Audit Report

OIG-21-006

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2020 and 2019

November 13, 2020

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 13, 2020

MEMORANDUM FOR JODIE HARRIS, DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2020 and 2019

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2020 and 2019, and for the years then ended, and provided a report on internal control over financial reporting, and on compliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the CDFI Fund, KPMG found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested.

KPMG also issued a management letter dated November 13, 2020, discussing a matter involving internal control over financial reporting that was identified during the audit. The matter involves control activities related to the review of the year-end financial statements and on-top adjustments. This letter will be transmitted separately.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the CDFI Fund's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG is responsible for the attached auditors' report dated November 13, 2020, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

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

Attachment

AGENCY FINANCIAL REPORT
FISCAL YEAR 2020

Community Development Financial Institutions Fund
U.S. Department of the Treasury

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Capitalized terms used but not defined in this document have the meanings as defined in the CDFI Fund's authorizing statute, applicable program regulations, or applicable notice of availability

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MESSAGE FROM THE DIRECTOR

I am pleased to present the fiscal year (FY) 2020 Agency Financial Report for the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

Since its inception, the CDFI Fund has provided more than $3.9 billion through a variety of monetary award programs, $61.0 billion in tax credits through the New Markets Tax Credit Program, and has guaranteed more than $1.7 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of Community Development Financial Institutions (CDFIs) and other community development organizations in economically distressed and underserved communities. During this time, the CDFI Fund has helped build the capacity of more than 1,100 certified CDFIs, which are located in all fifty states, as well as in the District of Columbia, Guam, and Puerto Rico.

The CDFI Fund has continued to build on this strong history of performance in FY 2020 by providing more than $548.9 million[1] in monetary awards and loans, committing to guarantee $100.0 million in bonds, and allocating $3.5 billion in New Markets Tax Credits.

CDFI Fund award recipients have successfully leveraged billions in private sector investment to create jobs, build affordable housing, build essential community facilities, provide financial counseling, and invest in neighborhood revitalization initiatives. This year alone, CDFI Program award recipients reported originating more than 1 million loans and investments in excess of $25.4 million; financing more than 41,000 units of affordable housing, and funding more than 87,000 businesses—all in distressed and underserved communities lacking access to traditional lending or banking institutions.

The requests for the CDFI Fund's awards continues to exceed the supply of resources for nearly all programs in FY 2020, demonstrating strong applicant demand.

FY 2020 CDFI Fund Programs - Program Demand

Program	Awards	
	Requested	Available
Bank Enterprise Award Program	$143.2 million	$25.0 million
Capital Magnet Fund	$642.2 million	$173.8 million
CDFI Program (Base-Financial Assistance & Technical Assistance)	$357.0 million	$140.9 million
Native American CDFI Assistance Program (NACA Program)	$27.6 million	$14.0 million
Disability Funds-Financial Assistance (DF-FA)	$10.4 million	$3.0 million

[1] This includes FY 2019 Appropriations awarded in FY 2020, as well as FY 2020 Appropriations awarded in FY 2020.

Persistent Poverty County-Financial Assistance (CDFI Program and NACA Program)	$55.9 million	$19.6 million
Healthy Food Financing Initiative	$84.6 million	$22.0 million
New Markets Tax Credit Program	N/A[2]	$5.0 billion
CDFI Bond Guarantee Program	$475.0 million	$500.0 million

In FY 2020, the CDFI Fund undertook several key administrative and program initiatives to maximize its impact, efficiency, and accessibility. These included:

- Publication of a Request for Public Comment on a revised CDFI Certification Application, Annual Certification and Data Collection Report, and a new Certification Transaction Level Report. Comments provided by the public, which are due to the CDFI Fund in November 2020, will be used to develop final versions of the CDFI Certification application, and data collection reports.

- Implementation of the new Economic Mobility Corps. Established by the Consolidated Appropriations Act of 2020 (P.L. 116-93), the Economic Mobility Corps is a joint initiative between the CDFI Fund and AmeriCorps will place national service members with certified CDFIs for the purpose of enhancing their financial counseling and empowerment activities. The first grants will be awarded in FY 2021.

- Publication of a Request for Information on the new Small Dollar Loan Program. Authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), this program is intended to help unbanked and underbanked populations build credit, access affordable capital, and allow greater access into the mainstream financial system at safe and affordable rates and terms. The program will provide grants for Loan Loss Reserves and Technical Assistance to enable CDFIs to establish and maintain small-dollar loan programs. The Small Dollar Loan Program will be open for applications in FY 2021.

- Delivery of resources and support to CDFIs and other organizations through the Capacity Building Initiative. The CDFI Fund delivered a training curriculum focused on building the capacity of Native CDFIs and CDFIs interested in expanding their financial services and products to reach individuals with disabilities.

- Continuing to support investment in Persistent Poverty Counties through targeted assistance provided by the Bank Enterprise Award, CDFI, and Native American CDFI Assistance Programs. To date, CDFI Program award recipients have invested or lent $9.9 billion in PPCs, which comprises roughly 20.0% of all CDFI Program award

[2] The CY 2020 round opened September 22, 2020, and the application deadline is November 16, 2020.

recipient transaction dollars. In addition, approximately 11.4% of the FY 2020 Bank Enterprise Award Program awards were committed to Persistent Poverty Counties.

