

2002 Core Component Closing Guidance

Background

An award “closing” refers to the process in which the CDFI Fund executes an Assistance Agreement (or contract) with an Awardee. Parties involved in the development of an Assistance Agreement include a closing analyst and an attorney from the CDFI Fund, an Awardee’s Authorized Representative or other contact, and the Deputy Director of Policy and Programs (or Program Operations Manager, as designated) from the CDFI Fund for final approval of the Assistance Agreement. After the Assistance Agreement is executed by the Fund, it is sent to your Authorized Representative to execute. Once you return the executed document (along with the materials described below), the Fund will disburse the funds to your organization.

The purpose of this document is to explain the responsibilities involved in the 2002 Core Component closing process for representatives. If you have any questions, contact the Program Analyst assigned to your organization (list attached).

What do I need to have in place to close this award?

- For prior Awardees, the organization must be in compliance with previous awards and have previous CDFI Program awards fully disbursed.
- Obtain either:
 - a Certificate of Good Standing (if FA is a grant of \$500,000 or less); or
 - a draft Legal Opinion (if FA is a grant over \$500,000, loan, equity investment or secondary capital)
- Be certified as a CDFI.
- Provide complete matching funds documentation.
- Agree to Schedule 3.2, Authorized Uses of Technical Assistance (if applicable).
- Agree to Schedule 5.4, Performance Goals (to be developed with the Analyst).

Compliance with Prior CDFI Program Awards and Disbursement of Previous Awards

Your organization must be fully compliant with all previous CDFI Program assistance agreements. This includes submitting completed semi-annual and annual reports, and audited financial statements on time. If you have any late reports, submit them to the Fund as soon as possible. If you have other outstanding compliance issues, work with the Fund’s Compliance Monitoring and Evaluation (CME) staff to resolve these issues. **The Fund will not proceed with closing and disbursement if there are any outstanding compliance issues.**

If you have outstanding disbursements on any previous awards, work with your Program Analyst to disburse the remaining dollars prior to or at the same time as closing on the current award.

Certificate of Good Standing or Legal Opinion

Awardees receiving a grant over \$500,000, a loan or equity investment (including a secondary capital investment) must provide a legal opinion, as described in section 5.1 of the Assistance Agreement. You must provide a draft of this legal opinion to the Fund prior to the Fund finalizing the assistance agreement, and provide the final opinion at the time of submitting the executed assistance agreement. Questions about the legal opinion (from you or your attorney) should be directed to the Fund’s Legal staff.

Awardees receiving grants up to \$500,000 only must obtain a Certificate of Good Standing prior to award closing. *Only non-regulated institutions are required to submit this document.* A Certificate of Good Standing is a document issued by the Secretary of State, or similar office, of the state¹ in which the Awardee is

¹ For Awardees incorporated under Tribal law, the letter or Certificate of Good Standing should come from the Tribal equivalent of the Secretary of State.

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incorporated or otherwise legally organized and any state in which the Awardee is registered to conduct business, as applicable. The Certificate must be dated no earlier than 90 days prior to the award closing. It can take some states a few weeks to provide a Certificate of Good Standing. Awardees will be required to provide this at the time they return the signed final Assistance Agreement to the Fund. Thus, you should request this as soon as possible, in order to have it in place at the time you execute the Assistance Agreement.

CDFI Certification

The Awardee must be a certified CDFI prior to obtaining the disbursement of its award. If you are not sure of your certification status, ask your Analyst to verify it for you. If you are not yet certified, provide your certification review (if one is assigned) or closing Analyst with the information needed to obtain your certification. If your certification will expire within 3 months, begin your re-certification application, to make sure it can be reviewed in a timely manner.

Matching Funds Documentation

An Awardee must submit appropriate matching funds documentation for the FA portion of its award prior to closing (matching funds are not required for TA grants). Many Awardees submitted complete documentation during the funding review process. Any additional documentation should be provided to the Analyst as soon as possible, so that a thorough review can be conducted. Additional guidance is attached. In the case of a loan or deposit, the Analyst will develop terms for the Fund's investment, including maturity, rate, payment structure, and any other relevant provisions that will match as closely as possible the matching fund source(s).

Schedule 3.2, Authorized Uses of Technical Assistance

For Awardees receiving Technical Assistance, the draft version of this document has already been sent to each Awardee with their Notice of Award. Minor modifications to the 3.2 (such as change in a vendor for the same cost), can be approved by the Analyst. Changes in excess of 20% of the approved amounts (for any use) must be requested with a written justification submitted to the Analyst and approved by the Program Operations Manager (thus, this may delay your closing somewhat). Modifications must be eligible uses and consistent with the applicant's Comprehensive Business Plan.

