury are due on September 30 of each year of maturity. Principal payments on this debt as of September 30, 2012 are as follows:

Fiscal Year	Principal Payments
2013	$ 238,712
2014	154,110
2015	-
2016	-
2017	1,524,396
Later years, through 2037	31,263,145
	$ 33,180,363

During fiscal year 2012, the CDFI Fund borrowed $3,705,275 due to downward subsidy reestimate and $453,003 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.85% to 6.48%, depending on maturity dates or risk categories.

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

Interest paid in cash for the years ended September 30, 2012 and 2011 was $1,742,006 and $1,865,870, respectively.

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

(12) Commitments

(a) Operating Leases

The CDFI Fund leases office space in Washington, D.C. under the terms of an implicit operating lease between the General Services Administration and Eleven Eighteen Limited Partnership which expires in March, 2019. The CDFI Fund also leases equipment under the terms of an operating lease. The total operating lease expense was $931,544 and $1,549,704 for the years ended September 30, 2012 and 2011, respectively.

Future minimum payments due under these operating leases as of September 30, 2012 were as follows:

Fiscal Year		Minimum lease payments
2013	$	932,804
2014		914,218
2015		912,528
2016		912,528
2017		912,528
	$	4,584,606

(b) Award and Purchase Commitments

As of September 30, 2012 and 2011, unfilled award commitments amounted to $151,664,176 and $117,154,017, respectively. Award commitments relate to CDFI Program, NACA Program and CMF awards which were approved by CDFI Fund management but not disbursed as of the end of the year. These 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 $208,091 and $0 as of September 30, 2012 and 2011, respectively, represent reimbursable expenditures and are excluded from these amounts since they are reflected as liabilities on the CDFI Fund's balance sheet. Award commitments pertaining to CDFI Program of $22,574,530 and $37,752,841 as of September 30, 2012 and 2011, respectively, and CMF award commitments of $0 and $5,000,000 as of September 30, 2012 and 2011, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $15,039,755 and $6,926,752 as of September 30, 2012 and 2011, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

(13) Unexpended Appropriations

Unexpended appropriations for the years ended September 30, 2012 and 2011 were as follows:

		2012		**2011**
Beginning unexpended appropriations	$	160,937,168	$	178,568,702
Appropriations received		221,000,000		227,000,000
Appropriations for Subsidy Reestimate		899,248		4,386,127
Appropriations cancelled		(588,350)		(577,630)
Appropriation rescission		-		(454,000)
Appropriations expended		(169,650,386)		(245,929,283)
Downward Subsidy Reestimate Adjustment		(3,705,275)		(2,056,748)
Change in unexpended appropriations		47,955,237		(17,631,534)
Ending unexpended appropriations	$	208,892,405	$	160,937,168

(14) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing include pension costs for CSRS and FERS retirement plans, Health Benefits Program costs, Group Life Insurance Program costs and audit fees. Imputed financing expenses for the years ended September 30, 2012 and 2011 were $903,840 and $895,512, respectively.

(15) CDFI Program and CMF Grant Expense

The CDFI Fund had CDFI Program grant expense of $126,682,863 and $151,927,165 as of September 30, 2012 and 2011, respectively. CMF grant expense was $0 and $80,000,000 as of September 30, 2012 and 2011, respectively.

(16) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2012 and 2011:

		2012		2011
Personnel compensation and benefits	$	8,841,839	$	8,490,763
Bond Guarantee Program expenses		2,012,987		83,371
Travel		169,547		121,099
Rent, communications, utilities and miscellaneous charges		1,172,277		1,804,643
Contractual services		7,857,260		6,973,441
Information technology systems maintenance		84,691		149,582
Amortization		166,586		351,857
Supplies and printing		213,192		220,742
Other		61,754		(11,770)
Total	$	20,580,133	$	18,183,728

(17) Related Party Transactions

The CDFI Fund has Interagency agreements with the Treasury Department. As of September 30, 2012 and 2011 these related party expenses amounted to $3,726,659 and $2,279,678, respectively. As of September 30, 2012 and 2011 related party receivables were $274,763 and $13,951, respectively.

Expenses were recorded as follows for fiscal years 2012 and 2011: Interagency Agreements with Departmental Offices (DO) for financial management services, conference and events; postage; human resources services, for the amount of $1,077,706 and $807,803 for fiscal years 2012 and 2011, respectively. An Interagency Agreement with the Working Capital Fund shared IT services from the Office of the Chief Information Officer, for the amount of $459,637 and $341,947 for fiscal years 2012 and 2011, respectively. An Interagency Agreement with the BPD for accounting services, e-Travel and Prism for the amount of $953,125 and $789,591 for fiscal years 2012 and 2011, respectively. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services for the amount of $1,236,191 and $340,337 for fiscal years 2012 and 2011, respectively.

Receivables were recorded as follows as of September 30, 2012 and 2011: Interagency receivables with DO for IT shared services for $274,763 and $13,951, respectively.

(18) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 12, 2012, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix A: Glossary of Acronyms

A

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

B

BEA – Bank Enterprise Award
BGP – Bond Guarantee Program

C

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

E

ETA – Electronic Transfer Accounts

F

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

G

GMLoB – Grants Management Line of Business

H

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

I

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

N

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

O

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

P

PAR – Performance and Accountability Report

Q

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

S

SECA - Small and Emerging CDFI Assistance

T

TA – Technical Assistance
TLR – Transaction Level Report