This year has been particularly challenging given the pandemic and economic disruptions. Despite these factors, FY 2020 was a year of significant work in support of underserved communities across the country. The accomplishments outlined in this report would not be possible without the dedicated efforts of the CDFIs and community-based organizations that participate in our programs. And they almost certainly would not be possible without the hard work and service of the CDFI Fund staff to whom I am grateful.

Jodie Harris
Director
Community Development Financial Institutions Fund
November 13, 2020

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OVERVIEW
The Community Development Financial Institutions Fund

The Creation of the CDFI Fund

Established by the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act; P.L. 103-325), the Community Development Financial Institutions Fund (CDFI Fund) has worked for more than two decades to generate economic opportunity in places where opportunity is needed most.

People and communities with limited access to financial services and products lack important tools needed to save for the future, build credit, buy a home, start a business, build affordable housing, or develop community facilities. As a result, they have fewer opportunities to grow and to thrive and fewer opportunities to join America's economic mainstream.

The CDFI Fund's Vision
An America in which all people and communities have access to the investment capital and financial services they need to prosper.

The CDFI Fund's Mission
To expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

The Work of the CDFI Fund

The CDFI Fund's role is to generate economic opportunity in underserved low-income communities by expanding access to credit, capital, and financial services. It accomplishes this by providing capital through the following programs:

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

- **Capital Magnet Fund (CMF):** provides awards to CDFIs and non-profit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities.

- **CDFI Bond Guarantee Program:** provides a source of long-term capital for CDFIs by guaranteeing bonds issued to support CDFIs that make investments for eligible community or economic development purposes.

- **Community Development Financial Institutions Program (CDFI Program):** provides Financial Assistance and Technical Assistance awards to help certified and emerging CDFIs sustain and expand their services and build their technical capacity. The program also includes:

  - **Healthy Food Financing Initiative (HFFI):** provides Financial Assistance awards to certified CDFIs that invest in businesses that provide healthy food options, such as grocery stores, farmers' markets, bodegas, food co-ops, and urban farms.

  - **Disability Funds-Financial Assistance (DF-FA):** provides Financial Assistance awards to certified CDFIs that wish to expand their financing activities and services to benefit persons with disabilities.

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

- **Native Initiatives:** includes the Native American CDFI Assistance Program (NACA Program) that provides Financial Assistance and Technical Assistance awards to build the capacity of CDFIs serving Native American, Alaska Native, and Native Hawaiian communities.

- **New Markets Tax Credit Program (NMTC Program):** provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling them to attract investment from the private sector and invest the funds in low-income communities.

Since its creation, the CDFI Fund has awarded more than $3.9 billion to community development organizations and financial institutions; and has awarded tax credit allocations totaling $61.0 billion, including $1.0 billion of special allocation authority used for the recovery and redevelopment of the Gulf Opportunity Zone, through the New Markets Tax Credit Program. It has also guaranteed more than $1.7 billion in bonds through the CDFI Bond Guarantee Program.

These awards have leveraged billions of dollars in private sector investment. They have increased the impact of CDFIs, CDEs, and other community-based development organizations by expanding their capacity to deliver the credit, capital, and financial services that generate new economic opportunities in underserved communities.

What is a CDFI?

CDFIs are community-based financial institutions that have a common goal of filling financing gaps in underserved and low-income areas. As community-based institutions, they possess a keen sensitivity to the needs of local residents and businesses, and their creation reflects a bottom-up, rather than a top-down, approach to community investment and revitalization.

Today, there are more than 1,100 CDFIs serving urban, rural, and Native communities throughout the United States. CDFIs are found in all fifty states, the District of Columbia, Guam, and Puerto Rico. They bridge diverse public and private sector interests to serve people and places that traditional financial institutions usually do not. CDFIs provide:

- loans for businesses and projects that otherwise would not qualify for financing;
- safe, affordable banking services that otherwise would not be available in the community;
- loan rates and terms that are more flexible than those offered by traditional lenders; and
- development services—such as business planning, credit counseling, and homebuyer education—to help their borrowers use credit effectively and build financial strength.

As a result, CDFIs support the creation of small businesses and local jobs, and the development of affordable housing, community facilities, and schools—all in places where economic opportunity is needed most.

Types of CDFIs

There are four basic types of CDFIs:

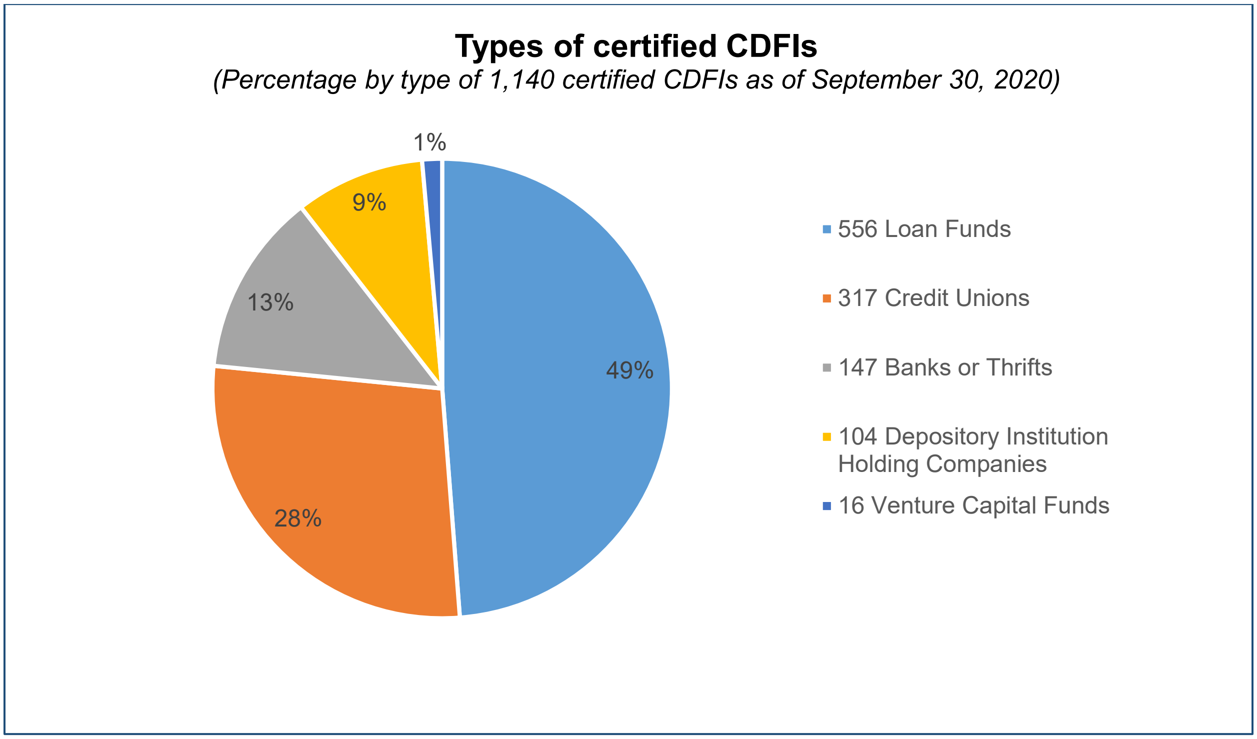
1. **Community development banks, thrifts, and bank holding companies:** Regulated, for-profit corporations that provide basic retail banking services, as well as capital to rebuild economically distressed communities through targeted lending and investment

2. **Community development credit unions:** Regulated, member-owned cooperatives that promote ownership of assets and savings, and provide affordable loans and retail financial services

3. **Community development loan funds:** Typically non-profits that provide high-quality loans and development services to micro-enterprises, small businesses, affordable housing developers, and community service organizations

4. **Community development venture capital funds:** For-profit and non-profit organizations that provide equity and debt-with-equity features to businesses in distressed communities

Although each type of CDFI provides different products and services to different types of customers, they all share a common goal of revitalizing low-income communities.



CDFI Certification

An organization is required to be certified as a CDFI to be eligible for most of the CDFI Fund's programs. To qualify for certification, an organization must meet seven eligibility requirements:

1. Be a legal entity at the time of application;
2. Have a primary mission of promoting community development;
3. Primarily serve one or more target markets;
4. Be an insured depository institution or otherwise have the offering of financial products and services as its predominant business activity;

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

6. Maintain accountability to its target market; and

7. Be a non-governmental entity, nor be controlled by any governmental entities.

Once a CDFI has been certified, it must submit an Annual Certification and Data Collection Report (ACR) to allow the CDFI Fund to assess whether the organization remains in compliance with certification rules and monitor any changes in the organization's financial and other data.

The most recent ACR indicates that the CDFI industry has almost $173.8 billion in total assets based on certified CDFIs that submitted their 2019 ACR and were included in this summary tabulation. Total liabilities for the CDFI industry are roughly $27.0 billion less than total assets ($147.2 billion). Net worth for the CDFI industry is slightly less than $24.8 billion based on the 2019 ACR data submitted by certified CDFIs.

Asset Size of ACR Reporting CDFIs by Institution Type[3]

CDFI Institution Type	N	Sum of Total Assets ($)	Share of Total Assets (%)	Average of Total Assets ($)	Median of Total Assets ($)
Bank/Thrift	122	$49,791,154,362	28.6%	$408,124,216	$255,339,500
Credit Union	242	$105,197,285,295	60.5%	$434,699,526	$108,238,845
Loan Fund	473	$18,503,516,143	10.6%	$39,119,484	$9,542,945
Venture Capital Fund	14	$357,837,180	0.2%	$25,559,799	$4,356,589
Total	**851**	**$173,849,792,981**	**100%**	**$204,288,828**	**$29,472,082**

[3] The dollar amounts reported above are based on ACR data submitted for the 2019 reporting cycle by all certified CDFIs required to submit a 2019 ACR. CDFIs certified in 2019 or later were not required to submit a 2019 ACR. The data universe consisted of 1,030 2019 ACR records in the CDFI Fund ACR database as of July 7, 2020. After data cleaning standards were applied, final data analysis was conducted using the 2019 ACR records of 934 certified CDFIs. Eighty-three holding companies were excluded from the analysis above to avoid double-counting since they were certified based on activity of the certified affiliated bank CDFIs.

What is a CDE?

A Community Development Entity (CDE) is a domestic corporation or partnership that is a financial intermediary vehicle for the provision or purchase of loans, investments, or financial counseling in low-income communities. Certification as a CDE allows organizations to participate either directly or indirectly in the NMTC Program.

The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income taxes in exchange for making equity investments in CDEs. A CDE applies to the CDFI Fund to receive the authority to allocate a specified dollar amount of tax credits. It offers tax credits to investors in exchange for their investments and uses those funds to make loans to or equity investments in qualified businesses in the community.