Schedule 5.4, Performance Goals

Awardees must report on standard performance goals that ensure timely use of Technical Assistance funds, financial and managerial soundness, and satisfactory loan portfolio quality. You may discuss any concerns with these goals with your Analyst, but you may be requested to supply supporting materials for significant changes. Any significant variation from the goals proposed by the Analyst may delay your closing.

More detailed guidance is found on the attached template, but here are a few key points to remember:

- Non-regulated entities should have four standard financial performance measures. Variations from these measures will be on an exception basis, as approved by the Deputy Director or POM.
- Regulated entities will have a standard goal regarding maintaining an acceptable CAMEL rating.
- All lending entities will have a standard goal relating to portfolio quality. Investing entities will have a goal relating to asset valuation.
- Awardees must have at least 1 and generally no more than 2 "impact" goals/measures, which capture the results of the Fund's investment in the Awardee's activities. Sample impact measures are attached.
- These impact measures can be the same as those in previous Assistance Agreements, at a higher level of activity, if appropriate.
- When possible the numeric accomplishments should come from the applications CBP as submitted and evaluated by the Fund.

Note for Regulated Awardees:

In the case of regulated Awardees (banks, thrifts, depository institution holding companies and credit unions), the Fund submits the Assistance Agreement to the appropriate regulator for comment (not approval), prior to execution. While the Fund is working with these agencies to expedite this review, this step may delay

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execution of your agreement by approximately four weeks (or longer, if your organization is in “troubled” status).

Ok, We’ve signed the Assistance Agreement, now how do we get the money?

All award disbursements are made electronically via the automated clearinghouse (ACH). All Awardees are required to complete and submit an ACH authorization form no earlier than thirty-days prior to award disbursement. The ACH form contains information on the Awardee’s financial institution, bank account number, and bank routing number. The banking information contained in the ACH form will be used to direct the CDFI disbursement to your account. It is imperative that this information is accurate and timely. The ACH form will be provided in the award closing/disbursement document package that is sent to Awardees prior to award disbursement, and a printable version is available on the website. Any questions regarding the completion of the ACH form can be directed to CDFI Financial Management on 202-622-9613.

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IMPACT Goals **(All Awardees)**

Guidance:

- Awardees must have at least one impact goal and measure. No more than two are needed.
- For Awardees with previous awards, previous impact measures can be used, with higher benchmark levels for additional years of activity.
- Impact measures should reflect the key activity in the comprehensive business plan (CBP) for which the Awardee will use Fund dollars. If there is more than one key activity, there can be more than one impact goal and measure.
- Impact measures should reflect activity and use of Fund dollars in the Awardee's Target Market(s). If the Target Market has changed or expanded since the time of certification, you may request an amendment by submitting information on the level of activity and accountability in the revised Target Market.
- Benchmark levels should correspond to activity projected in the CBP. If they are lower, there should be a reasonable justification (for example, the funding request was not fully funded).

LENDERS

Goal: Provide credit to borrowers who have not previously had access to conventional financing.

- Measure: Percentage of the Awardee's borrowers who have had a loan from the Awardee disbursed during the performance period who have not received financing from a conventional source (a non-CDFI depository institution or a mortgage lender) in the five years prior to the Awardee's approval of the borrower's loan, as determined by the Awardee at the time of the borrower's loan application, through review of credit reports and/or other sources. This measure shall be calculated by taking the total number of the Awardee's borrowers who have had a loan from the Awardee disbursed during the performance period who have not received conventional financing in the five years prior to the Awardee's approval of the borrower's loan as a percentage of the total number of the Awardee's borrowers who have had a loan from the Awardee disbursed each year during the performance period.
- Measure: Total number of new borrowers of the Awardee who have had a loan from the Awardee disbursed during the performance period who have not previously had a loan in the five years prior to the Awardee's approval of the borrower's loan, as reported to the awardee on the borrower's loan application and verified by the Awardee from the borrower's credit reports and/or other sources. A new borrower is a borrower whose first loan approved by the Awardee occurs during the performance period.

HOUSING LENDERS

Goal: Provide access to credit for homeownership and housing rehabilitation to borrowers within the Awardee's Target Market.

