Audit Report

OIG-11-024

Audit of the Community Development Financial Institutions Fund's Fiscal Years 2010 and 2009 Financial Statements

November 15, 2010

Office of Inspector General

Department of the Treasury

The Community Development Financial Institutions Fund (CDFI)
Performance and Accountability Report (PAR) FY 2010
does not conform to the requirements of Section 508 of the Rehabilitation Act;

To obtain a Section 508 compliant copy of CDFI's FY 2010 PAR,
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 15, 2010

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 2010 and 2009 Financial Statements

I am pleased to transmit the attached audited Community Development Financial Institutions Fund (CDFI) financial statements for fiscal years 2010 and 2009. 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, 2010 and 2009 and the related statements of operations and changes in net position and cash flows for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

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

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

In its audit, KPMG LLP found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. However, KPMG LLP identified a significant deficiency related to accounting for investments, which was not considered a material weakness. Further, KPMG LLP found no instances of reportable noncompliance with laws and regulations tested.

KPMG LLP also issued a management letter dated November 10, 2010, discussing matters involving internal control over financial reporting that were identified during the audit but were 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 10, 2010, 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

Performance and Accountability Report

FY 2010

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Appendices

Message from the Director

It is my pleasure to present the fiscal year 2010 Performance and Accountability Report for the Community Development Financial Institutions (CDFI) Fund. Fiscal year (FY) 2010 marked the 15th anniversary of the CDFI Fund, which was a year full of many successful accomplishments. We were called upon to play a significant role in helping the country recover from a serious recession and, as this Report demonstrates, the CDFI Fund has been at the forefront of many national economic recovery efforts.

During FY 2010, the CDFI Fund announced more awards under our programs than any other year in our history. Through our flagship CDFI Program, we awarded $104.8 million in grants to 147 CDFIs and 32 organizations serving distressed communities in 44 states and the District of Columbia. These grants will help financial institutions that support local entrepreneurs and small businesses, and spur local economic growth and recovery by expanding access to capital and affordable financial services in underserved areas.

Building upon our success, we introduced a new funding initiative during FY 2010 - the Capital Magnet Fund, through which the CDFI Fund provides grants to organizations financing affordable housing developments. In October 2010, the CDFI Fund announced $80 million in grants to 23 organizations serving 38 states. The CDFI Fund also participated in the implementation of another important initiative launched by the Department of the Treasury -- the Community Development Capital Initiative (CDCI), which offered low-cost capital to federally insured CDFIs in order to enhance their ability to provide credit in distressed communities. Almost $570 million was made available through CDCI to 84 CDFIs.

In FY 2010, the CDFI Fund launched our Capacity Building Initiative, designed to greatly expand technical assistance and training opportunities for CDFIs nationwide. The first five task orders to be completed will cover the following areas: CDFI solutions for foreclosure prevention; CDFI business expansion; portfolio management and risk assessment; liquidity and capitalization; and financing healthy food options.

We are mindful of the responsibility that the CDFI Fund plays in promoting economic revitalization in our nation's most distressed communities. In collaboration with the Federal Reserve and other federal agencies, we sponsored a series of workshops on economic development in Indian Country. The workshops, which were held in five different cities throughout the summer, provided an opportunity for over 400 economic and community developers to learn about federal, state and local resources for economic development in Native communities.

Certification and compliance are as important as award distribution and capacity building when it comes to the successful administration of our programs, and the CDFI Fund performed exceptionally well with meeting its certification and compliance goals in FY 2010. We successfully monitored 125 Recovery Act awardees through the CDFI Program and New Markets Tax Credit (NMTC) Program for compliance with quarterly reporting requirements. In addition, CDFI Fund staff certified or re-certified approximately 200 entities as CDFIs, including 95 that were processed over a 60-day period at the end of the fiscal year.

In closing, I want to recognize and thank the CDFI Fund staff for their dedication and exemplary service to serving low-income communities across the nation. Building on our accomplishments, we will continue to focus on the challenges that lie ahead as we keep our core mission in the forefront of our daily work - to serve economically distressed communities throughout the United States.

Donna J. Gambrell
Director
Community Development Financial Institutions Fund

Community Development Financial Institutions Fund

Overview

The Community Development Financial Institutions (CDFI) Fund was created for the purpose of promoting economic and community development through investment in and assistance to community development financial institutions (CDFIs). The CDFI Fund's role in promoting community and economic development was expanded in FY 2001 when the Secretary of the Treasury delegated to the CDFI Fund the responsibility of administering the New Markets Tax Credit (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 (FEC) Pilot Program, and in FY 2009 with the enactment of legislation that created the Capital Magnet Fund (CMF), both of which were implemented in FY 2010.

Since its creation in 1994, the CDFI Fund has awarded $1.3 billion to CDFIs, community development organizations, and financial institutions through the CDFI Program, the Bank Enterprise Award (BEA) Program, and the Native Initiatives. In addition, the CDFI Fund has allocated $26 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 and reauthorized as part of the Tax Relief and Health Care Act of 2006. The FEC Pilot Program and the CMF were authorized through the Federal Housing Finance Regulatory Reform Act of 2008.

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:

1) the ***Community Development Financial Institutions Program***, which provides Financial Assistance awards to institutions that are certified as CDFIs; also Technical Assistance grants to certified CDFIs as well as entities that will become certified as CDFIs within three years;

2) the ***New Markets Tax Credit Program,*** which provides tax allocation authority to certified 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;

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

4) the ***Native Initiatives,*** which provide Financial Assistance awards, Technical Assistance grants, and training to CDFIs created specifically to serve Native Communities and to other Native entities proposing to become or to create Native CDFIs;

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

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

What is a CDFI?

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

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, home buying and credit counseling to consumers. CDFIs include depository institutions such as community development banks, credit unions, and non-depository institutions such as loan funds and venture capital funds.

Certification of Community Development Financial Institutions and Community Development Entities

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

1. Has a primary mission of promoting community development;
2. Serves principally an investment area or targeted population;
3. Is an insured depository institution, or makes loans or development investments as its predominant business activity;
4. Provides development services (such as technical assistance or counseling) in conjunction with its financing activity;
5. Maintains accountability to its target market; and
6. Is a non-governmental entity and cannot be controlled by any governmental entities.

CDFI certification is a requirement for accessing a Financial Assistance award from the CDFI Fund through the CDFI Program and the NACA Program, and certain benefits through the BEA Program. The term of CDFI certification is three years, after which CDFIs must apply for recertification in order to maintain their initial certification. As of September 30, 2010, there were 929 certified CDFIs. During FY 2010, 142 CDFIs were newly certified, a nearly threefold increase from the previous fiscal year. Additionally, 56 certified CDFIs were recertified in FY 2010.

The significant increase in CDFI certification during FY 2010 was driven in part by the Community Development Capital Initiative (CDCI), which was administered by the U.S. Department of the Treasury's Office of Financial Stability. Through the CDCI, the Department provided lower-cost capital to certified CDFI banks, thrifts, depository institution holding companies and credit unions. A total of 84 certified and recertified CDFI banks, thrifts, depository institution holding companies and credit unions from 26 states, the District of Columbia and Guam received $570 million through the CDCI Program.

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. CDEs must demonstrate a primary mission of serving low-income communities and low-income people, and must demonstrate that they are accountable (through representation on a governing board or advisory board) to residents of low-income communities. CDEs are certified as such by the CDFI Fund and are eligible to apply for allocation of tax credit authority through the NMTC Program.

Many CDEs create multiple subsidiary CDEs to own specific assets or classes of assets, and thus the number of CDEs grew to 4,558 as of September 30, 2010. 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. The table below shows the total numbers of certified CDFIs and CDEs through FY 2010.

Annual Number of Certified CDFIs and CDEs

End of FY	CDFIs	CDEs
1997	190	
1998	262	-
1999	334	-
2000	415	-
2001	468	31
2002	625	541
2003	694	1,184
2004	728	1,585
2005	752	1,954
2006	762	2,294
2007	778	2,680
2008	808	3,434
2009	798	3,938
2010	929	4,558

CDEs are headquartered in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. CDFIs are headquartered in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Community Development Financial Institutions Program *Performance Goal: Build the capacity and coverage of CDFIs to provide credit, capital, and related services to underserved markets.*

Through the CDFI Program, the CDFI Fund provides Financial Assistance in the form of grants, loans, deposits and equity investments to CDFIs, and Technical Assistance grants to CDFIs and entities that propose to become certified CDFIs.

- ***Financial Assistance (FA)*** awards are in the form of grants, loans, deposits and equity investments to CDFIs that have comprehensive business plans for creating community development impact.

- ***Technical Assistance (TA)*** awards are in the form of grants to CDFIs and entities proposing to become CDFIs in order to build their capacity to advance community development and meet capital access needs in their target markets. TA awards can also be accessed by larger and more established CDFIs to support their continued development.

New Markets Tax Credit Program: *Performance Goal: Attract private sector capital into low-income communities through CDEs.*

The NMTC Program spurs the investment of new private sector capital into low-income areas through CDEs, which in turn use privately managed investment vehicles to make loans and equity investments in businesses and real estate projects in low-income communities.

By making an equity investment in a CDE, individual and corporate investors can receive a tax credit against their federal income taxes worth 39 percent of the value of the amount invested in the CDE over 7 years.

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. Under the Hurricane Katrina Gulf Opportunity (GO) Zone Act of 2005, an additional $1 billion in allocation authority was directed to the rebuilding and renewal of the GO Zone. The NMTC Program was reauthorized for one year, through the end of 2008, as part of H.R. 6111 the Tax Relief and Health Care Act of 2006. A further provision allowed for an additional $3.5 billion in tax allocation authority under the program through 2009. Included in this provision was a requirement that Treasury prescribe regulations to ensure that non-metropolitan (rural) counties receive a proportional allocation of Qualified Equity Investments (QEIs).

Calendar year 2002 was the first year in which applications for NMTC authority were submitted to the CDFI Fund. As of October 30, 2009, seven allocation rounds have been completed providing allocations of tax credit authority that will support, in the aggregate, equity investments of $26 billion, including the $3 billion in allocation authority authorized under the American Reinvestment and Recovery Act (Recovery Act).

Bank Enterprise Award Program*: Performance Goal: Increase FDIC-insured institutions' investments in community development and economic revitalization in distressed communities.*

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

Native Initiatives: *Performance Goal: Build the capacity and coverage of CDFIs and other institutions to provide credit, capital, and related services to Native Communities.*

Through the Native Initiatives, the CDFI Fund assists entities in overcoming barriers that prevent access to credit, capital, and financial services in Native American, Alaskan Native, and Native Hawaiian communities. The Native Initiatives' central component is the Native American CDFI Assistance (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.

Financial Education and Counseling Pilot Program: *Performance Goal: Provide grants to Eligible Organizations to enable them to provide a range of financial education and counseling services to prospective homebuyers.*

The program goals of the 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.

Capital Magnet Fund: *Performance Goal: Provide grants to certified CDFIs and Nonprofit Organizations that must be used to attract financing for and increase in (1) the development, preservation, rehabilitation, or purchase of affordable housing and (2) economic development activities or community service facilities, which in conjunction with affordable housing activities implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area.*

Through the CMF, in FY 2011 the CDFI Fund will provide $80 million in competitively awarded grants to 23 CDFIs and qualified nonprofit housing organizations serving 38 states. 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.

Performance Measures

This Performance and Accountability Report includes a discussion of the performance measures the CDFI Fund considers the most significant. For a discussion of all of the CDFI Fund's performance measures, see the applicable appendix in the **FY 2010 Performance and Accountability Report** for the Department of the Treasury.