Through the NMTC Program, CDEs support a wide range of businesses, including manufacturing, food, retail, housing, healthcare, technology, energy, education, and childcare. Communities benefit from the jobs created by these investments, as well as from the community facilities and commercial goods and services that the businesses provide.

CDE Certification

In addition to certifying CDFIs, the CDFI Fund certifies CDEs. To be certified as a CDE, an organization must apply for certification and meet three eligibility requirements:

1. Be a legal entity at the time of application;

2. Have a primary mission of serving low-income communities; and

3. Be accountable, through representation on a governing board or advisory board, to the residents of its targeted low-income communities.

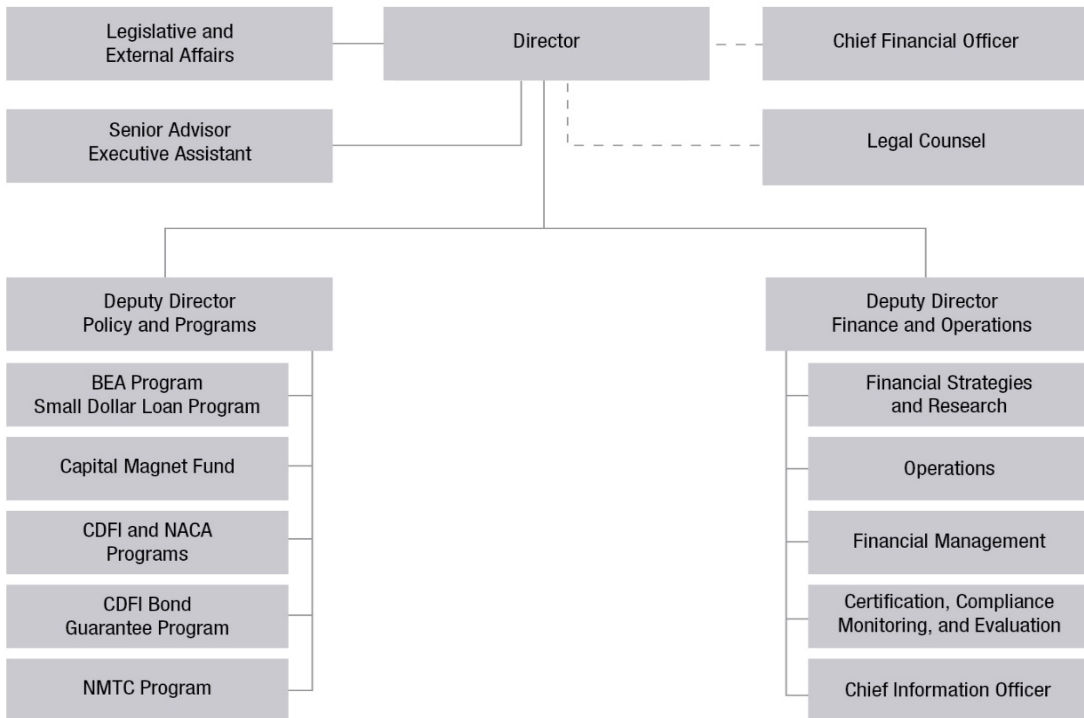
When an organization is certified as a CDE, it is eligible to apply to participate in the NMTC Program.

The Operations of the CDFI Fund

The CDFI Fund is an office within the U.S. Department of the Treasury and performs a wide range of functions to ensure that it fulfills its mission.

Organization

The organization chart below shows how the CDFI Fund is structured to best support the administration of its programs.



Community Development Advisory Board

In accordance with the Riegle Act, the CDFI Fund's organization also includes a Community Development Advisory Board that advises the Director of the CDFI Fund on policies regarding the activities of the CDFI Fund. The Advisory Board is required to meet at least once each year.

The Advisory Board consists of 15 members: nine private citizens appointed by the President, as well as the Secretary of the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, and Treasury, and the Administrator of the Small Business Administration, or his or her designee. The nine private citizens include:

- Two officers of existing CDFIs;
- Two officers of insured depository institutions;
- Two officers of national consumer or public interest organizations;

- Two individuals with expertise in community development; and

- One individual with personal experience and specialized expertise in the unique lending and community development issues of Indian tribes on Indian reservations.

The Chair of the Advisory Board is elected from among and by the nine private citizens. The Advisory Board met virtually on August 27, 2020.

Appropriations and Sources of Funding

Congress appropriates funding to the CDFI Fund each year. The appropriation consists of two types of funds:

- **Program funds**, which are used for Bank Enterprise Awards, CDFI Program Financial Assistance and Technical Assistance awards (such as grants, loans, deposits, and equity investments), and capacity building/training contracts, can be spent over two fiscal years; and

- **Administrative funds**, which are used to cover the costs to administer all of the CDFI Fund's programs, including the NMTC Program and the CDFI Bond Guarantee Program, which must be spent during the fiscal year for which it was appropriated.