- Measure: Total number of first time homebuyers financed by the awardee annually during the performance period.
- Measure: Total number of loans made by the Awardee annually during the performance period for financing rehabilitation/repair of houses occupied by borrowers within the Awardee's Target Market.
- Measure: Total number of subordinated loans closed by the Awardee annually during the performance period to members of the Awardee's Target Market that received first mortgages from conventional sources of finance.

Goal: Provide financing for development of housing affordable to low-income people.

- Measure: Total number of housing units financed annually during the performance period that are affordable to numbers of the Awardees low income targeted population.

ECONOMIC DEVELOPMENT CDFIS

Goal: Provide financing to businesses that create jobs in the Target Market.

- Measure: Total number of new jobs created by businesses in the Awardee's Target market with an investment from the Awardee, annually during the performance period. The portfolio borrowers, number of FTE jobs as reported to the awardee during the prior performance period shall be subtracted from the number of FTE jobs reported in the current performance period. The combined difference shall count toward this measure.

Goal: Increase the financial viability of businesses in the Awardee's Target Market.

- Measure: Percentage of businesses (rounded to the nearest percent) in the Awardee's Target Market that have had a loan disbursed from the Awardee during the performance period and that have had significant increases in annual actual gross sales, as of the last day of the Awardee's fiscal year. Significant increases in gross sales is defined as

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annual increases of at least 10% over the previous year's gross sales, based on sales reported for tax purposes. The numerator for this measure shall be the total number of businesses in the Awardee's Target Market that have had a loan disbursed from the Awardee during the performance period and that have had gross sales increases of at least 10% over the previous year's gross sales. The denominator shall be the total number of businesses in the Awardee's Target Market that have had a loan disbursed from the Awardee during the performance period.

- Measure: Total cumulative percentage (rounded to the nearest percent) of the Awardee's business borrowers in the Awardee's Target Market that are still in business at the end of each year during the performance period. This measure is calculated at the end of each year during the performance period. The numerator for this measure shall be the cumulative number of businesses in the Awardee's Target Market to which the Awardee has disbursed loan amounts on or after the first day of the performance period and which are still in business at the end of each year. The denominator shall be the cumulative number of businesses in the Awardee's Target Market to which the Awardee has disbursed loan amounts on or after the first day of the performance period. Businesses that have been sold but that continue to operate, hold assets, and employ workers are considered to be in business.
- Measure: Aggregate dollar amount of the increase in owners' draw during the performance period for businesses that have had a loan disbursed by the Awardee during the performance period and which are in the Awardee's Target Market. Owner's draw is defined as the total dollar amount of income that is paid to the owner(s) of a business out of business revenues. The increase in owners' draw shall be calculated as follows: (1) take the owner's draw (as reported by the borrower) for the most recently completed fiscal year less the owner's draw for the fiscal year immediately preceding the most recently completed fiscal year; and (2) add the net change in owners' draw for all of such borrowers to yield an aggregate change in owners' draw.

Goal: Increase the ability of the Awardee's borrowers and portfolio companies to access traditional sources of financing.

- Measure: Percent of Awardees portfolio companies that have received equity investments during the performance period by third party funders and are in the Awardee's Target Market, where such investments are made simultaneous with or within one year of the Awardee's investment. Data for this measure shall be based on information reported to the Awardee by the Awardee's portfolio companies.

FINANCIAL SERVICE PROVIDERS

Goal: Provide financial services to customers who have not previously had a relationship with a regulated financial institution.

- Measure: Total number of the Awardee's new members who have not previously had an account with a regulated financial institution, as reported by the members at the time they join the Awardee. New members are included in this measure in the year in which they become members of the Awardee.
- Measure: Percentage of the Awardee's account holders who have not had an account with a regulated financial institution, as reported by account holders to the Awardee in an annual survey of account holders. The survey will have responses from at least 10% of the Awardee's account holders. This measure shall be calculated by taking the total number of the Awardee's account holders who have not had an account with a regulated financial institution as a percentage of the total number of the Awardee's account holders.
- Measure: Total number of members of the Awardee's Target Market participating in the Awardee's Individual Development Account (IDA) program who were not served by a financial institution at the time they opened their IDA. To be counted in this measure, an individual must be participating in the IDA program and must indicate that he or she has never obtained a financial service, such as a checking or savings account, with a financial institution prior to opening an IDA with the Awardee. Each individual can be counted once for this measure.