Allocation of CDFI Fund Funding

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

Sources of Funding

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

Sources of CDFI Fund Funding
(Amounts in Millions)

	FY 2010	FY 2009
Appropriations	$260.2	$ 207.0[1]
Prior Year Amounts Deobligated, Used to Fund Current Year Obligations	0.3	0.5
Carryover from Prior Year	8.3	1.0
Borrowing Authority Used	6.3	0 .9
Total Sources of Funds	$275.1	$209.4

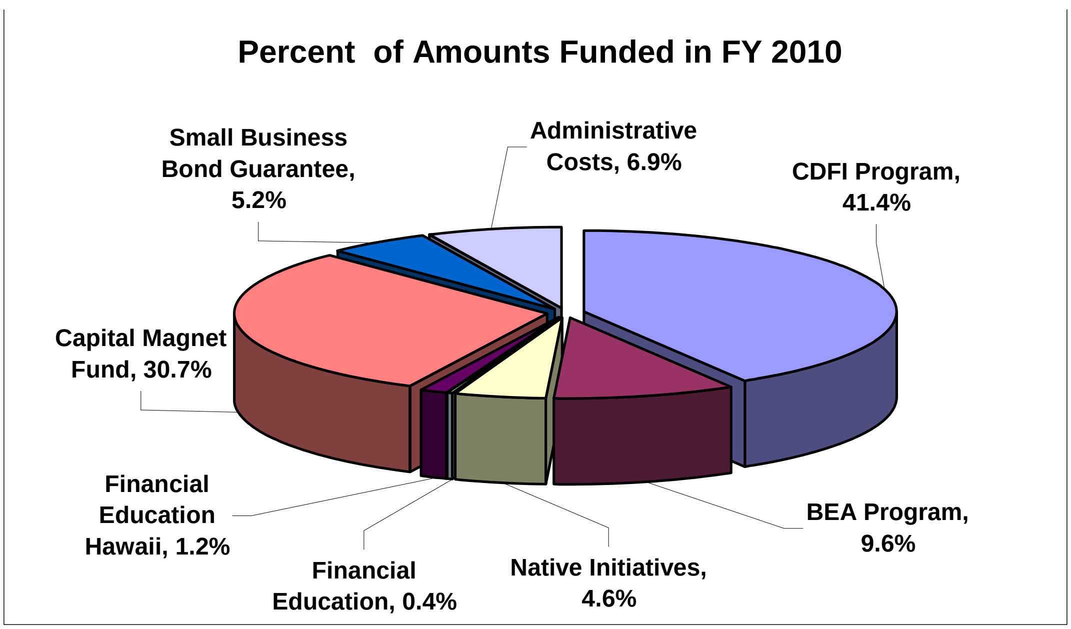
Note – The above amounts do not include credit subsidy re-estimates.
[1]/Includes Recovery Act funding

In FY 2010, the CDFI Fund allocated $260.2 million in appropriated funds as follows::

Funding Allocation
(Amounts in Millions)

	FY 2010	FY 2009
Amounts Funded		
CDFI Program	$107.6	149.7[1]
BEA Program	25.0	22.0
Native Initiatives	12.0	16.5 [2]
Capital Magnet Fund	80.0	
Financial Education & Counseling Pilot Program	1.0	2.0[3]
Financial Education & Counseling Pilot Program (Hawaii)	3.1	
Small Business Bond Guarantee	13.5	
New Markets Tax Credit Administration Costs		4.2[4]
Administrative Costs	18.0	12.6[5]
Total Amounts Funded	$260.2	$207.0
Less Amounts Not Obligated	104.1	0.0
Total Funding Used	**$156.1**	**$207.0**

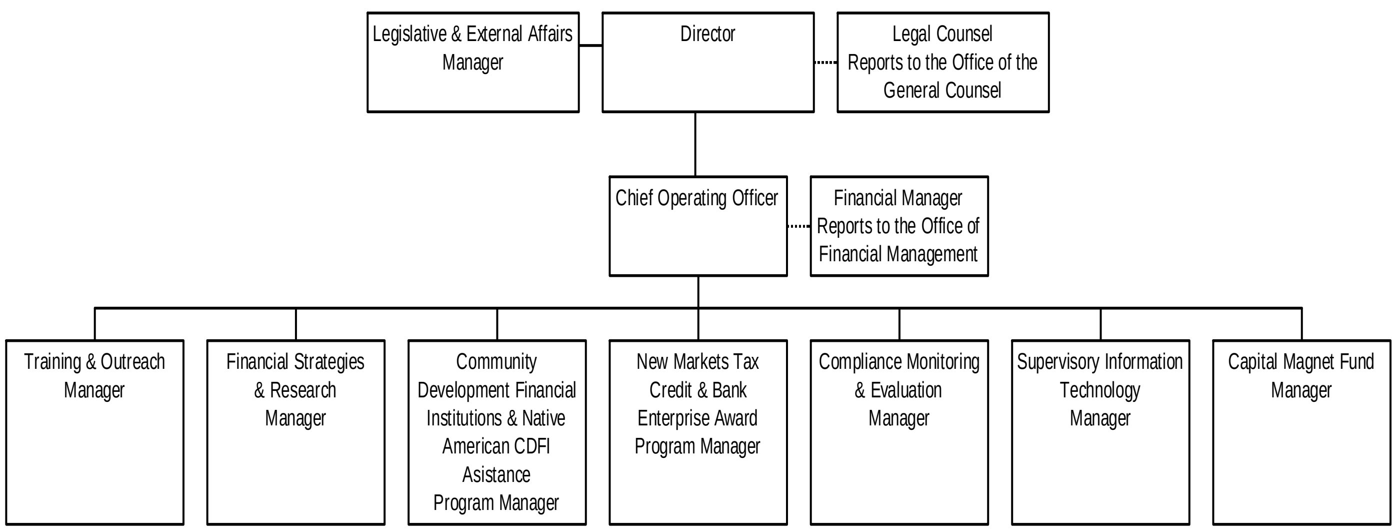
[1]/It includes $90 million from ARRA funding and $59.7 million from regular appropriation
[2] /It includes $8 million from ARRA funding and $8.5 million from regular appropriation
[3]/Funds were obligated in FY 2010
[4]/It includes $67,000 from ARRA funding and $4.2 million from regular appropriation
[5]/It includes $1.9 million from ARRA funding



ORGANIZATION OF THE CDFI FUND

The CDFI Fund's organizational structure consists of the respective offices of the Director, Chief Operating Officer, Manager for Legislative and External Affairs, Legal Counsel, Financial Manager, CDFI and Native Program Manager, NMTC and BEA Program Manager, Certification, Compliance Monitoring & Evaluation Manager, Financial Strategies and Research Manager, Training and Outreach Manager, Supervisory IT Specialist, and Capital Magnet Fund Manager. The organization chart of the CDFI Fund is shown below.

Community Development Financial Institutions Fund
Organizational Chart
September 2010



Program Discussion and Analysis

Community Development Financial Institutions Program

Through the Community Development Financial Institutions (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 to underserved communities and financial literacy training).

In FY2010, the CDFI Program awarded $104.8 million to CDFIs consisting of (1) $101.9 million to 147 organizations, including 25 Small and Emerging CDFI Assistance (SECA) awards for $12.5 million, 122 Core awards for $89.4 million, and (2) nearly $2.9 million in TA awards to 32 organizations.

Certified CDFIs

A certified CDFI is a legal entity that has been certified by the CDFI Fund as meeting all of the following statutory and regulatory criteria:

1. Has a primary mission of promoting community development;
2. Serves principally an investment area or targeted population;
3. Is an insured depository institution, or makes loans or development investments as its predominant business activity;
4. Provides development services (such as technical assistance or counseling) in conjunction with its financing activity;
5. Maintains accountability to its target market; and
6. Is a non-governmental entity and cannot be controlled by any governmental entities.

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

The certification of organizations as CDFIs has been a long-standing activity of the CDFI Fund. By the end of FY 2010, the total certified CDFIs were 929 serving rural and urban areas in all states and the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

Breakdown of Types of Certified CDFIs

Twenty-eight percent of certified CDFIs are headquartered in the five most populous states (New York, Texas, North Carolina, Florida, and California).

CDFIs include banks, credit unions, loan funds, and venture capital funds, with each providing a different mix of products geared to reach specific customers, as follows:

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

CDFI Customers

CDFI customers include (among others):

- Small business owners who provide employment opportunities and needed services to disadvantaged communities;
- Affordable housing developers who construct and rehabilitate homes in low-income communities;
- Community facilities used to provide child care, health care, education and social services in underserved communities;
- Commercial real estate developers who finance the acquisition, construction or rehabilitation of retail, office, industrial and community facility space in low-income communities; and
- Individuals who are provided affordable banking services including checking and savings accounts, alternatives to predatory financial companies, and mortgages and other kinds of loans.

Financial Assistance

The CDFI Program consists of two components, Financial Assistance and Technical Assistance (FA and TA). 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 applying to the CDFI Program must demonstrate they have the financial and managerial capacity to impact the communities they serve. Applicants must be able to: 1) provide affordable and appropriate financial products and services; 2) be a viable financial institution; 3) be able to use CDFI Fund awards effectively; and 4) have the ability to leverage their awards with non-federal funding.

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

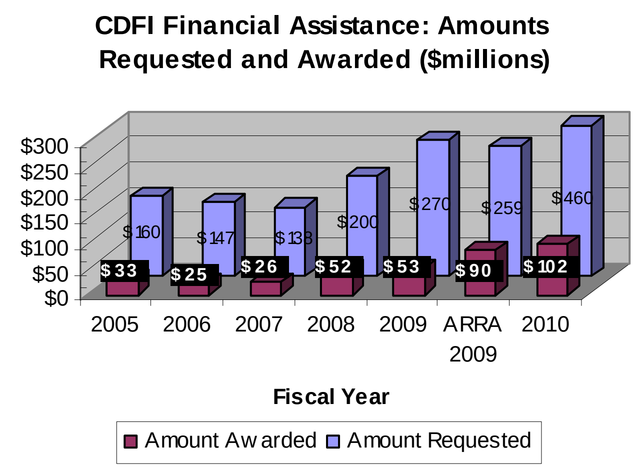
FY 2010 FA Awards

In FY 2010, the CDFI Fund received applications from 322 organizations requesting over $460 million in FA awards, including 93 SECA applicants requesting over $50 million and 229 Core applicants, seeking $410 million.

The CDFI Fund awarded $101.9 million to 147 organizations in FY 2010, consisting of 25 SECA awards for $12.5 million and 122 Core awards for $89.4 million.

Table 1 – FY 2010 FA Awards		
	Awards	Amount Awarded
Core	122	$89,417,538
SECA	25	$12,550,275
Totals	147	**$101,967,813**

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 2010, the CDFI Fund capped awards at $750,000 in an attempt to meet the heavy demand. By capping award amounts, the CDFI Fund was able to make more awards.



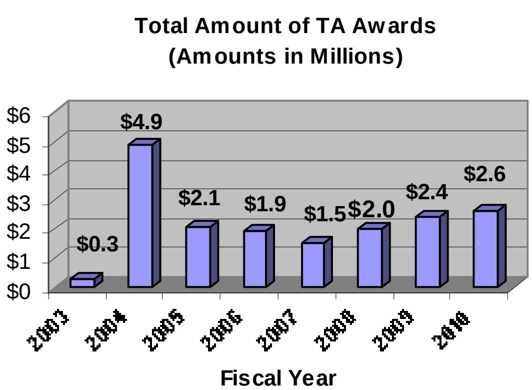
Technical Assistance

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

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

FY 2010 TA Awards

In FY 2010, the CDFI Fund received 86 applications requesting more than $8.4 million in TA-only grants. Thirty-two organizations received awards totaling nearly $2.9 million. Subsequent to the award announcement, three organizations declined their TA awards and a total of $294,086 was deobligated. The following graph shows the total amount of Technical Assistance 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 FY2010 performance information provided herein pertains to each awardee's performance results for program year 2009. 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 performance results for program year 2009 are summarized in the table below and are based on information entered into CIIS by reporting CDFI Program awardees.

Performance of CDFI Program Awardees During FY 2010 *	
1. # of Full Time Jobs Created or Maintained (78)**	80,796
2. # of Businesses Financed (91)**	12,457
3. # of Commercial Real Estate Properties Financed (50) **	1,615
4. # of Affordable Housing Units Financed (27)**	5,986
5. # of Homebuyers Who Obtain Financing (50) **	2,126
6. # of Accounts Opened to the Unbanked (9)**	3,079
7. Dollars, in millions, Leveraged with Private Investments**	$1,989
8. # of Individuals Provided with Financial Literacy and Other Training (133)**	139,751
9. Individual Development Accounts (IDAs) Provided by CDFIs (53)**	2,125
10. Dollar amount, in millions, of IDAs (53)**	$1.79

* FY 2010 PAR Data based on program activities reported in 2009.

** Numbers in parentheses are the number of CDFI Program awardees reporting on this particular measure.

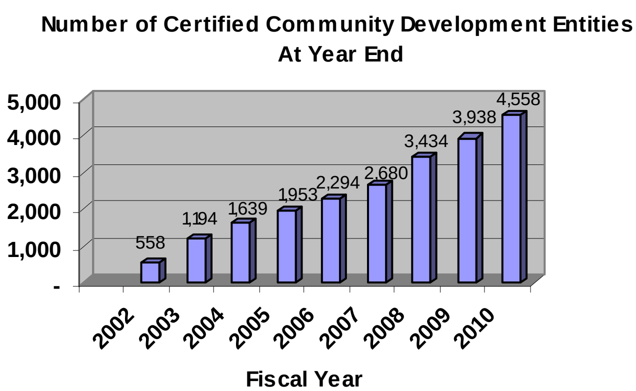
New Markets Tax Credit Program

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

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

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

To qualify as a CDE, an entity must be a domestic corporation or partnership that: 1) has a mission of serving, or providing investment capital for, low-income communities or low-income persons; 2) maintains accountability to residents of low-income communities through their representation on a governing board of or advisory board to the entity; and 3) has been certified as a CDE by the CDFI Fund. As of September 30, 2010, there were 4,558 organizations certified as CDEs by the CDFI Fund, compared to 3,938 as of one year earlier.