In FY 2020, Congress appropriated the CDFI Fund $262.0 million as follows:

Congressional Appropriations
(Amounts in Millions)

Appropriations	FY 2020		FY 2019	
	Amount	Percent	Amount	Percent
Amounts Funded:				
- CDFI Program	$185.5	70.8%	$182.0	72.8%
- BEA Program	$25.0	9.5%	$25.0	10.0%
- Economic Mobility Corps	$2.0	0.8%	$0.0	0.0%
- Native Initiatives	$16.0	6.1%	$16.0	6.4%
- Small Dollar Loan Program	$5.0	1.9%	$0.0	0.0%
- Administrative Cost	$28.5	10.9%	$27.0	10.8%
Total Amounts Funded	$262.0	100.0%	$250.0	100.0%

Less Amounts Not Obligated[4]	$8.5		$190.1	
Total Funding Used	$253.5	96.8%	$59.9	24.0%

It should be noted that the funding for the Capital Magnet Fund is not provided through the annual appropriations process. Funding for the Capital Magnet Fund comes from allocations made by two of the Government-Sponsored Enterprises (the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)) on a mandatory basis, as authorized by the Housing and Economic Recovery Act of 2008. Likewise, the NMTC Program is also not 'funded' through the annual appropriation process. Authorization to allocate New Markets Tax Credits is provided through the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (P.L. 116-94). The CDFI Bond Guarantee Program is also not 'funded,' but it is 'authorized' by Congress through the annual appropriation process.

Appropriated program funds (i.e. CDFI Program, NACA Program, and BEA Program) can be used over two fiscal years, however administrative funds expire at the end of each fiscal year. Appropriations include fiscal year budget authority and the amount available in a given year includes any unobligated funds from the prior year[5] that may be carried over. Also, the annual appropriation includes authority to make loans and issue guarantees.

Sources of CDFI Fund Funding
(Amounts in Millions)

	FY 2020	FY 2019
Budgetary Appropriations	$262.0	$250.0
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	$0.4	$0.3
Carryover from Prior Year	$190.1	$28.8
No-Year Funds	$4.0	$3.7
Borrowing Authority Used	$190.4	$370.4
Total Sources of Funds	**$646.9**	**$653.2**

[4] In FY 2019, the CDFI Fund did not obligate $190.1 million, which included $175.7 million from the CDFI Program and $14.4 million from the Native Initiatives. In FY 2020, the CDFI Fund did not obligate $8.5 million, which included $1.1 million from the CDFI Program, $0.4 million from the Native Initiatives, $5.0 million from the Small Dollar Loan Program, and $2.0 million from the Economic Mobility Corps.
[5] Details regarding unobligated funds from a prior year, if any, are discussed under that program in the Program Discussion and Analysis section.

PROGRAM DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

The CDFI Fund's Programs

The CDFI Fund currently offers six programs to help CDFIs, CDEs, banks, credit unions, and community development organizations generate economic opportunity by increasing access to financial products and services in low-income communities:

- Bank Enterprise Award Program
- Capital Magnet Fund
- CDFI Bond Guarantee Program
- CDFI Program
- Native Initiatives
- New Markets Tax Credit Program

The CDFI Fund provides awards for each of these programs through a rigorous application process.

Bank Enterprise Award Program

Established in 1994, the Bank Enterprise Award Program (BEA Program) recognizes and seeks to expand the important role that traditional banks and thrifts play in community development.

How it Works

Purpose
The BEA Program provides monetary awards to banks and thrifts that demonstrate increased investments and support to CDFIs or in their lending, investing, or service-related activities in the most economically distressed communities.

The BEA Program defines "the most economically distressed communities" as those where at least 30% of the residents have incomes that are below the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate. Thus, the program targets communities with the greatest needs and generates economic opportunity for those with the least access to financial products and services.

Award Process

The BEA Program is unique among the CDFI Fund's financial award programs in that it makes awards based on qualified investments, loans, and activities that applicants have successfully completed. The CDFI Fund's other awards are based on an applicant's plans for the future and ability to fulfill those plans.

To be eligible for a BEA Program award, an applicant must be an FDIC-insured depository institution and demonstrate that it has increased its Qualified Activities in distressed communities. There are three categories of Qualified Activities:

- **CDFI-Related Activities** - Providing equity investments, grants, equity-like loans, loans, deposits, and/or technical assistance to certified CDFIs.

- **Distressed Community Financing Activities** - Providing direct lending or investment in the form of affordable home mortgages, affordable housing development loans or investments, home improvement loans, education loans, small business loans or investments, small dollar consumer loans, and commercial real estate development loans or investments to residents or businesses located in distressed communities.

- **Service Activities** – Providing access to financial products and services, such as new branches, new Automated Teller Machines, checking accounts, savings accounts, check cashing, financial counseling, or individual development accounts to residents of distressed communities.

The amount of each award is determined by the increases in the Qualified Activities achieved by applicants over a one-year assessment period; the greater the increase, the larger the award. The applicant's CDFI certification status and total asset size are also factored into the award amount.

The CDFI Fund prioritizes awards according to the category of Qualified Activity. Priority is given to CDFI-Related Activities, followed by Distressed Community Financing Activities, and then Service Activities. Prioritizing CDFI-Related Activities encourages applicants to provide low-cost capital and operating support to CDFIs, which strengthens CDFIs and expands their capacity to provide financial products and services to residents and businesses in distressed communities.

A bank or thrift that receives an award is required to reinvest it in BEA Program Qualified Activities. This increases the flow of capital to the most economically distressed communities and accelerates the growth of businesses, the creation of jobs, the development of affordable housing, and the availability of financial services.

