

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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Community Development Financial Institutions Fund (CDFI Fund)

FY 2015 CDFI & NACA Programs Retained Earnings Guidance

PRESENTED BY
CDFI & NACA Program Team

PRESENTED ON
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Your Presenters



CDFI & NACA Program Team

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Overview



- Retained Earnings (RE) are an eligible source of matching funds
 - The portion of the Financial Assistance (FA) award that is matched with Retained Earnings will be disbursed in the form of a grant
- The CDFI Fund provides a RE calculator per institution type (Non-Regulated, Banks, and Credit Unions) to calculate available Retained Earnings
- The RE calculator adjusts an Applicant's financial statements or call reports for revenue and expenses derived from Federal sources and previously used Matching Funds



Materials Needed

- 1) Retained Earnings Calculator (based on institution type) – Application Excel Workbook Tab 16
- 2) Retained Earnings Guidance – Application Excel Workbook Tab 15
- 3) Financial Statements/Call Reports
- 4) Matching Funds Analysis Letters (for prior Award Recipients, if applicable)

Non-Regulated Institutions



Option #1: Fiscal Year End

The change in net assets with adjustments occurring over a fiscal year during the Matching Funds window

Option #2: Three Year Average

The three year average of change in net assets with adjustments as noted in the RE calculator

Non-Regulated Institutions: Special Considerations



- The goal of the non-regulated RE calculator is to recreate the income statement and make the following adjustments:
 - Federal Revenue (including CDFI or NACA Program and Bank Enterprise Award)
 - Used Matching Funds
 - Previously Used Retained Earnings
 - Expenses associated with Federal Revenue and Used Matching Funds

Non-Regulated Institutions: Understanding the RE calculator



- Line B: Income from Federal Sources – Provide explanation if amount included for prior CDFI Fund award is less than total award amount
- Line C: Matching Funds – Report grants only
- Line D: Previously Used Retained Earnings – Do not report the Retained Earnings being submitted as matching funds for the current FY 2015 application

Non-Regulated Institutions: Guidance on Expenses



- In Line G of the RE calculator, report only the expenses that are associated with Federal Income and Used Matching Funds

Acceptable Expense Categories
Salaries and Fringe Expenses
Bad Debt Expense/ Loan Loss Provision
Program Services (funded through grants)
Grant Expense

- Must include notes that specify which Federal Income (from Line B) & Used Matching Funds (from Line C) each expense is associated
- If associated expenses for Lines B & C for a particular fiscal year exceed the total Federal Income and Used Matching Funds reported for the same fiscal year, an explanation must be provided

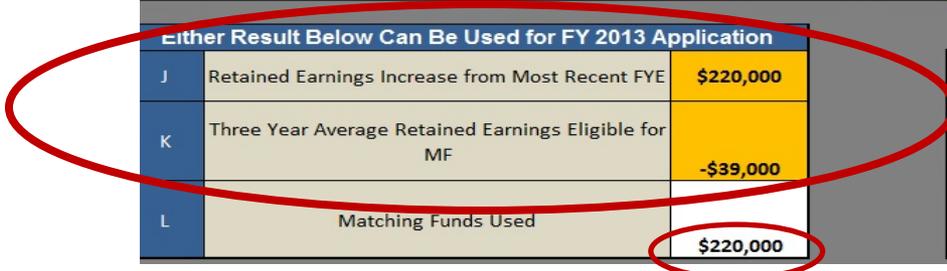
Non-Regulated Institutions



- Audited vs. Unaudited Statements
 - Audited: “In-hand”
 - Internally Prepared: “Committed”
- IMPORTANT:
 - If an applicant cannot produce audits for the fiscal years reported on in the RE calculator, it cannot use retained earnings as a matching funds source

B1. Retained Earnings Calculator: Non-Regulated Entities

Line	Financial Data	2011	2012	2013	Notes/ Documentation:
A	Total Income/Revenue	\$ 500,000	\$ 600,000	\$ 1,000,000	
B	LESS Income from Federal Sources (Itemize source and amount in the lines below. Add additional lines as necessary)	\$0	\$200,000	\$500,000	
				\$ 500,000	Total award of \$2,000,000; outstanding amount booked as deferred revenue
			\$ 200,000		
C	LESS Income listed as Matching Funds Used (Itemize source and amount in the lines below. Add additional lines as necessary)	\$0	\$450,000	\$150,000	
	FY 2012		\$450,000	50,000	
	FY 2013			100,000	
D	LESS Retained Earnings Used in Previous Award Years	\$0	\$0	\$0	
D1	FYE Retained Earnings Used				
D2	Previous 3 Year Average Retained Earnings Used (Two Year Overlap)			\$300,000	
D3	Previous 3 Year Average Retained Earnings Used (One Year Overlap)				
E	Subtotal: Adjusted Operating Income/Revenue	\$500,000	-\$50,000	\$350,000	
F	Total Expenses	\$100,000	\$200,000	\$250,000	
G	LESS Total Expenses Associated with Lines B and C (Itemize source and amount in the lines below. Add additional lines as necessary)	\$0	\$113,000	\$120,000	
	Review?	Ok!	Ok!	Ok!	
	Salary and fringe benefits		\$75,000	85,000	
	Bad debt/loan loss provision		\$8,000	10,000	
	Program services funded through grants		\$30,000	25,000	
	Grant expense				
	Other				
H	Subtotal: Adjusted Expenses	\$100,000	\$87,000	\$130,000	
I	TOTAL RETAINED EARNINGS (E-H)	\$400,000	-\$137,000	\$220,000	
Either Result Below Can Be Used for FY 2013 Application					
J	Retained Earnings Increase from Most Recent FYE	\$220,000			
K	Three Year Average Retained Earnings Eligible for MF	-\$39,000			
L	Matching Funds Used	\$220,000			
	Three Year Average Retained Earnings Initial Increase			\$161,000	
	Prior Three Year Average Retained Earnings Used for MF (Two Years of Overlap)			\$200,000	
	Prior Three Year Average Retained Earnings Used for MF (One Year of Overlap)			\$0	