2010 NMTC Allocation Round

In FY 2010, the CDFI Fund began the application review process in anticipation of additional allocation authority being made available by Congress. As of the date of this report, Congress had not yet approved the Administration's request for additional $5 billion of additional allocation authority for both calendar years 2010 and 2011. The number of applications for the 2010 round is consistent with those in 2009 (250 applications); however, the amount of allocation authority requested has increased by $1 billion over the prior year to $23.5 billion.

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: (a) a review of relevant economic development, performance measurement, and tax credit literature; (b) informal discussions with key NMTC stakeholders; (c) an analysis of existing NMTC administrative data; (d) development of a typology of NMTC projects; (e) an examination of secondary public and private data, and: (f) a random sample of case study data collection through phone and on-line surveys. The Urban Institute has produced a series of reports for the CDFI Fund, detailing the methodology in preparation for the primary survey that will take place in FY 2011. In FY 2010, the CDFI Fund released "Evaluating Community and Economic Development Programs: A Literature Review to Inform Evaluation of the New Market Tax Credit Program." This study examined how other community development programs were evaluated in the past so as to provide the best possible NMTC evaluation.

The CDFI Fund's Financial Strategies and Research office made important improvements to the CIIS data reporting system in FY 2010 to improve the quality of data being reported by CDEs.

2009 NMTC Allocation Round

In FY 2010, the CDFI Fund announced that 99 applicants were awarded $5.0 billion in NMTC allocation authority, including the additional $1.5 billion provided through the Recovery Act. The award round was discussed in detail in the FY 2009 PAR report.

NMTC Activities to Date

Since calendar year 2002, the CDFI Fund has allocated $26.0 billion in tax credit authority to CDEs to raise equity against which NMTCs can be claimed, including $3.0 billion of special allocation authority made available through the Recovery Act.

To date, the CDFI Fund has completed seven allocation rounds and made 495 awards, distributing all $26.0 billion in authority.

Demand for the tax credits has been high since program inception through the current 2010 round, where 2,074 applications have been submitted requesting a total allocation authority of $202.6 billion. Through the first seven allocation rounds, only 27 percent of applicants were selected to receive awards. The average tax credit allocation award was approximately $52.5 million.

Allocation agreements have been executed with each of the 495 allocatees from the first seven rounds. As of September 30, 2010, allocatees had reported raising Qualified Equity Investments (QEIs) totaling over $18.7 billion. This figure represents almost 72 percent of the $26.0 billion in allocation authority issued to CDEs so far. QEI investment has increased each year except in 2009. Through the first three quarters of the calendar year 2010 over $3.1 billion in QEIs have been raised, surpassing the $2.8 billion raised for all of 2009.

Allocatees report QEI and Qualified Low-Income Community Investment (QLICI) activity to the CDFI Fund through the Allocation Tracking System (ATS) and Community Investment Impact System (CIIS). Allocatees that have raised QEIs are required to report these investments within 60 days via ATS. Within six months of the end of the CDE 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 2010 (program year 2009). As shown in the table below, allocatees reported making $3.5 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs) in FY 2010, and a total of $15.5 billion of loans and investments in QALICBs since the program's inception. In FY 2010, 64 percent of the dollars invested were invested in "real estate QALICBs" (i.e., businesses that develop or lease real property for use by others). The remaining 36 percent of the dollars were invested in "non-real estate QALICBs" (i.e., operating businesses) in low-income communities. Finally, in FY 2010, allocatees also reported making over $168.0 million in direct investments into other CDEs, and providing $12.0 million in financial counseling and other services to 7,139 businesses in low-income communities. Adding together all Qualified Low-Income Community Investments (QLICIs) yields a grand total of $15.8 billion of cumulative investments reported in CIIS since 2003. The data reported in FY 2010 represents the FY 2009 allocatees' activities.

Performance of NMTC Allocatees			
Type of QLICI		**FY 2010 Performance**	**FY 2003 - FY 2010 Cumulative Performance***
QALICB: Real Estate			
	Loans and investments supporting real estate development and rehabilitation in low-income communities.	$2.253 billion	$9.973 billion
		468 loans/investments	2,175 loans/investments
QALICB: Non-Real Estate			
	Loans and investments supporting businesses operating in low-income communities.	$1.267 billion	$5.506 billion
		422 loans/investments	2,079 loans/investments
CDE			
	Loans and investment in other CDEs.	$168.0 million	$351.4 million
		43 loans/investments	182 loans/investments
FCOS			
	Investment in Financial Counseling and Other Services (FCOS).	$12.0 million	$35.9 million
	Number of businesses receiving FCOS.	7,139 businesses served	22,025 businesses served
Jobs Created/Maintained			
	Jobs at Reporting Period End	19,579	54,024
	Projected Construction Jobs	38,461	161,111
Square Feet of Commercial Real Estate			
	Manufacturing	1.507 million	8.453 million
	Office	9.996 million	35.516 million
	Retail	4.054 million	31.207 million

* Cumulative performance is based on data available as of September, 2010. Each year, allocatees are permitted to update data reported in previous fiscal years to correct errors or to provide newly available information. As a result, the sum of the FY 2003 through FY 2009 annual performance figures reported by the CDFI Fund in this and previous PARs may not equal the cumulative figures in this chart. Additionally, as the CDFI Fund has revised measurements in consultation with the GAO, cumulative statistics through FY 2010 may differ from those for earlier years.

Bank Enterprise Award Program

Through the Bank Enterprise Award (BEA) Program, the CDFI Fund recognizes the key role played by insured depository institutions in community development lending and investing. The program provides incentives for FDIC-insured banks and thrifts to invest in CDFIs and to increase their lending and financial services in economically distressed communities. Providing monetary awards for community reinvestment leverages the CDFI Fund's dollars and puts more capital to work in distressed communities throughout the nation. The BEA Program is highly targeted to areas with larger populations: in general, approximately 4,000 Census Tracts qualify as distressed communities under the program.

BEA Program awards are based on the increase in the amount of Qualified Activities from a Baseline Period to a later Assessment Period (the corresponding time in the following year). Qualified Activities consist of financial assistance provided to certified CDFIs, loans made by financial institutions in distressed communities (for example, affordable housing loans, small business loans, 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 two main types of bank activities. The first priority is to increase banks' financial support of CDFIs in order to build CDFI self-sufficiency and capacity (referred to as CDFI-Related Activities). The second priority is 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).

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

Eligibility

All FDIC-insured depository institutions are eligible to apply for a BEA Program award. 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 the BEA Program are divided into three priority areas:

1. CDFI-Related Activities: Equity investments (grants, stock purchases, purchases of partnership interests or limited liability company membership interests); equity-like loans; and CDFI support (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), electronic transfer accounts (ETAs), individual development accounts (IDAs), or community services provided to low- to moderate-income individuals or the institutions serving them.

FY 2010 BEA Program Awards

In FY 2010, the CDFI Fund received 76 eligible applications requesting a total of more than $94 million, compared to 58 applications requesting a total of approximately $57 million in FY 2009. The CDFI Fund selected 69 FDIC-insured institutions to receive approximately $25 million in awards. FY 2010 applicants are headquartered in 20 states and the District of Columbia, compared to the 24 states and the District of Columbia represented in the prior year.

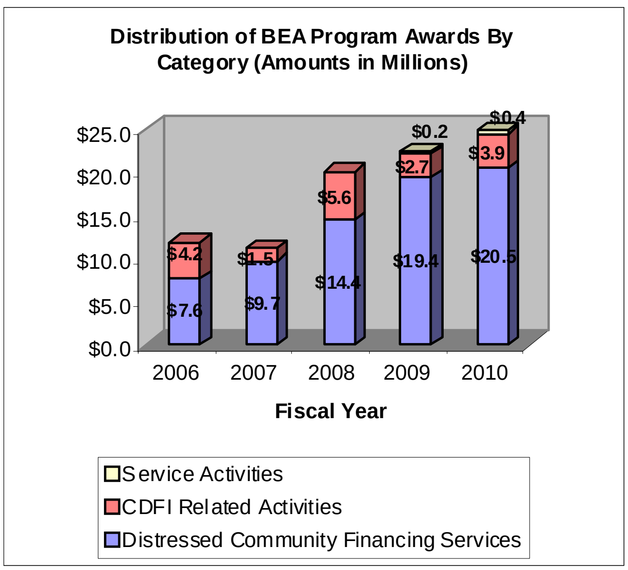
In the FY 2010 funding round (based on the 2009 Assessment Period), awardees provided $373.9 million in qualified loans or investments in distressed communities, $53.9 million in qualified loans, deposits and technical assistance to CDFIs, and $233.3 million in qualified financial services in distressed communities.

FY 2010 BEA Community Impact

FY 2010 BEA Program awardees increased their qualified community development activities by $343.4 million over the prior year:

- $276.2 million increase in loans and investments in distressed communities;
- $53.4 million increase in loans, deposits, and technical assistance to CDFIs; and
- $13.8 million increase in the provision of financial services in distressed communities.

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



Native Initiatives

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

The Native Initiatives are based on six objectives:

1. Expanding training opportunities in community development finance for Native Communities;
2. Providing technical assistance to overcome barriers to creating and sustaining Native CDFIs;
3. Making technical and financial assistance awards to meet the needs of existing or proposed Native CDFIs;
4. Encouraging mainstream financial institutions to increase their financial products and services in Native Communities;
5. Supporting financial education activities in Native Communities; and
6. Facilitating networking and in-depth training forums in community development finance.

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

NACA Program FY 2010

Through the NACA Program, the CDFI Fund provides two types of funding: 1) Financial Assistance (FA) awards which are only available to certified CDFIs; and 2) Technical Assistance (TA) grants, which are available to certified CDFIs, Emerging Native CDFIs, and Sponsoring Entities. Unique to the NACA Program, Sponsoring Entities create and support fledgling Native organizations as they move toward CDFI certification.

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

In FY 2010, the CDFI Fund received 61 NACA applications requesting a total of $23.7 million for both FA and TA funding. The CDFI Fund awarded 45 organizations a total of $10.3 million for both FA and TA funding in FY 2010.

FY 2010 NACA FA Awards

In FY 2010, the CDFI Fund awarded 10 organizations awards for both FA and TA with approximately $4.7 million in FA, and $1.3 million in TA. In order to meet the demand for funding, the CDFI Fund capped the FA awards in FY 2010 at $500,000. As a result, the CDFI Fund was able to make more FA awards. The CDFI Fund assumes that the demand will remain high as an increasing number of Native CDFIs put into practice the CDFI Fund's training and continue to build their lending programs.

Technical Assistance Grants

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

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

FY 2010 NACA TA Awards

In FY 2010, 35 organizations received TA awards totaling nearly $4.3 million.

Training Initiatives

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

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

Financial Education and Counseling Pilot Program

In FY 2009, the CDFI Fund was appropriated $2 million to administer a Financial Education and Counseling (FEC) Pilot Program. The CDFI Fund released the Notice of Funds Availability (NOFA) for this program on October 13, 2009, and made award determinations in the third quarter of FY 2010. Five eligible organizations were awarded $400,000 each to provide a range of Financial Education and Counseling Services to Prospective Homebuyers, with the goals of: (i) increasing the financial knowledge and decision-making capabilities of prospective homebuyers; (ii) assisting prospective homebuyers to develop monthly budgets, build personal savings, finance or plan major purchases, reduce debt, improve financial stability, and set and reach financial goals; (iii) helping prospective homebuyers to improve credit scores by understanding the relationship between credit histories and credit scores; and (iv) educating prospective homebuyers about the options available to build savings for short- and long-term goals. FY 2009 awardees are located in California, Colorado, Georgia, New Hampshire and North Carolina. Reporting on program impact will begin in FY 2011.

In FY 2010, the CDFI Fund was appropriated $4.15 million for the FEC Pilot Program, of which $3.15 million was specifically appropriated for an award to an organization located in the State of Hawaii. The CDFI Fund released the NOFA for this program on May 28, 2010, and intends to make award determinations in the first quarter of FY 2011.

Capital Magnet Fund

In its inaugural FY 2010 Capital Magnet Fund (CMF) funding round, the CDFI Fund will provide $80 million in competitively awarded grants to 23 CDFIs and qualified nonprofit housing organizations serving 38 states. 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.

The CDFI Fund received a total of 230 applications for the FY 2010 CMF funding round. Applications were received from organizations identifying proposed affordable housing projects in 49 states, the District of Columbia and Puerto Rico, requesting a total of more than $1 billion in grants that would leverage an estimated $23.38 billion in eligible projects. The CDFI Fund published a NOFA in the Federal Register on March 4, 2010, announcing that it was making $80 million available for the FY 2010 funding round. The deadline for applications was April 15, 2010. The 230 applications received included nonprofit housing corporations and certified CDFIs. The CDFI Fund met the application-award cycle time of six months with an award announcement date of October 14, 2010.

Small Business Bond Guarantee Program

On September 27, 2010, H.R. 5297, *Small Business Jobs Act of 2010*, was signed into law by the President. Section 1703 of the legislation includes $13,500,000 to remain available until September 30, 2012 for the costs of administering guarantees for bonds and notes as authorized under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994, as added by section 1134. Currently the CDFI Fund is developing the program implementation plan.