Awards since Inception

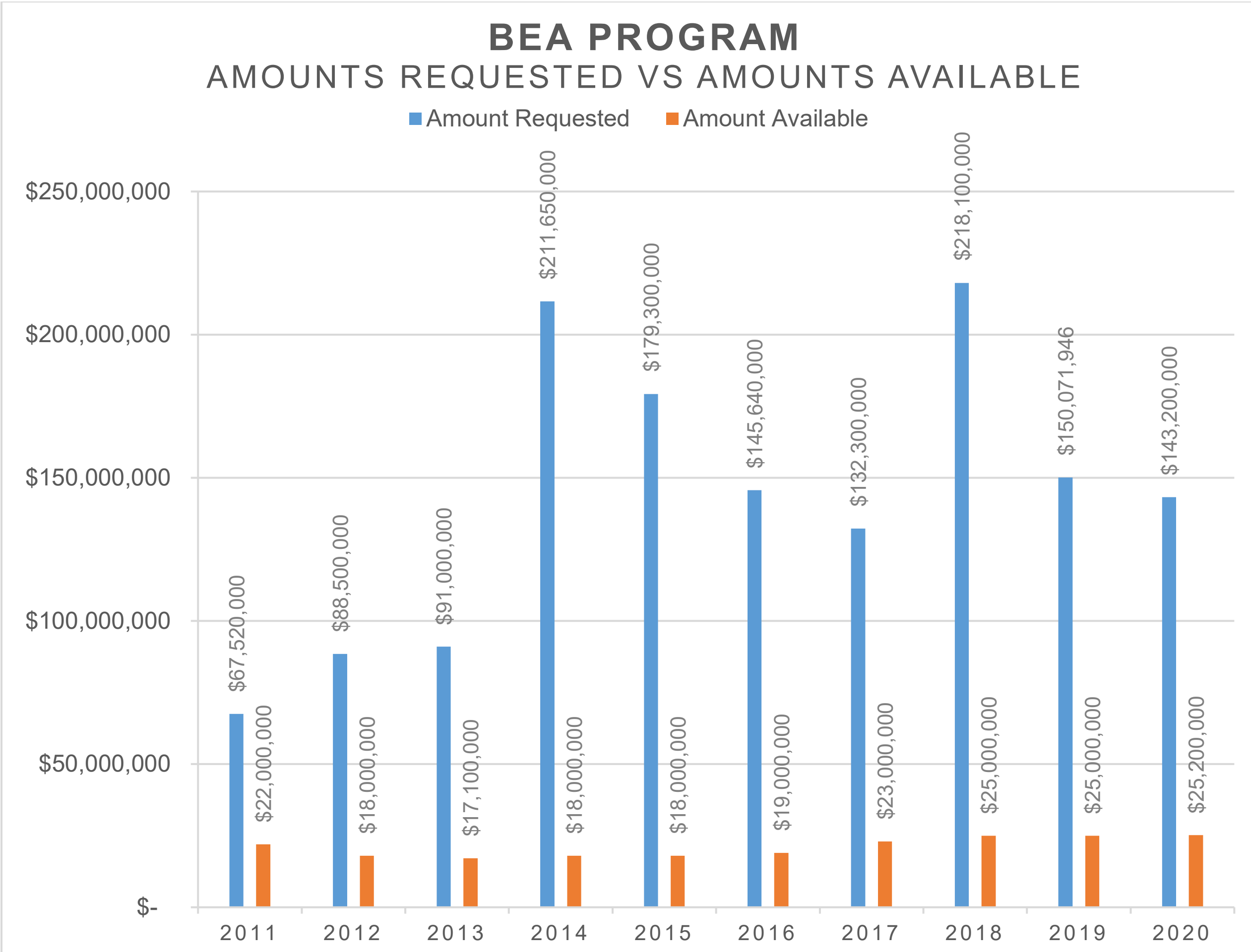
Since the inception of the BEA Program in 1994, the CDFI Fund has completed 25 rounds of the program and has awarded nearly $546.0 million.

FY 2020 Activities

The FY 2020 round opened April 3, 2020 and awards were announced on September 15, 2020. For the FY 2020 round:

- 144 applicants submitted applications requesting $143.2 million in awards.
- 138 applicants received awards totaling nearly $25.2[6] million.
- The award recipients were located in 23 states and the District of Columbia.

[6] The $25.2 million includes the $25.0 million appropriated by Congress plus $80 of carryover funding not awarded during the FY 2019 round, and $170,184 of de-obligated funds from the FY 2019 funding round.



BEA Program Impact

FY 2020 Impact

Collectively, during the one-year assessment period, the 138 depository institutions that received BEA Program awards during the FY 2020 round:

- Increased their loans and investments in distressed communities by $365.2 million;
- Increased their loans, deposits, and technical assistance to CDFIs by $43.3 million;
- Increased their equity and equity-like loans and grants to CDFIs by $31.7 million; and
- Increased the provision of financial services in highly distressed communities by $15.1 million.

The content on this page is unaudited. Please see the accompanying auditor's report.

In addition, 86 of the 138 award recipients committed to deploying approximately $2.9 million in Persistent Poverty Counties, which are counties where 20% or more of the population has lived in poverty over the past 30 years, as measured by the U.S. Census Bureau. This amount is 11.4% of the FY 2020 appropriated funds for the BEA Program, and exceeds the amount (10.0%) that Congress mandates BEA Program award recipients deploy in Persistent Poverty Counties.