ALL TYPES

Goal: Leverage private sector resources into the Awardee's target market.

- Measure: Percentage of the dollar amount of private sector dollars, excluding the Awardee's financing, in each deal financed by the Awardee in the Awardee's Target Market. This measure will include private sector dollars as reported to the Awardee by its borrowers for each deal for which the Awardee has closed a loan during the performance period. Private sector dollars may be included in any year of the performance period in which the financing is closed with the Awardee's borrowers, as long as the private sector dollars are closed concurrent with or subsequent to the Awardee's financing and related to the activity being financed by the Awardee. Total private sector dollars leveraged shall be divided by total financing in each deal to determine the percent private sector leverage.

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Goal: Increase the ability of the Awardee's borrowers to access traditional sources of financing.

- Measure: Total number of the Awardee's business borrowers, for which the majority ownership are held by members of the Awardee's Target Market, that receive bank financing subsequent to having a loan disbursed by the Awardee. This measure will be based on annual survey of current and former borrowers conducted by the Awardee, with a response rate of at least 10% of current and former borrowers.
- Measure: Total dollar amount of bank financing received by the Awardee's business borrowers, owned by members of the Awardee's Target Market, that receive bank financing subsequent to having a loan disbursed by the Awardee. This measure will be based on annual survey of current and former borrowers conducted by the Awardee, with a response rate of at least 10% of current and former borrowers.
- Measure: Total dollar amount of private sector financing received by the Awardee's clients that are members of its Target Market subsequent to receiving technical assistance from the Awardee during the performance period. This measure will be based on annual survey of current and former clients conducted by the Awardee, with a response rate of at least 10% of current and former borrowers.

For those awardees whose CBP had a particular important proposed action, which formed a compelling part of Fund's selection decision, special performance measures can be crafted.

Example: Expanded Investment Area/ Service Area.

If the awardee stated that beginning in 2002 it will expand operations into economically distressed Madison County and that it will make micro enterprise loans to residents there, a measure may state:

- Measure: Date by which Awardee has disbursed its tenth micro enterprise loan to a resident of Madison County, within its Investment Area.

Example: New loan product:

If the Awardee stated that it will add owner- occupied housing rehab loans to its product line then a measure may read:

- Measure: Number of owner- occupied housing rehab loans made to members of the Awardee's LITP annually during the performance period.

TA Goal (if TA is awarded):

| | |
|---------|---|
| Goal | Address the Awardee's internal capacity needs by obtaining technical assistance. |
| Measure | Date by which the Awardee obtains the technical assistance detailed in Schedule 3.2, Authorized Uses of Technical Assistance. |
| | On or before December 31, 2004 |

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MATCHING FUNDS DOCUMENTS – 2002 CORE COMPONENT AWARDEES

General Information

Matching Funds are required for all applicants requesting financial assistance from the Fund. Matching Funds are not required for technical assistance grants. **Matching Funds must be obtained (in-hand) or legally committed² on or after January 1, 2001, and before December 31, 2003.** If an Awardee is unable to raise the full amount of Matching Funds prior to December 31, 2003, the Fund may reduce the amount awarded.

Awardees must raise Matching Funds on a one-to-one basis. In other words, Awardees must raise one dollar of Matching Funds for every dollar of financial assistance requested from the Fund.

Matching Funds must be at least comparable in form and value to the financial assistance provided by the Fund. This requirement is relatively straightforward. A grant requested from the Fund must be matched by a grant (or grants) of the same value. For equity investments, secondary capital investments, loans (including equity-like loans or equity-equivalent investments), deposits and shares, the terms will be matched as closely as possible by the Fund. Thus, if a 10-year loan at 2%, with interest; only payments is requested from the Fund, the applicant must match that request with a loan with the same terms. However, fund restrictions on the use of the match are generally not matched with similar restrictions on the Fund's financial assistance. For example, in the case of a grant that is restricted for use to make loans in State X, the Fund generally will not impose the same use restrictions on the Fund's grant.

Non-Federal Sources

Matching Funds must come from sources other than the Federal government. Matching Funds also must consist of non-Federal funds. The Fund generally considers Federal dollars passed through other entities, such as state and local governments, to constitute Federal funds. This scenario usually arises in the context of Community Development Block Grant dollars.

Awardees should be cautious about using Matching Funds obtained from previous Fund Awardees. Monies received from an organization that was a previous Awardee under the CDFI Program (including CDFI Intermediaries), will be considered Federal funds, and thus ineligible, unless the funding entity is able to demonstrate to the Fund that such funds do not consist, in whole or in part, of CDFI Program funds or other Federal funds.