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 2010 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2010, and a discussion of the CDFI Fund's financial position and results of operations during the past fiscal year.

Management Assurances

The Community Development Financial Institutions (CDFI) Fund is responsible for establishing and maintaining effective internal control over financial reporting and has made a conscious 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 organizations under my purview are operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management control for the CDFI Fund offices 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 under my supervision, we provide herein *unqualified assurance* that the above listed management control objectives, taken as a whole were achieved by our office during FY 2010. Specifically, this assurance is provided relative to Sections 2 and 4 of the FMFIA.

Such assurances are based on CDFI Fund management knowledge and are based on a review of all CDFI Fund activities under my supervision.

Donna J. Gambrell
Director

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services under 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 generation of all source documents and the accuracy of all accounting information.

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

Results of FY 2010 Financial Statement Audit

The FY 2010 audit of the CDFI Fund's financial statements resulted in an unqualified opinion with the following deficiency: Improvements needed in accounting for investments. The CDFI Fund Management concurred with this deficiency. The Auditors identified no material weaknesses.

FY 2010 Financial Management Initiatives

In FY 2010, financial management focus was on continuing to implement the information technology initiatives identified in FY 2009.

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 the organization's profile, financial position, portfolio, community impacts, development services, other products and services, and compliance measures. The CIIS data collected from CDEs include the organization's profile, QEI distribution, portfolio, loan purchases, and financial counseling and other services.

Cumulatively through FY 2010, CIIS was used by 536 CDFIs and 208 CDEs to report institutional level data for 2010 activity (with 24 organizations reporting in both categories). Through FY 2010, a cumulative total of 378 organizations submitted the transactional level details on more than 371,000 distinct portfolios of loans and equity investments for 2009 activity. This is a 40 percent increase in the total number of transactions reported from the previous year. There were nearly 105,000 transactions cumulative through FY 2010.

In FY 2010, the CDFI Fund used the CIIS data to analyze the characteristics of CDFIs (including their loan and investment portfolios, capital under management, operating revenues, and overall financial strength) and to assess the impact CDFIs are having in the communities they serve. The third round of this analysis is forthcoming in December 2010 in a document entitled *Three-year trend analysis of CIIS CDFI report data: FY 2006-2008*. FY 2010 marked the third time that the CDFI Fund made the CIIS data available to the public (within the parameters of all applicable Federal information protection, privacy and confidentiality laws). The CDFI Fund provided public-use CIIS data and financial support to twelve independent research teams as part of its CDFI Research Initiative.

Much of the performance information in the CDFI Program section of the preceding Program Discussion and Analysis section of this document was provided through an analysis of CIIS data.

Migration to Grants.gov for Paperless Processing of Applications

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

On March 9, 2009, the Director of the Office of Management and Budget (OMB) issued memorandum M-09-14, titled "Recovery Act Implementation – Improving Grants.gov and Other Critical Systems'" instructing all Federal grant-making organizations to immediately identify alternative methods (to Grants.gov) for accepting grant applications during the Recovery Act's expected peak period to reduce demand on Grants.gov's limited resources. The CDFI Fund utilized its existing Information Systems application intake capabilities to meet this "temporary Grants.gov waiver" requirement, which expired in April 2010. Thereafter, CDFI Fund has utilized the Grants.gov system for all grants application intake process subsequent to the expiration of the above temporary waiver, and intends to continue working with Grants.gov for its future awards.

Migration to a Grants Management Line of Business for Internal Application Processing

The FFAMIA and the President's Management Agenda require that all 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 compliance with FFAMIA and OMB's eGov and GMLoB initiatives, the CDFI Fund explored the suitability of the three grants management Centers of Excellence (CoE) Consortia Lead solutions for replacing its Grants Management Information System (GMIS). The detailed fit-gap study performed by a Consortia Lead (HHS/ACF) identified "Significant Gaps" between the CoE's capabilities and CDFI Fund's legislatively mandated (12 U.S.C. 4701 et seq.) requirements. The result of the studies demonstrated that none of the three consortia leads are able to provide a near-term and cost effective solution to the CDFI Fund. In addition to the fit-gap study, the CDFI Fund performed an extensive 10-year Cost Benefit and Sensitivity Analysis comparing best-value alternatives for modernizing its GMIS. The alternatives considered were: (a) Status Quo; (b) GMLoB Consortia; and (c) Commercial Off-the-Shelf (COTS).

These analyses demonstrated to the OMB that the GMLoB consortia solution providers are not designed to support the full grants management lifecycle requirements of the CDFI Fund. Furthermore, it was determined that COTS alternatives provide a better fit to the CDFI Fund's business processes, can be implemented faster, cost significantly less, and provide higher return-on-investment than either the GMLoB or the Status Quo options. Consequently, in July 2010, the OMB granted the CDFI Fund a GMLoB waiver and authorized the CDFI Fund to pursue a suitable commercial option for modernization of its GMIS. The CDFI Fund is currently in the process of developing the request for proposals (RFP) for this initiative and expects to complete full implementation by FY 2013.

Federal Funding Accountability and Transparency Act

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. The CDFI Fund will submit FY 2010 data directly to USASpending.gov. This creates a new obligation for awardees under the CDFI Fund's grant programs to maintain active accounts in the Central Contractor Registration System, to identify their locations, the places where most of their activities are concentrated, provide information about any first-tier subawards and about the compensation of the five most highly paid people within the organizations (subject to certain thresholds). In order to comply with this requirement, the CDFI Fund will include the standard award terms as stipulated by FFATA in future assistance agreements and continue to monitor the data quality of the information provided to the USASpending.gov through the FAADS+ data system. In addition, the CDFI Fund plans to develop complementary guidance and highlight FFATA reporting requirements during post-award web-seminars for all of the grant programs at the CDFI Fund to include the CDFI Program, the Native American CDFI Assistance Program, the Financial Education and Counseling Pilot Program, the Capital Magnet Fund, and other programs that Congress may authorize and appropriate for the CDFI Fund to administer.

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.

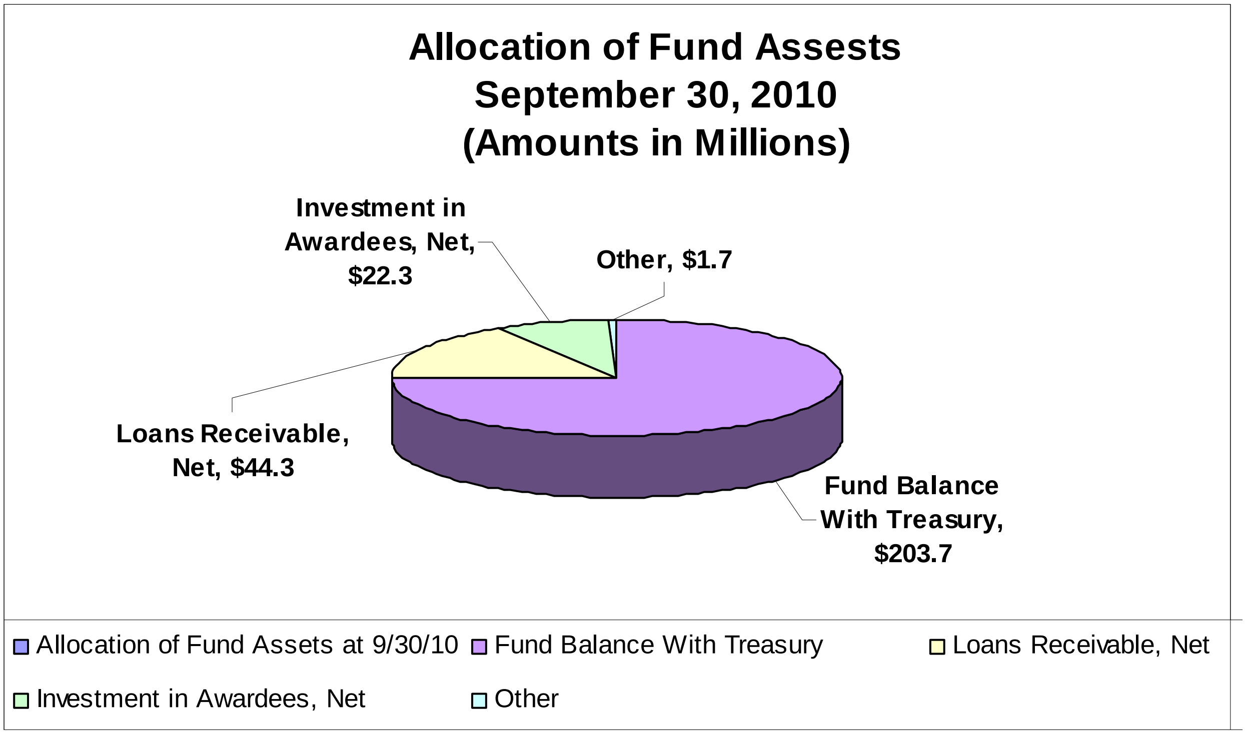
Limitations of the Financial Statements

The financial statements report the financial position and results of operations of the CDFI Fund for the fiscal years ending on September 30, 2010 and 2009, 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 2010	FY 2009	Increase / (Decrease)
Assets	$271.9	$166.1	$105.8
Liabilities	$74.8	$49.7	$25.1
Net Position	$197.1	$116.4	$80.7
Revenue and Financing Sources	$171.8	$197.9	($26.1)
Expenses	$178.1	$200.4	($22.3)
Shortage of Revenue and Financing (Net Loss)	($6.3)	($2.5)	($3.8)



Assets

Assets increased by $105.8 million during FY 2010, consisting primarily of an 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.

Fund Balance with Treasury

The Fund Balance with Treasury reflected a $120.8 million change from the prior year, due to differences in the timing of when appropriation revenue is received versus when expenses are paid. During FY 2010, the CDFI Fund received an additional $80 million for the Capital Magnet Fund and $13.5 million for the administration of guarantees of bonds and notes authorized under Section 11A of the Riegle Community Development and Regulatory Improvement Act of 1994. The remaining increase of $27.3 million was attributed to increases in annual appropriation, carryover funds from previous years and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments.

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 2010, net loans decreased by $7.1 million, resulting, in part, from loan repayments of $4.7 million and an increase in the allowance for bad debts of $2.0 million. Due to the difficult economic conditions, the CDFI Fund modified loan agreements with some of the CDFI Fund awardees resulting in an increase in the allowance for bad debts. During FY 2010, the CDFI Fund had write-offs of $0.4 million.

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

- Non-voting equity securities - $15.4 million
- Convertible subordinated debt - $0.3 million
- Limited partnerships - $3.0 million
- Secondary Capital - $3.4 million
- Certificates of Deposit - $0.15 million

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

Liabilities
The increase in liabilities during the year of $25.1 million consisted primarily of an increase in awards payable of $24 million and an increase in debt of $1.1 million.

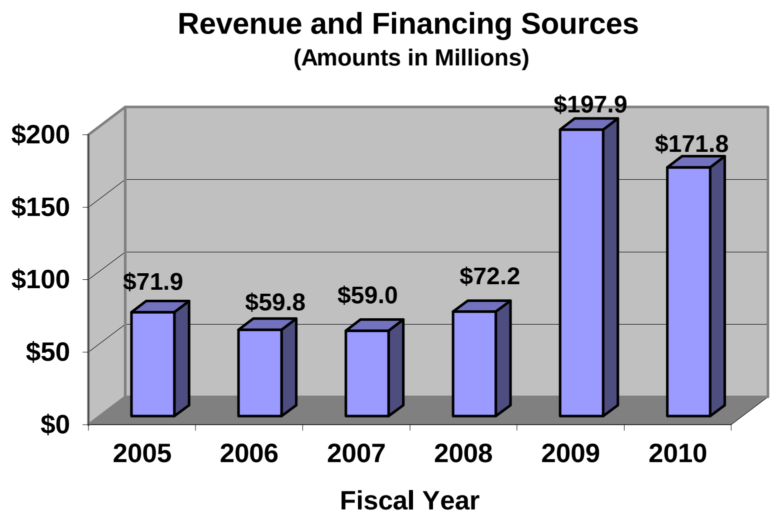
Awards Payable
Awards payable consists of undisbursed BEA awards of $25 million (recorded as a liability at the time of award) and CDFI Program FA awards of $7 million. Awards payable increased by $24 million in FY 2010 due to announcement of FY 2010 BEA awards in September 2010.

Debt
During FY 2010, the CDFI Fund borrowed $5.9 million due to a downward subsidy reestimate and $0.4 million to meet annual interest payments due to the Treasury Department, at interest rates ranging partly from 1.85% to 6.36%, depending on maturity dates or risk categories. The CDFI Fund borrowing was partly offset by the repayments of amounts borrowed from Treasury totaling $5.2 million to fund loans to awardees. Principal repayments collected from awardee loans during the year are used to repay the Treasury borrowings, and therefore amounts collected and repaid to Treasury each year will vary from year to year, as they are a function of awardee loan terms.