Banks, Thrifts and Bank Holding Companies



Option #1: Fiscal Year End

The change in Retained Earnings occurring over a fiscal year during the Matching Funds window with adjustments as noted in the RE calculator

Option #2: Three Year Average

The three year average of change in Retained Earnings with adjustments as noted in the RE calculator

Special Consideration for Banks and Credit Unions



- Must use applicable Call Report
 - Banks: FR Y-9SP or FR Y-9LP
 - Credit Union: NCUA 5300
- Summary of Adjustment to RE Calculator
 - Federal Revenue/Income (including CDFI or NACA Program and Bank Enterprise Award)
 - Used Matching Funds
 - Previously Used Retained Earnings

Credit Unions



Option #1: Fiscal Year End

The change in Retained Earnings over a fiscal year during the Matching Funds window with adjustments as noted in the RE calculator

Option #2: Three Year Average

The three year average of change in Retained Earnings with adjustments as noted in the RE calculator

Option #3: Since Inception

Total Retained Earnings accumulated since the Applicant's inception

Credit Unions: Since Inception



Test #1

- Occurs at application phase (Applicant's responsibility)
- Must demonstrate Retained Earnings accumulated to meet matching funds requirements

Test #2

- Occurs during the CDFI Fund's application review phase
- The CDFI Fund will verify that shares/loans and/or deposits increased **by 25% of the requested award amount between December 31, 2013 and December 31, 2014**

Test #3

- Occurs after award announcement
- Must demonstrate an increase in shares/loans and/or deposits totaling award amount beginning **March 31, 2015**
- The Award Recipient has until the end of the first year of the Performance Period (per the Assistance Agreement) to demonstrate the required increase

Complete Breakout Table - All Institution Types



- Once available Retained Earnings are determined, insert the amount to be used in the Matching Funds Breakout Table (Application Excel Workbook – Tab 13). Complete each column, including:
 - Program: FA (matching funds not required for HFFI-FA applicants)
 - Status: In-hand or Committed
 - Date: Only if using Fiscal Year End (FYE) option
 - Comments: Note option used (i.e. FYE, Average or combo)



Type	Name of Match Provider	Program	Eligible FA Activity	Amount	Status	Date	Comments
Please Select							
Please Select							
Please Select							
Please Select		---	---	\$ -	---		
Please Select		---	---	\$ -	---		
Please Select		---	---	\$ -	---		
Please Select		---	---	\$ -	---		
Grant total below \$50,000				\$ -			
Retained Earnings							
Core FA Subtotal				\$ -	0%		
HFFI-FA Subtotal				\$ -	#VALUE!		
TOTALS				\$ -			

Retained Earnings Verification



- The CDFI Fund will review each RE calculator to ensure that all reported figures match the corresponding figures in the applicant's audited financial statements or call reports.
- The portion of an award that is matched by Retained Earnings will be eligible to be disbursed upon the CDFI Fund's review of audited financial statements or call reports.

Additional Guidance



Additional information about the FY 2015 CDFI and NACA Programs Application, including webinars covering the following topics, can be found at www.cdfifund.gov/cdfi:

- FY 2015 CDFI Program Overview
- FY 2015 NACA Program Overview
- FY 2015 NACA Program Sponsoring Entities & Emerging Native CDFIs
- FY 2015 CDFI & NACA Programs HFFI-FA
- FY 2015 CDFI & NACA Programs FA and TA Narrative Template
- FY 2015 CDFI & NACA Programs Application Excel Workbook
- FY 2015 CDFI & NACA Programs Matching Funds

Contact Information for Applicants



CDFI Help Desk

cdfihelp@cdfi.treas.gov

202-653-0431, Option #1



**for viewing the FY 2015 CDFI & NACA
Programs Retained Earnings Webinar!**

The CDFI Fund is an equal opportunity provider.