A key performance measure for the BEA Program is a leverage ratio which compares the sum of all award recipients' Qualified Activities in eligible distressed communities and to certified CDFIs, to the sum of all awards in a given year.

- For FY 2020, the leverage ratio was nearly 34.5:1 for $867.7 million in total qualified activities by all award recipients to $25.2 million in total awards.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in 2008 to spur investment in affordable housing and related economic development initiatives that serve low-income families and low-income communities across the nation.

How it Works

Purpose

Congress authorized the creation of the CMF through the Housing and Economic Recovery Act of 2008 (HERA; P.L.110-289). HERA requires two Government-Sponsored Enterprises—Fannie Mae and Freddie Mac—to set aside an amount equal to 4.2 basis points for every dollar of their unpaid principal balances of total new mortgage purchases annually for the CMF and Housing Trust Fund, unless otherwise instructed by the Federal Housing Finance Agency (FHFA). Of the amount set aside by Fannie Mae and Freddie Mac annually, 35.0% is allocated to the CDFI Fund for the CMF.

The purpose of the CMF is to attract private capital for affordable housing and economic development activities in economically distressed areas. CMF award recipients are required to finance and/or to support 10 times the grant amount in eligible project costs.

Award Process

Through the CMF, the CDFI Fund provides competitively awarded grants to organizations that serve low-income communities. To be eligible for a CMF Award, an applicant must be:

- A certified CDFI, or

- A non-profit organization with a principal purpose of developing or managing affordable housing.

All applicants must demonstrate that they have been in existence as a legally formed entity for at least three years prior to the funding round application deadline and meet any other eligibility requirements outlined in the Notice of Funds Availability for the round.

CMF award recipients can use their grants to finance affordable housing activities, related economic development activities, and community service facilities. They must use at least 70.0% of their CMF grants to finance affordable housing, and may request to use up to 30.0% of the funds to finance economic development activities linked to affordable housing. Award recipients use the funds to create a variety of financing tools, such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees.

The CDFI Fund seeks to ensure that CMF award recipients serve diverse geographic areas, including urban and rural areas, as well as multiple states. It also seeks to promote CMF-financed activity in areas of economic distress.

Leveraging is a key component of the CMF. Award recipients are required to leverage their CMF award at a ratio of at least ten to one. Sources of capital leveraged may include loans from banks, program-related investments from foundations, Low Income Housing Tax Credit investments, and funds contributed by the award recipient, state or local governments, or any number of other private or public sources.

The leveraging requirement multiplies the power of each CMF award at least 10 times over, ensuring that more low-income people and low-income communities nationwide have access to affordable housing.

Awards since Inception

Since the inception of the CMF in 2008, the CDFI Fund has completed five rounds of the program and has awarded grants totaling more than $565.0 million. HERA provides the FHFA with the authority to temporarily suspend allocations from Fannie Mae and Freddie Mac upon certain findings. In 2010, the FHFA temporarily suspended these allocations. However, Congress appropriated $80.0 million to fund an initial round of the CMF in FY 2010. In December 2014, the FHFA lifted its suspension of Fannie Mae's and Freddie Mac's allocation and directed them to begin allocating funds for the CMF based on their calendar year (CY) 2015 Activity. The FY 2016 CMF round was the first round funded through Fannie Mae's and Freddie Mac's annual allocation, and it was followed by rounds in FYs 2017-2020.

FY 2020 Activities

In FY 2020, the CDFI Fund completed the FY 2019 round of the CMF and opened the FY 2020 round, which is the sixth round in the program's history.

The CDFI Fund opened the FY 2019 round on June 25, 2019, and announced the awards on February 25, 2020. The demand for CMF awards significantly exceeded the resources available for the round:

- 113 applicants submitted applications requesting more than $522.0 million in awards.

- 38 applicants received awards totaling $130.9 million in awards.