Net Position
Net position increased during the year by $80.7 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received (net of appropriations cancelled, rescinded and adjusted for credit subsidy 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 2010, appropriations received, appropriations for subsidy reestimate (net of amounts cancelled, rescinded and downward subsidy reestimate) were $256 million, and appropriated capital used was $169 million resulting in an increase in net position of $87 million. However, this increase was slightly reduced by the $6.3 million loss recorded by the CDFI Fund in FY 2010.

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 $169 million.



Expenses

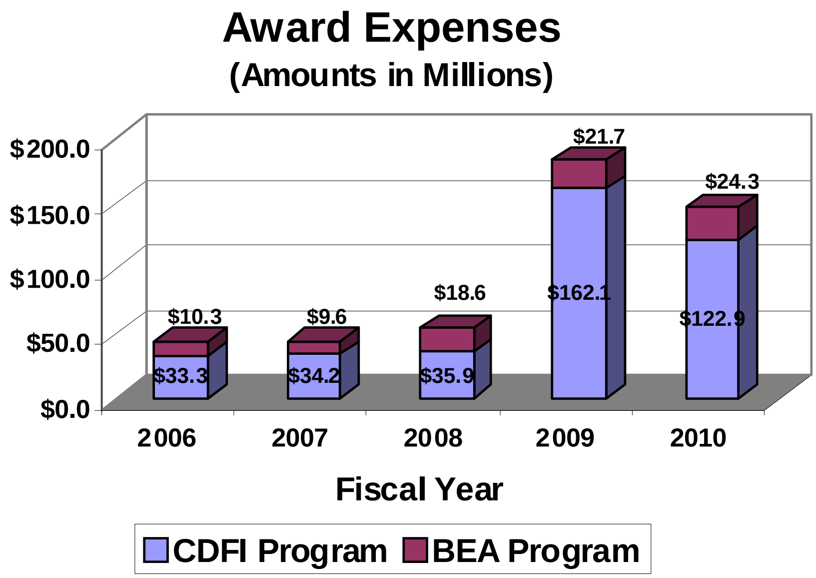
The change in the CDFI Fund's operating expenses, excluding administrative expenses paid by others during FY 2010 and FY 2009, consisted of the following:

Comparison of Operating Expenses
Excluding Administrative Expenses Paid by Others
Fiscal Years 2010 and 2009
(Amounts in Millions)

	FY 2010	FY 2009	Difference
Award Expenses	$147.2	$183.8	($36.6)
Administrative Expenses	$19.4	$16.6	$2.8
Bad Debt Expense	$2.4	($5.9)	$8.3
Total Operating Expenses	$169.0	$194.5	($25.5)

Award Expenses

Award expenses during the year decreased $36.6 million due to a decrease in the CDFI Program appropriation. In FY 2009, the CDFI Program was appropriated an additional $90 million to support to implement the efforts under the American Recovery and Reinvestment Act of 2009, which resulted in a higher level of award expenses for FY 2009.



Administrative Expenses

Administrative expenses increased by $2.8 million during FY 2010. During FY 2010, the CDFI Fund experienced an increase in the number of applications processed, an increase in the number of awards made, and an increase in the number of awards under active portfolio management. These programmatic increases had a direct impact on the CDFI Fund's operations, resulting in higher administrative expenses primarily in contract services and personnel.

Bad Debt Expense

Bad debt expense is a function of the amount of loans receivable at year-end and the loan modifications made during the year. As of June 2009, the CDFI Fund implemented an analysis process that included 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 2009 and FY 2010 rather than the 25% blanket allowance used in prior years. Bad debt expense increased during FY 2010 by $8.3 million, some CDFI Fund borrowers requested modification to their loan agreements in order to meet their financial obligations. The difference during FY 2010 is the result of an adjustment to the allowance for bad debts of $5.9 million recorded in FY 2009 and $2.4 million recorded as bad debt expense during FY 2010. The economic conditions facing the United States had an impact on CDFI Fund borrowers making it difficult for them to achieve the expected profits to meet their obligations with the CDFI Fund.

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 2010, expenses not covered by budgetary resources totaled $2.1 million, consisting of interest expense on Treasury borrowings. Interest and dividend income totaled $1.5 million.

In FY 2010, the CDFI Fund recorded an investment impairment loss of $6.0 million and no loss was recorded in equity in earnings.

INDEPENDENT AUDITOR’S REPORT

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

Independent Auditors' Report

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the accompanying statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2010 and 2009 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, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2010, on our consideration of the CDFI Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 10, 2010

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

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2010 and 2009 and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 10, 2010.

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

The management of the CDFI Fund is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 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 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in Exhibit I that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The CDFI Fund's response to the finding identified in our audit is presented in Exhibit II. We did not audit the CDFI Fund's response and, accordingly, we express no opinion on it.

Exhibit III presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to management of the CDFI Fund in a separate letter dated November 10, 2010.

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

KPMG LLP

November 10, 2010

Exhibit I

Community Development Financial Institutions Fund

Significant Deficiencies and Recommendations

Improvements are needed in accounting for investments

During our fiscal year (FY) 2010 testing of investments, we noted certain deficiencies in how the Community Development Financial Institutions Fund (CDFI Fund) accounts for investments. Specifically, we observed a re-occurrence of the following prior year deficiency:

- The supporting documentation related to the valuation analysis for certain investments could be improved. For instance, an analysis for one investment indicated that under one valuation method the carrying values exceeded the CDFI Fund's estimated fair value by approximately $800,000 and under a second estimation method, the capitalized cash flow method; there was no indicated excess of carrying value over fair value. While management's analyses did acknowledge certain qualitative and quantitative factors in support of the carried value (e.g., "reasonably steady cash flows" and trends over the last 5-8 years of significant swings in equity and net income), the analyses did not adequately extend the documentation to key aspects of the CDFI Fund's methodology and an understanding of the impact of other CDFI programmatic activities (e.g., significant grants) that may contribute to the assessed viability of the investee (i.e., the financial health of the investee was dependent on CDFI Fund grant awards). Management revised its carrying value in this instance.

FASB ASC section 320-10-35-21 states, "An investment is impaired if the fair value of the investment is less than its cost."

The U.S. Government Accountability Office's (GAO) Standards for Internal Control in the *Federal Government (GAO/AIMD-00-21.3.1)* states: "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded." It also states, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination."

The CDFI Fund policies and procedures do not currently consider the impact of other CDFI Fund programmatic activities that may affect the valuation of the investment.

Due to deficiencies noted above, certain investments of the CDFI Fund were not being accounted for in compliance with U.S. generally accepted accounting principles. In addition, the CDFI Fund's investments were overstated by $1,225,000.

Recommendation:

We recommend that management of the CDFI Fund further refine its policies and procedures to ensure that investments are appropriately analyzed, specifically to consider the impact of intra-fund programmatic activity that may bear on the estimate of value.

Exhibit II

Community Development Financial Institutions Fund

Management's Response to Significant Deficiencies and Recommendations

Improvements are needed in accounting for investments

Management's Response:

The CDFI Fund concurs with the recommendation to include intra-fund programmatic activity in its analysis of investments. The CDFI Fund will document and implement a procedure to distribute, on a monthly basis beginning January 31, 2011, a cumulative list of awards made to investees. OFM will incorporate this programmatic information into its investment analysis beginning June 30, 2011 and revise the documented investment procedures accordingly.

The CDFI Fund applies both FASB ASC section 320-10-35-21, "An investment is impaired if the fair value of the investment is less than its cost", and ASC 320-10-35-18, "For individual securities classified as either available for sale or held to maturity, an entity shall determine whether a decline in fair value below the amortized cost basis is other than temporary", in its accounting for investments. In the specific instance described in the "Condition", the CDFI Fund did not yet deem the impairment other than temporary thus the carrying value of the investment was not initially adjusted for impairment. Though the term "other-than-temporary" is subjective, the CDFI Fund revised the carrying value of this adjustment as it was deemed conservative and was recommended by KPMG.

Exhibit III

Community Development Financial Institutions Fund

Status of Prior Year Findings

Fiscal Year 2009 Finding	Deficiency Type	Fiscal Year 2010 Status
1) Improvements are needed in the accounting process for estimating loan loss reserves	Significant Deficiency	Closed
2) Improvements are needed in the accounting for investments	Significant Deficiency	Repeated as Significant Deficiency
3) Improvements are needed in the preparation and review of the financial statements	Significant Deficiency	Closed

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

Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2010 and 2009, and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 10, 2010.

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

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

KPMG LLP

November 10, 2010

FINANCIAL STATEMENTS and NOTES

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Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2010 and 2009

		2010	2009
Assets			
Fund Balance with Treasury (Note 4)	$	203,706,636	82,943,254
Advances and prepayments		245,855	930,210
Loans receivable, net of allowance for bad debts of $11,278,017 in 2010 and $9,282,169 in 2009 (Note 5)		44,271,564	51,375,835
Investments, amortized cost (Note 6)		3,849,089	4,505,000
Investments, cost method (Note 8)		15,388,420	21,274,820
Investments, equity method (Note 9)		3,018,116	3,341,762
Interest and other receivable		443,960	379,340
Internal-use software, net of accumulated amortization of $3,940,101 in 2010 and $3,492,293 in 2009		600,251	1,048,058
Internal-use software in development		414,272	352,517
Total assets	$	271,938,163	166,150,796
Liabilities and Net Position			
Accounts payable	$	230,013	334,113
Awards payable		31,893,723	7,909,214
Accrued payroll		443,985	381,966
Accrued annual leave		512,024	473,422
Debt (Note 10)		41,739,350	40,638,011
Total liabilities		74,819,095	49,736,726
Commitments (Note 11)			
Unexpended appropriations (Note 12)		178,568,702	91,546,608
Cumulative results of operations		18,550,366	24,867,462
Total net position		197,119,068	116,414,070
Total liabilities and net position	$	271,938,163	166,150,796

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, 2010 and 2009

		2010	2009
Revenue and financing sources:			
Appropriations	$	169,030,773	195,711,732
Imputed other income - expenses paid by others (Note 13)		939,110	732,293
Interest, non-federal		1,227,300	1,235,417
Interest, federal		178,197	91,000
Dividends		147,551	205,072
Equity in income of associates, net		315,050	-
Total revenue and financing sources	$	171,837,981	197,975,514
Expenses:			
CDFI grants		122,881,601	162,141,364
BEA grants		24,345,852	21,682,117
Administrative expense (Note 14)		19,446,152	16,632,431
Increase in (reversal of) bad debt expense		2,391,106	(5,901,595)
Administrative expenses paid by others (Note 13)		939,110	732,293
Total operating expenses	$	170,003,821	195,286,610
Interest expense, federal		2,135,638	2,072,015
Impairment losses		6,015,618	2,519,103
Equity in loss of associates, net		-	550,000
Total expenses	$	178,155,077	200,427,728
Net loss	$	(6,317,096)	(2,452,214)
Cumulative results of operations, beginning of year	$	24,867,462	27,319,676
Net loss		(6,317,096)	(2,452,214)
Cumulative results of operations, end of year	$	18,550,366	24,867,462

The accompanying notes are an integral part of these statements

Community Development Financial Institutions Fund
Statements of Cash Flows
Years Ended September 30, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Net loss	$	(6,317,096)	(2,452,214)
Adjustments to reconcile net loss to net cash provided by (used in) operations:			
Impairment losses		6,015,618	2,519,103
Equity in loss/(gain) of associates		(315,050)	550,000
Amortization expense		447,807	607,914
Accretion of discount		(73,307)	(44,103)
Increase in (reversal of) bad debt expense		2,391,106	(5,901,595)
Change in assets and liabilities:			
Decrease (increase) in advances and prepayments		684,355	(180,938)
Increase in interest and other receivable		(64,620)	(40,318)
Decrease in accounts payable and accrued payroll		(42,081)	(138,327)
Increase (decrease) in awards payable		23,984,509	(12,890,981)
Increase in accrued annual leave		38,602	95,698
Net cash provided by (used in) operating activities	$	26,749,843	(17,875,761)
Cash flows from investing activities:			
Proceeds from disposition of investments		1,238,696	675,000
Investments in awardees		-	(100,000)
Acquisition of internal-use software		(61,755)	(89,565)
Loans disbursed		-	(3,556,284)
Collection of loan principal		4,713,165	3,918,268
Net cash provided by investing activities	$	5,890,106	847,419
Cash flows from financing activities:			
Increase in unexpended appropriations, net		87,022,094	10,326,281
Borrowings from Treasury		6,309,129	2,814,895
Loan payments to Treasury		(5,207,790)	(3,579,746)
Net cash provided by financing activities	$	88,123,433	9,561,430
Net change in Fund balance with Treasury		120,763,382	(7,466,912)
Fund balance with Treasury, beginning of year		82,943,254	90,410,166
Fund balance with Treasury, end of year	$	203,706,636	82,943,254

The accompanying notes are an integral part of these statements

(1) Description of Reporting Entity

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

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

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

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

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

The Bank Enterprise Awards (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 Native Initiatives, the CDFI Fund provides grants to help create CDFI’s 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) The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 ("the Recovery Act") appropriated an additional $100 million to the CDFI Fund for the fiscal year (FY) 2009 funding round to make awards through the CDFI Program and the Native American CDFI Assistance (NACA) Program. Of this amount, $90 million was made available to Community Development Financial Institutions (CDFIs) under the Financial Assistance (FA) Component of the CDFI Program, $8 million was made available under the NACA Program, and $2 million was used to fund administrative costs incurred by the CDFI Fund.