Funds used by an applicant as Matching Funds for a previous award under the CDFI Program or under another Federal grant or award program cannot be used to satisfy the Matching Funds requirement.

Expended Matching Funds

Matching Funds can be expended prior to the execution of the *Assistance Agreement*, as long as the use of the funds was consistent with the activities described in the *Comprehensive Business Plan*. In this situation, the Awardee will be asked to provide a narrative describing the purposes for which such funds were expended.

Using Refinanced Loans as Match

Refinanced loans payable may be used as Matching Funds, only for the portion that represents new capital, as indicated by appropriate disbursement documentation (a copy of the new and old note and a copy of the checks or wire transfers).

² The Fund considers *legally-committed* Matching Funds to be Matching Funds for which there is a binding written agreement between an applicant and the source of the Matching Funds that is conditioned only upon the availability of the Fund's financial assistance and such other conditions as the Fund may consider appropriate. Such agreement must specify, at a minimum, the level of funding that the fund will provide the Awardee, the date by which the funds will be disbursed to the Awardee, and any terms or conditions thereof, including in the case of a loan, the interest rate and maturity date.

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Calculating Available Match

Multiple sources of match may be used to match a single form of financial assistance from the Fund. For example, 5 \$100,000 grants may be used to match a single \$500,000 financial assistance grant from the Fund. In the case of loans, deposits, and shares with different terms, the Fund will generally use a weighted average of the terms to determine the terms of the Fund's match.

The table below provides an example of how the Fund uses the weighted average to calculate match rate and term when an applicant has obtained loans with different terms. A spreadsheet program will aid in this calculation.

| | Loan Amount (a) | Loan Term (t) | Loan Rate (r) |
|-------------------------|------------------|------------------|---------------|
| Loan 1 | \$10,000 | 5 years | 2 % |
| Loan 2 | \$50,000 | 10 years | 1% |
| Loan 3 | \$100,000 | 7 years | 3% |
| Total (T) | \$160,000 | N/A | N/A |
| Weighted Average | NA | 7.8 years | 2.31% |

Use the following formulas to calculate the weighted rate and term:

$$\begin{aligned} \text{Weighted Average Rate} &= (\text{Loan 1 } r \times (\text{Loan 1 } a/T)) + (\text{Loan 2 } r \times (\text{Loan 2 } a/T)) + (\text{Loan 3 } r \times (\text{Loan 3 } a/T)) \\ \text{Weighted Average Rate} &= (2\% \times (10,000/160,000)) + (1\% \times (50,000/160,000)) + (3\% \times (100,000/160,000)) \\ &= \mathbf{2.31\%} \end{aligned}$$

$$\begin{aligned} \text{Weighted Average Term} &= (\text{Loan 1 } t \times (\text{Loan 1 } a/T)) + (\text{Loan 2 } t \times (\text{Loan 2 } a/T)) + (\text{Loan 3 } t \times (\text{Loan 3 } a/T)) \\ \text{Weighted Average Term} &= (5 \times (10,000/160,000)) + (10 \times (50,000/160,000)) + (7 \times (100,000/160,000)) \\ &= \mathbf{7.8 \text{ years}} \end{aligned}$$

- ◆ Using the figures provided in the example, the applicant has adequate match funds to request a \$160,000 loan with a 7.8 year term and 2.31% interest rate. *The Fund may decide to round such terms to 8 years at 2.3%.*

Retained Earnings Used as Matching Funds

An Awardee can satisfy all or a portion of the Matching Funds requirement (for a grant or equity investment) by committing available earnings retained from its operations, as shown in its financial statements. Retained earnings accumulated after the end of the Awardee's most recent fiscal year ending prior to December 11, 2000 may not be used as Matching Funds. Thus, for applicants with a fiscal year ending 12/31, retained earnings for Fiscal Year Ending 12/31/2000 must be used for 2002 awards. Sample calculations of retained earnings are attached.

For-profit Awardees may use retained earnings for matching an equity investment if such retained earnings consist of:

- the increase in retained earnings (excluding the after-tax value to an applicant of any grants and other donated assets) that has occurred over the applicant's most recent fiscal year; or
- the annual average of such increases that have occurred over the applicant's three most recent fiscal years.