For all CDFI Program awards made under the FY 2009 funding round, regardless of the source of funds (i.e., the Recovery Act vs. standard annual appropriations), the Recovery Act waives: (1) the requirement that the awardee obtain matching funds from non-Federal sources; and (2) the general requirement that no single awardee (or its affiliates) can receive more than $5 million in assistance from the CDFI Fund over a 3-year period. This allows the CDFI Fund to make all of its CDFI Program awards for the FY 2009 round in the form of grants, while in prior award rounds the form of the award was based on the form of the matching funds.

The Recovery Act also authorizes the CDFI Fund to allocate an additional $3 billion (unaudited) in tax credit authority to qualified Community Development Entities (CDEs) under the NMTC Program, as follows: $1.5 billion (unaudited) to CDEs that applied for allocation authority under the 2008 NMTC allocation round; and $1.5 billion (unaudited) to CDEs that apply for allocation authority under the 2009 NMTC allocation round. This is not an amount subject to accounting and reporting by the CDFI Fund and is for informational purposes only.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(d) Use of Estimates

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

(c) Fund Balance with Treasury

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

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

Loans receivable relate to direct loans made to certain CDFI Program awardees and are recorded at face value. Direct and incremental loan costs are deemed to be de minimis. Any interest is recognized over the life of the loan, when earned. Amounts collected on loans receivable are included in cash flows from investing activities in the statements of cash flows. During FY 2010, the CDFI Fund received requests from awardees requesting an extension of their maturity dates. The requests were processed in collaboration with the Office of Management and Budget and the Department of the Treasury Office of Financial Management. While the loan extensions are being processed, awardees do not make principal payments. The CDFI Fund continues to collect interest on all loans that are under modification, past maturity or when ultimate collectability is in doubt.

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 write-off trends and current market conditions. 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. A loan is considered impaired pursuant to FASB ASC-310-10-35. A loan is impaired if it is probable that the CDFI Fund will not collect all principal and interest contractually due. The impairment is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Loans are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. The CDFI Fund accrues and collects interest income on the impaired loans that have been submitted for loan modifications.

(e) Interest and Other Receivable

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

(f) Investments

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

- Non-voting Equity Securities: These investments 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.

(g) Internal-Use Software

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

The software is amortized using the straight-line method over the estimated useful life of seven years. Amortization expense for the years ended September 30, 2010 and 2009 was $447,807 and $607,914, respectively.

(h) Internal-Use Software in Development

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

(i) Leases

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

(j) Awards Payable

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

(k) Retirement Plans

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

Employees hired prior to January 1, 1984, were provided an opportunity to join either FERS and Social Security or remain in CSRS. The amount of cost recognized by the CDFI Fund for these contributions for September 30, 2010 and September 30, 2009 was $658,144 and $547,513 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 September 30, 2010 and September 30, 2009 was $243,225 and $205,543 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 September 30, 2010 and September 30, 2009 was $50,767 and $48,493 respectively.

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

(l) Annual, Sick, and Other Leave

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

(m) Debt

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

(n) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The CDFI Fund has employment related cases (e.g., discrimination, Equal Employment Opportunity Commission) in which a loss may be reasonably possible, but for which a range of potential loss could not be determined.

(o) Revenue and Other Income

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

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

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

(p) Tax Status

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

(q) Fair Value Measurements

On October 1, 2008 the CDFI Fund adopted the provisions of ASC Topic 820, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair values measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. This standard defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

(r) Newly Issued Not Yet Effective Accounting Standards

In January 2010 FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements,* providing amendments to ASC Topic 820, *Fair Value Measurements and Disclosures.* These amendments require new disclosures pertaining to transfers in and out of Levels

1 and 2 and activity in Level 3 fair value measurements. These amendments also clarify existing disclosures pertaining to levels of disaggregation and inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for annual reporting periods beginning after December 31, 2009. The CDFI Fund does not expect that these amendments will have a material impact on its statement of financial position or statement of operations.

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

(s) Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

4) Fund Balance with Treasury

Fund balance with Treasury as of September 30, 2010 and 2009 consisted of the following components:

	2010	2009
Available	$ 109,533,868	$ 11,442,084
Obligated	92,393,461	70,230,550
Expired	1,779,307	1,270,620
	$ 203,706,636	$ 82,943,254

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

5) Loans Receivable

Loans receivable are primarily from the funds provided to awardees. Receivables consisted of the following as of September 30, 2010 and 2009:

	2010	2009
Balance as of beginning of year	$ 60,658,004	$ 61,114,965
Add: Loans disbursed	-	3,556,284
Less: Loan repayments	(4,713,165)	(3,918,268)
Less: Write off of loans	(395,258)	(94,977)
Allowance for bad debts	(11,278,017)	(9,282,169)
Loans receivable, net, as of end of year	$ 44,271,564	$ 51,375,835

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

	2010	2009
Balance as of beginning of year	$ (9,282,169)	$ (15,278,741)
Decrease (increase) in allowance expensed	(2,391,106)	5,901,595
Accounts credited against the allowance, net of redemptions	395,258	94,977
Balance as of end of year	$ (11,278,017)	$ (9,282,169)

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

Current loans receivable as of September 30, 2009 was $7,974,446 (net of allowance of $1,440,758). Long-term loans receivable as of September 30, 2009 was $43,401,389 (net of allowance of $7,841,411).

As of September 30, 2010 the CDFI Fund had a total recorded investment in impaired loans from troubled debt restructurings of $9,913,025, of which $5,175,000 had a related allowance for bad debt of $1,967,500. The amount of the recorded investment for which there is no related allowance for bad debt is $4,738,025. The CDFI Fund had a total recorded investment in other impaired loans of $466,870 and a $186,748 related allowance for bad debt. As of September 30, 2009 the CDFI Fund had a total recorded investment in impaired loans of $3,073,114 with a related allowance for bad debt of $1,771,742.

During the years ended September 30, 2010 and 2009 the CDFI Fund had average recorded investments in impaired loans of $5,184,062 and $741,083 respectively. During these years the CDFI Fund recognized related interest income of $194,267 and $16,682, respectively. The CDFI Fund recognizes interest income on impaired loans as earned in accordance with loan agreements.

As of September 30, 2010 and 2009 there were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings.

(6) Investment Securities

The carrying amount, net of applicable discounts, gross unrealized holding losses and fair value of held-to maturity debt securities by major security type at September 30, 2010 and 2009 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held to Maturity at September 30, 2010:			
Certificates of deposit	$ 150,000	$ -	$ 150,000
Convertible debt securities	324,103	-	324,103
Secondary capital securities	3,374,986	-	3,374,986
Total	$ 3,849,089	$ -	$ 3,849,089
Investments, Held to Maturity at September 30, 2009:			
Certificates of deposit	$ 250,000	$ -	$ 250,000
Convertible debt securities	280,000	-	280,000
Secondary capital securities	3,975,000	-	3,975,000
Total	$ 4,505,000	$ -	$ 4,505,000

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2010:

	Fair Value	Net Carrying Amount
Held to Maturity:		
Due after one through five years	$ 3,337,268	$ 3,337,268
Due after ten years	511,821	511,821
	$ 3,849,089	$ 3,849,089

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 2010 or 2009.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2010 and 2009, this category consists of one debenture of $2 million which matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price.

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

Certificates of deposits are investments in federal credit union awardees, and have interest rates of 0 percent.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the CDFI Fund's financial instruments at September 30, 2010 and 2009. 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.

	2010		2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:				
Fund Balance with Treasury	$ 203,706,636	$ 203,707,000	$ 82,943,254	$ 82,943,000
Loans receivable	44,271,564	32,203,000	51,375,835	33,858,000
Investments, amortized cost	3,849,089	3,849,000	4,505,000	4,505,000
Investments, cost method	15,388,420	19,440,000	21,274,820	25,963,000
Interest receivable	443,960	444,000	379,340	379,000
Financial liabilities:				
Awards payable	31,893,723	31,894,000	7,909,214	7,909,000
Debt	41,739,350	28,432,000	40,638,011	22,304,000

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, convertible debt securities and secondary capital securities: 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.

Non-voting equity securities: 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.

Certificates of deposit: The fair value of certificates of deposit is discounted cash flow at a market rate.

(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, capitalized cash flow analysis, total cash and other trend analysis were performed to determine fair value.

For assets measured at fair value on a nonrecurring basis in 2010 and 2009 that were still on the balance sheet at year end, the following tables provides the level of valuation assumptions used and the carrying value of the related individual assets or portfolios at year end.

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

	Fair Value Measurements as of September 30, 2009 Using			
	Level 1	**Level 2**	**Level 3**	**Total Loss**
Investments, cost	$ —	$ —	$ 21,274,820	$ (755,000)
Total	$ —	$ —	$ 21,274,820	$ (755,000)

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

Investments with a carrying value of $17,353,420 were written down to their fair value of $15,388,420, resulting in an impairment loss of $1,965,000, which was included in earnings for 2010. Investments with a carrying value of $22,029,820 were written down to their fair value of $21,274,820 resulting in an impairment loss of $755,000, which was included in earnings for 2009.

(8) Cost Method Investments

Investments accounted for under the cost method consist of non-voting common stock held in for-profit CDFI Program awardees and preferred non-voting stock held in two awardees. The aggregate amount of these investments is $15,388,420 and $21,274,820 at September 30, 2010 and 2009 respectively. All securities were evaluated for impairment. Two investments were written off during fiscal year 2010 totaling $3,921,400.

(9) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in

Sustainable Jobs Fund, LP (12%), an interest in Pacific Community Ventures (9%), a non-voting redeemable transferable interest in BCLF Ventures II, LLC (18%) and three units of preferred interest in Shorebridge Capital LLC (17%). These totaled $3,018,116 and $3,341,762 at September 30, 2010 and 2009, respectively.

(10) Debt

Debt consists of amounts borrowed from the U.S. Treasury Department and included the following activity for the years ended September 30, 2010 and 2009:

	2010	2009
Beginning balance	$ 40,638,011	$ 41,402,862
New borrowings	6,309,129	2,814,895
Repayments	(5,207,790)	(3,579,746)
Ending balance	$ 41,739,350	$ 40,638,011

The payments to Treasury are due on September 30 of each year of maturity. Principal payments on this debt as of September 30, 2010 are as follows:

Fiscal Year	Principal Payments
2011	$ -
2012	1,006,714
2013	745,029
2014	420,805
2015	-
Later years, through 2037	39,566,802
	$41,739,350

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

During fiscal year 2009, the CDFI Fund borrowed $2,325,810 to finance current year direct loan commitments and $489,085 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 3.55% to 6.48%, depending on maturity dates or risk categories.

Interest paid in cash for the years ended September 30, 2010 and 2009 was $2,135,561 and $2,072,015, respectively.

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

(11) Commitments

(a) Operating Leases

The CDFI Fund leases office space from the General Services Administration in the Homer Building located in Washington, D.C. under the terms of an operating lease (renewed in FY 2007) which expires in January 2012. The CDFI Fund also leases equipment under the terms of an operating lease. The total operating lease expense was $1,492,285 and $1,485,251 for the years ended September 30, 2010 and 2009, respectively.

Future minimum payments due under these operating leases as of September 30, 2010 were as follows:

Fiscal Year	Minimum lease payments
2011	$1,490,221
2012	385,101
2013	20,276
2014	20,276
2015	20,276
	$1,936,150

(b) Award and Purchase Commitments

As of September 30, 2010 and 2009, award commitments amounted to $57,091,588 and $58,624,309, respectively. Award commitments relate to CDFI Program and Native Initiative Program 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 Bank Enterprise Award (BEA) Program of $24,727,288 and $7,909,214 as of September 30, 2010 and 2009, 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 $7,166,435 as of September 30, 2010 are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $2,980,007 and $3,911,158 as of September 30, 2010 and 2009, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

(12) Unexpended Appropriations

Unexpended appropriations for the years ended September 30, 2010 and 2009 were as follows:

	2010	2009
Beginning unexpended appropriations	$ 91,546,608	$ 81,220,327
Appropriations received	260,250,000	207,000,000
Appropriations for Subsidy Reestimate	1,946,321	—
Appropriations cancelled	(263,955)	(961,987)
Appropriations expended	(169,030,773)	(195,711,732)
Downward Subsidy Reestimate Adjustment	(5,879,499)	—
Change in unexpended appropriations	87,022,094	10,326,281
Ending unexpended appropriations	$ 178,568,702	$ 91,546,608

(13) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
Pension Cost (CSRS Retirement Plan)	$ 114,659	$ 82,351
Pension Cost (FERS Retirement Plan)	104,734	14,454
Health Insurance (Health Benefits Program)	375,031	310,824
Life Insurance (Group Life Insurance Program)	1,095	952
Audit Fees	343,591	323,712
Total	$ 939,110	$ 732,293

(14) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2010 and 2009:

	2010	2009
Personnel compensation and benefits	$ 8,644,359	$ 7,248,561
Travel	214,433	221,162
Rent, communications, utilities and miscellaneous charges	2,327,266	2,636,858
Contractual services	7,552,778	5,372,395
Information technology systems maintenance	86,771	258,359
Amortization	447,807	607,914
Supplies and printing	134,136	191,385
Other	38,602	95,797
Total	$ 19,446,152	$ 16,632,431

(15) Related Party Transactions

The CDFI Fund has Interagency agreements with the Department of Treasury. As of September 30, 2010 these related party expenses amounted to $2,608,275.

Expenses were recorded as follows: Interagency Agreements with Treasury's Departmental Offices, Office of Financial Management (OFM) for financial management services, conference and events; postage; human resources services, for the amount of $825,615. An Interagency Agreement with the Working Capital Fund shared IT services from the Office of the Chief Information Officer, for the amount of $255,408. An Interagency Agreement with Treasury's Departmental Offices, Office of the Chief Information Officer for IT network administration services for the amount of $582,223. An Interagency Agreement with the Bureau of Public Debt (BPD) for accounting services, e-Travel and Prism for the amount of $676,276. An Interagency Agreement with BPD for application intake process and website hosting, for the amount of $252,563. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services for the amount of $16,190.

(16) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statement of financial position through November 10, 2010, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix A

Appendix A
FY 2009 CDFI Fund Award and Allocation Activities

STATE	FA Awards #	FA Awards $	SECA/TA Only Awards (1) #	SECA/TA Only Awards (1) $		NI Awards #	NI Awards $	BEA Awards #	BEA Awards $	Total Awards #	Total Awards $	Allocation of New Markets Tax Credits (2) #	Allocation of New Markets Tax Credits (2) $
Alabama	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
Alaska	0	$0	0	$0		4	$868,661	-	$0	4	$868,661	-	$0
Arizona	1	$1,000,000	0	$0		6	$2,877,793	1	$700,000	8	$4,577,793	1	$40,000,000
Arkansas	0	$0	0	$0		-	$0	-	$0	-	$0	1	$55,000,000
California	10	$16,000,000	7	$1,972,539		2	$243,526	6	$3,426,252	25	$21,642,317	10	$441,000,000
Colorado	0	$0	1	$100,000		-	$0	-	$0	1	$100,000	3	$140,000,000
Connecticut	1	$910,000	0	$0		-	$0	1	$432,000	2	$1,342,000	1	$85,000,000
Delaware	0	$0	0	$0		-	$0	1	$700,000	1	$700,000	-	$0
District of Columbia	3	$3,000,000	2	$594,992		-	$0	1	$700,000	6	$4,294,992	4	$277,000,000
Florida	0	$0	0	$0		-	$0	1	$700,000	1	$700,000	1	$75,000,000
Georgia	1	$1,000,000	2	$850,000		-	$0	3	$604,282	6	$2,454,282	3	$120,000,000
Hawaii	0	$0	1	$100,000		3	$845,000	-	$0	4	$945,000	-	$0
Idaho	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
Illinois	3	$4,000,000	2	$194,582		-	$0	14	$6,732,686	19	$10,927,268	4	$136,250,000
Indiana	0	$0	0	$0		-	$0	-	$0	-	$0	1	$15,000,000
Iowa	0	$0	1	$500,000		-	$0	-	$0	1	$500,000	2	$110,000,000
Kansas	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
Kentucky	3	$5,000,000	1	$500,000		-	$0	7	$581,700	11	$6,081,700	3	$82,000,000
Louisiana	2	$4,000,000	0	$0		-	$0	1	$700,000	3	$4,700,000	4	$213,500,000
Maine	2	$3,000,000	0	$0		1	$877,550	-	$0	3	$3,877,550	1	$112,000,000
Maryland	0	$0	2	$195,288		-	$0	-	$0	2	$195,288	4	$215,000,000
Massachusetts	2	$3,000,000	5	$1,955,651		-	$0	1	$477,474	8	$5,433,125	5	$295,000,000
Michigan	2	$3,000,000	0	$0		3	$426,532	-	$0	5	$3,426,532	1	$50,000,000
Minnesota	5	$7,000,000	4	$1,700,000		3	$872,131	4	$1,932,807	16	$11,504,938	3	$215,000,000
Mississippi	0	$0	0	$0		-	$0	1	$14,580	1	$14,580	1	$20,000,000
Missouri	1	$1,000,000	0	$0		-	$0	1	$700,000	2	$1,700,000	4	$215,000,000
Montana	1	$2,000,000	2	$633,010		1	$119,739	-	$0	4	$2,752,749	1	$40,000,000
Nebraska	0	$0	1	$600,000		-	$0	-	$0	1	$600,000	-	$0
Nevada	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
New Hampshire	1	$2,000,000	0	$0		-	$0	-	$0	1	$2,000,000	1	$65,000,000
New Jersey	2	$3,000,000	1	$500,000		-	$0	1	$700,000	4	$4,200,000	2	$55,000,000
New Mexico	0	$0	2	$1,100,000		2	$620,000	-	$0	4	$1,720,000	-	$0
New York	13	$19,800,000	8	$3,222,761		1	$24,390	1	$700,000	23	$23,747,151	10	$538,250,000
North Carolina	2	$4,000,000	0	$0		2	$612,174	1	$72,000	5	$4,684,174	1	$50,000,000
North Dakota	0	$0	1	$600,000		1	$132,377	-	$0	2	$732,377	-	$0
Ohio	3	$2,500,000	1	$500,000		-	$0	-	$0	4	$3,000,000	5	$170,000,000
Oklahoma	1	$2,000,000	0	$0		2	$1,266,522	-	$0	3	$3,266,522	4	$170,000,000
Oregon	3	$5,000,000	0	$0		-	$0	1	$216,547	4	$5,216,547	2	$60,000,000
Pennsylvania	5	$9,000,000	5	$1,424,392		-	$0	1	$165,501	11	$10,589,893	2	$135,000,000
Puerto Rico	1	$1,000,000	3	$797,394		-	$0	-	$0	4	$1,797,394	-	$0
Rhode Island	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
South Carolina	0	$0	1	$600,000		1	$149,281	1	$71,726	3	$821,007	1	$100,000,000
South Dakota	1	$1,000,000	1	$95,932		6	$3,369,580	-	$0	8	$4,465,512	1	$80,000,000
Tennessee	1	$2,000,000	1	$27,500		-	$0	2	$706,593	4	$2,734,093	-	$0
Texas	4	$4,000,000	1	$500,000		1	$32,756	1	$104,864	7	$4,637,620	2	$55,000,000
Utah	0	$0	1	$500,000		-	$0	-	$0	1	$500,000	-	$0
U.S. Virgin Islands	0	$0	0	$0		-	$0	-	$0	-	$0	-	$0
Vermont	3	$6,000,000	0	$0		-	$0	-	$0	3	$6,000,000	1	$30,000,000
Virginia	2	$2,000,000	0	$0		-	$0	1	$53,739	3	$2,053,739	6	$270,000,000
Washington	2	$2,000,000	4	$754,876		3	$864,989	-	$0	9	$3,619,865	2	$50,000,000
West Virginia	0	$0	1	$600,000		-	$0	-	$0	1	$600,000	-	$0
Wisconsin	4	$3,750,000	0	$0		2	$735,381	2	$1,139,575	8	$5,624,956	4	$220,000,000
Wyoming	0	$0	0	$0		1	$860,002	-	$0	1	$860,002	-	$0
Amounts Awarded in FY 2009 Funding Round	**85**	**$122,960,000**	**62**	**$21,118,917**	**-**	**45**	**$15,798,384**	**55**	**$22,332,326**	**247**	**$182,209,627**	**102**	**$5,000,000,000**

(1) Consists of both Technical Assistance Awards and Small and Emerging CDFIs Assistance (SECA) Awards
(2) FY 2009 data was restated to reflect awards announced in FY 2009

Appendix B

Appendix B
FY 2010 CDFI Fund Award and Allocation Activities

STATE	FA Awards #	FA Awards $	TA Awards (1) #	TA Awards (1) $	NI Awards #	NI Awards $	BEA Awards #	BEA Awards $	Total Awards #	Total Awards $	Allocation of New Markets Tax Credits #	Allocation of New Markets Tax Credits $
Alabama							2	$205,227	2	$205,227	-	$0
Alaska			1	$97,024	2	$705,642			3	$802,666	1	$50,000,000
Arizona	1	$750,000			5	$1,225,428			6	$1,975,428	1	$25,000,000
Arkansas									-	$0	1	$70,000,000
California	16	$11,032,646	3	$252,726	2	$ 252,376	9	$4,864,339	30	$16,402,087	10	$448,000,000
Colorado	4	$2,345,230	1	$91,867	1	$500,000			6	$2,937,097	2	$40,000,000
Connecticut	1	$750,000	1	$91,803					2	$841,803	-	$0
Delaware									-	$0	-	$0
District of Columbia	4	$3,000,000					1	$600,000	5	$3,600,000	5	$260,000,000
Florida	2	$1,500,000							2	$1,500,000	1	$45,000,000
Georgia	2	$1,250,000					1	$600,000	3	$1,850,000	1	$70,000,000
Hawaii			1	$94,140	3	$737,047			4	$831,187	-	$0
Idaho	2	$1,450,000							2	$1,450,000	-	$0
Illinois	6	$4,350,000					13	$6,468,885	19	$10,818,885	3	$165,000,000
Indiana	1	$750,000					3	$39,008	4	$789,008	1	$50,000,000
Iowa	1	$750,000							1	$750,000	3	$215,000,000
Kansas									-	$0	-	$0
Kentucky	5	$3,750,000					17	$892,139	22	$4,642,139	1	$25,000,000
Louisiana	1	$750,000					2	$724,357	3	$1,474,357	5	$300,000,000
Maine	2	$1,500,000	1	$50,000					3	$1,550,000	1	$125,000,000
Maryland	5	$3,592,282			1	$649,907	1	$517,243	7	$4,759,432	6	$185,000,000
Massachusetts	8	$5,199,991	1	$94,572			1	$600,000	10	$5,894,563	3	$230,000,000
Michigan	1	$750,000	1	$100,000	1	$149,599	1	$131,080	4	$1,130,679	3	$128,000,000
Minnesota	6	$4,350,000	1	$100,000	2	$122,286	3	$1,800,000	12	$6,372,286	3	$180,000,000
Mississippi	2	$1,500,000	1	$64,990			1	$600,000	4	$2,164,990	-	$0
Missouri	2	$1,500,000							2	$1,500,000	7	$420,000,000
Montana	2	$1,500,000	1	$97,659	2	$293,638			5	$1,891,297	-	$0
Nebraska	1	$632,293	1	$56,945	1	$106,700			3	$795,938	-	$0
Nevada									-	$0	-	$0
New Hampshire	2	$1,500,000							2	$1,500,000	-	$0
New Jersey	3	$2,250,000	1	$98,350			1	$600,000	5	$2,948,350	-	$0
New Mexico	3	$1,900,000	2	$188,698	3	$919,712			8	$3,008,410	-	$0
New York	17	$12,127,522	3	$299,918	1	$22,318	3	$1,455,950	24	$13,905,708	7	$515,000,000
North Carolina	3	$2,097,178							3	$2,097,178	1	$30,000,000
North Dakota	2	$919,266			2	$249,641			4	$1,168,907	-	$0
Ohio	4	$2,190,000					1	$96,000	5	$2,286,000	6	$205,000,000
Oklahoma					5	$488,560	1	$600,000	6	$1,088,560	1	$10,000,000
Oregon	2	$1,500,000	2	$143,890	1	$150,000			5	$1,793,890	2	$90,000,000
Pennsylvania	7	$4,703,514					1	$394,177	8	$5,097,691	3	$109,000,000
Puerto Rico									-	$0	2	$55,000,000
Rhode Island			1	$89,285					1	$89,285	-	$0
South Carolina	1	$750,000					2	$675,075	3	$1,425,075	1	$60,000,000
South Dakota	3	$2,250,000			6	$2,220,901			9	$4,470,901	-	$0
Tennessee	1	$750,000					1	$600,000	2	$1,350,000	1	$30,000,000
Texas	5	$3,422,000	2	$199,233					7	$3,621,233	3	$155,000,000
Utah	1	$597,300							1	$597,300	-	$0
U.S. Virgin Islands									-	$0	-	$0
Vermont	3	$2,250,000	1	$74,085					4	$2,324,085	-	$0
Virginia	2	$1,500,000					1	$600,000	3	$2,100,000	3	$185,000,000
Washington	6	$3,208,591	1	$90,278	2	$283,977			9	$3,582,846	3	$105,000,000
West Virginia	1	$750,000	1	$96,400					2	$846,400	-	$0
Wisconsin	6	$4,350,000			4	$525,412	3	$1,658,808	13	$6,534,220	8	$420,000,000
Wyoming			1	$100,000	1	$649,982			2	$749,982	-	$0
Amounts Awarded in FY 2010 Funding Round	**147**	**$101,967,813**	**29**	**$2,571,863**	**- 45**	**$10,253,126**	**69**	**$24,722,288**	**290**	**$139,515,090**	**99**	**$5,000,000,000**

Note: New Markets Tax Credit - In October 2009, the CDFI Fund announced that 99 applicants were awarded $5.0 billion in NMTC allocation authority, including the additional $1.5 billion provided through the Recovery Act.