Non-profit Awardees (other than a credit union), may use retained earnings for matching a grant if such retained earnings consist of:

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- the increase in an applicant's Net Assets (excluding the amount of any grants and value of other donated assets) that has occurred over the applicant's most recent fiscal year; or
- the annual average of such increases that has occurred over the applicant's three most recent fiscal years.

Credit union Awardees, may use retained earnings for Matching Funds purposes for a grant if such retained earnings consist of:

- the increase in Net Capital that has occurred over the applicant's most recent fiscal year. Net Capital shall be comprised of "Regular Reserves", "Other Reserves" (excluding reserves specifically dedicated for losses), and "Undivided Earnings" as such terms are used in the National Credit Union Administration's accounting manual or
- the annual average of such increases that have occurred over the applicant's three most recent fiscal years: or
- the entire Net Capital that has been accumulated since the inception of the applicant. If the applicant chooses this option, it must increase its Total Member and/or Non-Member Shares by an amount that is at least equal to four times the amount of Net Capital that is committed as Matching Funds. For example, if the applicant matches a \$100,000 grant with \$100,000 in retained earnings under this option, it must raise Total Member/Non-Member Shares by \$400,000 in order to receive a disbursement for the award. This increase must be achieved by September 30, 2004. The baseline level of Total Member/Non-Member shares will be measured as of September 30, 2001.

In-Hand Matching Funds Documentation

If you have not already submitted all of the matching funds documentation, you must provide the following:

- For all Matching Funds, provide copies of checks or wire transfers to verify that funds have been received.
- For grants, provide copies of transmittal letters and grant agreements. A dated letter from the fund to the applicant indicating the grant amount and the purpose of the grant satisfies this requirement.
- For loans, provide copies of promissory notes and loan agreements.
- For equity investments, provide copies of stock certificates, subscription agreements, and private placement memoranda.
- For deposits or shares, provide copies of certificates of deposit or share certificates.
- For secondary capital, provide copies of the secondary capital account agreement and the Disclosure and Acknowledgement Statement.

Please note, the Fund will only disburse its funding in the amount equal to matching funds that it determines are in hand at the time of closing. If all of the matching funds are not in hand, the Fund will make a partial disbursement. When additional matching funds are received, the Awardee will need to submit to its Program staff contact, all of the above described matching funds documents for undisbursed funds prior to the termination of the matching funds period. The Program staff will initiate the subsequent disbursement of award funds.

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How to Calculate Retained Earnings for Non-Profit and For-Profit Applicants

The charts below demonstrate how non-profit and for-profit applicants should calculate retained earnings to be used as CDFI Fund match. These charts are meant to serve as guidance only. **Credit unions** wishing to use retained earnings should consult with their CDFI Fund program contact for assistance.

| Example #1: Non-Profit Retained Earnings | | | |
|---|---------------------------------------|---|---|
| | Increase over Most Recent Fiscal Year | Increase over Fiscal Year (2 years prior) | Increase over Fiscal Year (3 years prior) |
| Increase in Net Assets | \$200,000 | \$75,000 | \$100,000 |
| Value of grants and donated assets | \$50,000 | \$50,000 | \$50,000 |
| Value of Retained Earnings used to match a Federal grant or previous Fund award | \$100,000 | \$0 | \$0 |
| Retained Earnings: Row 1 minus Row 2 and 3 | \$50,000 | \$25,000 | \$50,000 |
| Annual Average Retained Earnings: Add across Row 4 and divide by three | \$41,667 | | |

Note that in example #1, it would be favorable for the applicant to use the increase over the most recent fiscal year instead of the annual average retained earnings over the last three years.

| Example #2: For-Profit Retained Earnings | | | |
|---|---------------------------------------|---|---|
| | Increase over Most Recent Fiscal Year | Increase over Fiscal Year (2 years prior) | Increase over Fiscal Year (3 years prior) |
| Increase in Retained Earnings | \$50,000 | \$75,000 | \$300,000 |
| After-tax value of grants and donated assets | \$50,000 | \$50,000 | \$50,000 |
| Value of Retained Earnings used to match a Federal grant or previous Fund award | \$0 | \$0 | \$50,000 |
| Retained Earnings: Row 1 minus Row 2 and 3 | \$0 | \$25,000 | \$200,000 |
| Annual Average Retained Earnings: Add across Row 4 and divide by three | \$75,000 | | |

In example #2, the applicant could use retained earnings as Fund match only if it used the annual average retained earnings, since there was no increase in retained earnings in the most recent fiscal year.

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