Appendix C

Appendix C: Aggregate Awards							
State	FA Awards	TA	Native Initiative Awards (1)	BEA Awards	FEC Awards	Total Awards From Inception	NMTC Allocations (2)
Alabama	$145,000	$475,500	$0	$820,302	$0	$1,440,802	$40,000,000
Alaska	$7,912,500	$403,024	$2,620,383	$0	$0	$10,935,907	$90,000,000
Arizona	$7,556,500	$491,867	$7,504,685	$1,509,288	$0	$17,062,340	$300,000,000
Arkansas	$10,239,300	$605,647	$70,000	$5,075,223	$0	$15,990,170	$140,000,000
California	$83,376,712	$8,478,205	$1,359,969	$48,376,832	$400,000	$141,991,718	$2,112,000,000
Colorado	$10,881,300	$4,696,163	$770,000	$2,116,915	$400,000	$18,864,378	$472,000,000
Connecticut	$4,543,500	$954,847	$0	$805,205	$0	$6,303,552	$85,000,000
Delaware	$923,731	$122,000	$0	$3,451,000	$0	$4,496,731	$50,000,000
District of Columbia	$20,803,342	$1,948,842	$0	$7,857,450	$0	$30,609,634	$1,855,000,000
Florida	$19,323,800	$1,355,798	$0	$10,191,003	$0	$30,870,601	$135,000,000
Georgia	$5,533,900	$2,085,281	$0	$7,990,146	$400,000	$16,009,327	$504,000,000
Hawaii	$1,000,000	$1,001,965	$2,303,168	$1,069,199	$0	$5,374,332	$28,000,000
Idaho	$4,984,300	$200,000	$0	$0	$0	$5,184,300	$0
Illinois	$44,026,975	$3,253,117	$0	$54,779,048	$0	$102,059,140	$801,300,000
Indiana	$3,058,000	$362,500	$0	$1,648,196	$0	$5,068,696	$143,000,000
Iowa	$4,740,000	$765,050	$0	$508,500	$0	$6,013,550	$474,700,000
Kansas	$1,903,000	$240,504	$25,000	$2,752,432	$0	$4,920,936	$0
Kentucky	$27,656,525	$1,311,460	$0	$7,470,451	$0	$36,438,436	$305,500,000
Louisiana	$11,405,603	$846,270	$0	$4,096,775	$0	$16,348,648	$1,681,000,000
Maine	$16,558,856	$941,951	$3,366,418	$1,481,251	$0	$22,348,476	$606,000,000
Maryland	$19,548,360	$1,645,806	$825,947	$2,847,464	$0	$24,867,577	$1,448,000,000
Massachusetts	$26,323,200	$6,732,082	$0	$8,256,879	$0	$41,312,161	$1,153,000,000
Michigan	$9,865,000	$627,404	$1,422,507	$1,363,766	$0	$13,278,677	$280,000,000
Minnesota	$30,427,360	$3,545,615	$4,375,799	$9,374,807	$0	$47,723,581	$1,008,000,000
Mississippi	$13,791,250	$388,366	$0	$3,144,437	$0	$17,324,053	$70,000,000
Missouri	$3,810,109	$259,824	$0	$6,148,034	$0	$10,217,967	$1,172,000,000
Montana	$6,037,145	$2,032,725	$1,477,917	$315,962	$0	$9,863,749	$70,000,000
Nebraska	$982,293	$1,661,573	$371,700	$97,832	$0	$3,113,398	$23,000,000
Nevada	$0	$581,452	$0	$339,200	$0	$920,652	$0
New Hampshire	$13,065,000	$93,425	$0	$1,132,000	$400,000	$14,690,425	$65,000,000
New Jersey	$16,476,064	$1,304,819	$0	$6,562,390	$0	$24,343,273	$413,000,000
New Mexico	$11,213,011	$1,778,363	$1,827,411	$185,705	$0	$15,004,490	$110,000,000
New York	$107,426,627	$12,757,871	$230,708	$53,676,276	$0	$174,091,482	$3,429,250,000
North Carolina	$35,509,523	$3,054,383	$2,405,020	$28,766,498	$400,000	$70,135,424	$830,000,000
North Dakota	$1,385,000	$838,786	$965,886	$15,000	$0	$3,204,672	$0
Ohio	$12,469,620	$3,513,058	$0	$3,851,203	$0	$19,833,881	$1,363,000,000
Oklahoma	$4,734,190	$599,550	$5,485,337	$3,001,680	$0	$13,820,757	$400,000,000
Oregon	$11,551,250	$672,891	$272,561	$6,569,895	$0	$19,066,597	$461,500,000
Pennsylvania	$52,049,971	$5,416,427	$0	$2,433,005	$0	$59,899,403	$657,500,000
Puerto Rico	$1,300,000	$988,041	$0	$0	$0	$2,288,041	$55,000,000
Rhode Island	$750,000	$479,185	$0	$0	$0	$1,229,185	$0
South Carolina	$1,250,000	$992,338	$149,281	$2,886,980	$0	$5,278,599	$349,000,000
South Dakota	$10,416,403	$677,932	$10,925,452	$722,250	$0	$22,742,037	$130,000,000
Tennessee	$12,073,178	$177,600	$95,000	$5,625,766	$0	$17,971,544	$65,250,000
Texas	$25,159,267	$5,026,442	$32,756	$15,247,856	$0	$45,466,321	$247,000,000
Utah	$2,000,000	$1,489,800	$353,000	$120,000	$0	$3,962,800	$100,000,000
U.S. Virgin Islands	$770,000	$0	$0	$0	$0	$770,000	$0
Vermont	$17,820,549	$564,140	$0	$0	$0	$18,384,689	$32,000,000
Virginia	$8,794,385	$1,523,076	$0	$676,739	$0	$10,994,200	$711,000,000
Washington	$13,364,495	$2,422,439	$2,875,766	$3,080,991	$0	$21,743,691	$280,000,000
West Virginia	$3,189,000	$1,028,168	$0	$0	$0	$4,217,168	$4,000,000
Wisconsin	$19,556,986	$1,079,103	$2,835,136	$7,914,818	$0	$31,386,043	$1,251,000,000
Wyoming	$0	$100,000	$2,774,348	$0	$0	$2,874,348	$0
TOTALS	*$779,682,080*	*$94,592,675*	*$57,721,155*	*$336,356,649*	*$2,000,000*	*$1,270,352,559*	*$26,000,000,000*

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

(2) Consists of New Markets Tax Credit (NMTC) allocatees headquarted in these states. Amounts shown represents amount of equity supported by tax credits.

Appendix D

GLOSSARY OF TERMS

ALLOCATION (OF TAX CREDITS)

Through the New Markets Tax Credit (NMTC) Program, the CDFI Fund provides a Community Development Entity (CDE) with the authority to offer tax credits to investors in exchange for an equity investment in the CDE.

CAPITAL MAGNET FUND (CMF)

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 are 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.

COMMUNITY DEVELOPMENT ENTITY (CDE)

Through the New Markets Tax Credit Program, the CDFI Fund certifies an entity as a CDE if it is a duly organized entity that is treated as a domestic corporation or partnership for federal income tax purposes and that (a) has a primary mission of serving, or providing investment capital for, Low-Income Communities or Low-Income Persons; and (b) maintains accountability to residents of Low-Income Communities through their representation on any governing board of the entity.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)

A nongovernmental entity that meets the following eligibility criteria and is certified by the CDFI Fund as such:

1. Has a primary mission of promoting community development;
2. Serves an eligible investment area or targeted population;
3. Has a predominant business activity of providing Financial Products, loans or certain equity investments;
4. Provides development activities and services that promote community development (ex. financial management technical assistance, financial or credit counseling) in conjunction with its loans and development investments; and
5. Maintains accountability to residents of the investment area or targeted population through representation on its governing board or otherwise.

Additional eligibility criteria apply if the entity is a depository institution holding company or an insured depository institution. The CDFI Fund’s requirements for CDFI certification and eligibility are found at 12 CFR 1805.200.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND (CDFI FUND)

A government corporation within the Department of the Treasury, created to promote economic revitalization and community development through investment in and assistance to CDFIs, including enhancing their liquidity. It was created by Congress and has the duties and responsibilities specified in the Riegle Community Development and Regulatory Improvement Act of 1994.

COMMUNITY INVESTMENT IMPACT SYSTEM (CIIS)

CIIS is a web-based system managed by the CDFI Fund that collects and stores institution-level and transaction-level data from CDFIs and CDEs.

FINANCIAL EDUCATION AND COUNSELING (FEC) PILOT PROGRAM

Through the Financial Education and Counseling (FEC) Pilot Program, the CDFI Fund provides grants to organizations to establish and expand financial education and counseling services for prospective homebuyers.

CDFI FUNDING ROUND

Each CDFI Fund application and award is identified with a funding round that corresponds to the fiscal year for which the CDFI Fund issues a Notice of Funds Availability (NOFA).

NATIVE AMERICAN CDFI ASSISTANCE (NACA) PROGRAM

Through the Native American CDFI Assistance (NACA) Program, the CDFI Fund provides Financial Assistance awards to eligible Native American CDFIs to support their financing activities, as well as Technical Assistance awards to existing Native CDFIs and Native organizations seeking to become or create a CDFI.

A Native American CDFI is defined as a CDFI with greater than 50 percent of its activities directed to Native American Communities. In FY 2005, the NACA Program replaced the NACD and NATA Programs.

NATIVE AMERICAN CDFI DEVELOPMENT (NACD) PROGRAM

Replaced by the NACA Program in FY 2005, the Native American CDFI Development (NACD) Program provided Technical Assistance grants to “sponsoring organizations,” such as Tribes or entities primarily serving Native American Communities, seeking to create Native American CDFIs.

NATIVE AMERICAN TECHNICAL ASSISTANCE (NATA) COMPONENT

Replaced by the NACA Program in FY 2005, the Native American Technical Assistance (NATA) Component was similar to the NACD Program, the difference being that the NATA Component was limited to CDFIs and entities proposing to become CDFIs. NATA grants were provided as part of the Technical Assistance Component of the CDFI Program.

NEW MARKETS TAX CREDIT (NMTC) PROGRAM

Through the New Markets Tax Credit (NMTC) Program, the CDFI Fund provides allocations of tax credits to qualified Community Development Entities (CDEs). The CDEs in turn provide tax credits to private sector investors in exchange for their investment dollars; investment proceeds received by the CDEs are to be used to make loans and equity investments in low-income communities.

QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS (QALICB)

A QALICB is a real estate project located in a qualified low-income community or an operating business that has substantial business operations in a qualified low income community. Non-profit organizations, mixed-use real estate development, retail, industrial and many other types of businesses qualify under this definition. To be considered a QALICB, a business is evaluated against income, property, and services tests and is limited in the amount of collectables and non-qualified financial property. QALICBs are eligible to receive QLICIs under the New Markets Tax Credit Program. For a technical definition see Internal Revenue Code §45D(d)(2).

QUALIFIED EQUITY INVESTMENT (QEI)

An equity investment in a CDE through the NMTC Program meeting the following criteria: the investment proceeds are used by the CDE to make Qualified Low-Income Community Investments (QLICIs), the CDE designates the investment as a QEI, and the investment proceeds are received by the CDE within 5 years from the date of its NMTC allocation.

QUALIFIED LOW-INCOME COMMUNITY INVESTMENT (QLICI)

An investment by a CDE in the form of: 1) an investment in, or loan to, any qualified active low-income community business; 2) the purchase from a CDE of any such loan; 3) financial counseling and other services to businesses in, and residents of, low-income communities; or 4) any equity investment in, or loan to, any CDE.

TECHNICAL ASSISTANCE

Activities that enhance the capacity of an organization to carry out its business and purpose, such as training of management and other personnel; developing programs and loan or investment loan products; improving financial management and internal operations; and enhancing an organization's community impact.

UNDERSERVED COMMUNITY

An Underserved Community may include the following: 1) an Investment Area under the CDFI Program; 2) a Targeted Population under the CDFI Program or the NMTC Program; 3) a Low-Income Community under the NMTC Program; and/or 4) a Distressed Community under the BEA Program. Many Native American Communities also qualify as Underserved Communities.

"Native American Communities" are defined as any Native American, Alaska Native or Native Hawaiian populations, lands or Census-equivalent entities, with the exception of State or Tribal Designated Statistical Areas.