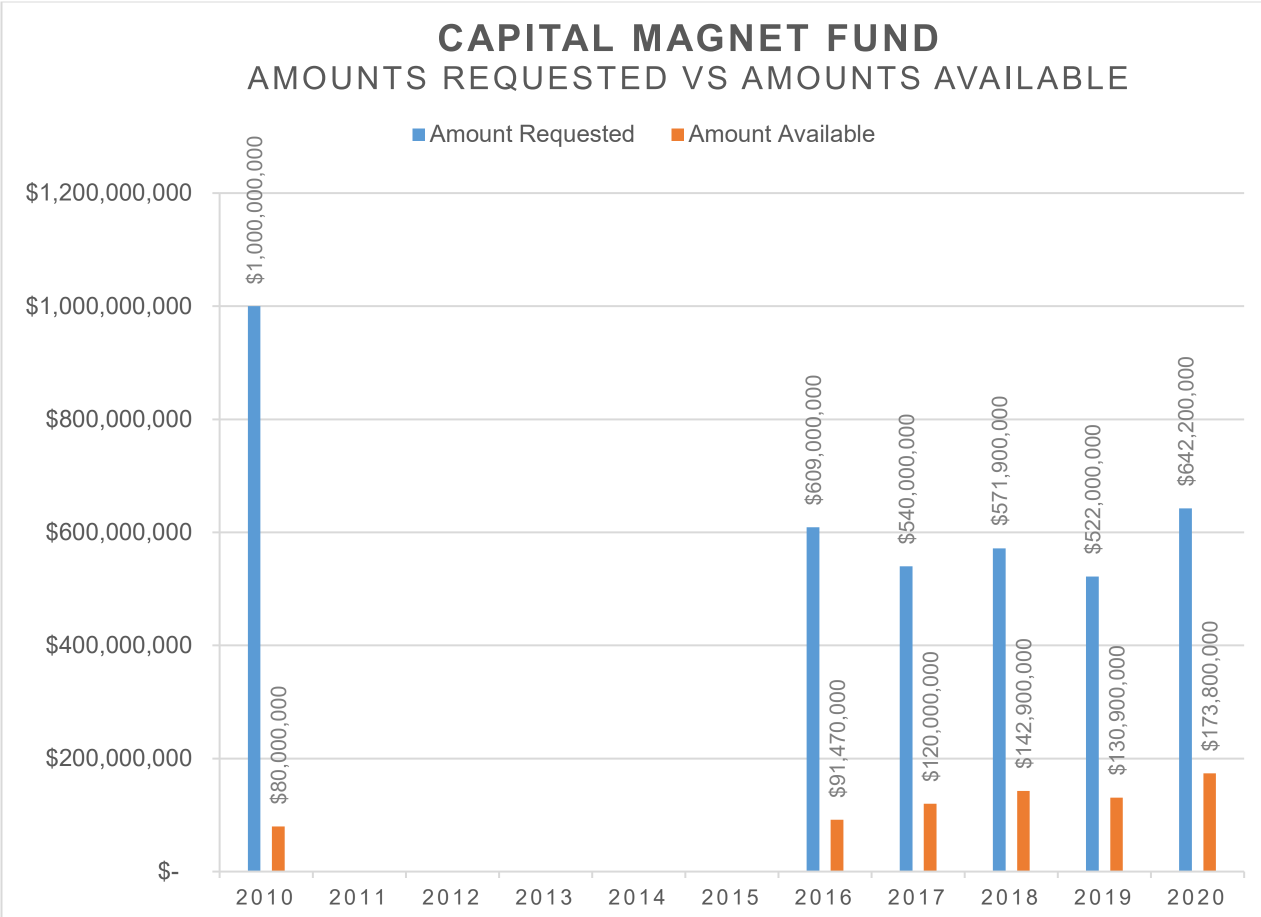
The 38 FY 2019 award recipients will serve 44 states, the District of Columbia, and Puerto Rico. Based on awards recipients' projections, the FY 2019 round of the CMF will leverage an estimated $4.0 billion in public and private investment. The award recipients plan to develop over 22,400 affordable housing units, which includes more than 20,700 rental units and 1,700 homeownership units. Of these:

- 98.0% of all housing units will be developed for low-income families (80.0% of the Area Median Income or below).

- 100.0% of the Homeownership Units will be developed for Low-Income Families (80.0% of the Area Median Income or below).

- 58.0% of the Rental Units will be developed for Very Low-Income and Extremely Low-Income Families (50.0% of the Area Median Income or below).

The CDFI Fund opened the FY 2020 round of the CMF on May 28, 2020. The application deadline was July 27, 2020. The CDFI Fund anticipates announcing up to $173.8 million in awards in early CY 2021.



Capital Magnet Fund Impact:

CMF Recipients have two years to commit their CMF Award to specific affordable housing and economic development projects and five years to complete those projects. Based on reporting received by the end of FY 2020[7], to date:

- Approximately $160.0 million of CMF funding has been committed to projects currently under development or under construction that are estimated to generate $6.4 billion in eligible project costs.

- $159.2 million of CMF funding has been fully disbursed to projects that have been completed, generating $4.0 billion in eligible project costs

[7] FY 2019 Awards were announced on February 15, 2020. The FY 2019 Award Recipients did not yet begin reporting during FY 2020.

Projects Committed and Under Development or Under Construction:

- Rental Housing commitments totaling $150.0 million projected to result in over 31,000 eligible units.

- Homeownership Unit commitments totaling $7.3 million projected to result in 483 eligible units.

- Economic Development commitments totaling $3.2 million for eight facilities such as community-serving businesses, healthcare and other community facilities.

- Award recipients have projected that 58.0% of the housing rental units will be affordable for Very Low-Income and Extremely Low-Income persons (50.0% of the Area Median Income or below).

- Award recipients have projected that 96.0% of the homeownership units will be affordable for Low-Income persons (80.0% of the Area Median Income or below).

- 73.0% of units are projected to be located in Areas of Economic Distress.

- These projects are expected to leverage $6.2 million, including $4.5 million in private capital.

Projects Completed for FY 2016 Awards and Later:

- Rental Housing disbursements totaling approximately $59.0 million to finance/support 11,900 eligible units to date.

- Homeownership disbursements totaling $19.0 million to finance over 2,900 eligible units to date.

- Economic Development disbursements totaling $1.2 million for five facilities such as community-serving businesses, healthcare and other community facilities.

- These projects have leveraged $2.2 billion, including $2.0 million in private capital.

Projects Completed for the FY 2010 Round:

- 13,316 affordable homes were completed and maintained their affordability standards with:
    - Affordable rental homes totaling 11,700; and

  - Affordable homeowner-occupied homes totaling 1,616.

- Twenty facilities such as community-serving businesses, healthcare and other community facilities were completed.

<u>For all Completed Projects:</u>

- Award recipients reported that 60.0% of the rental units have been developed for Very Low-Income and Extremely Low-Income persons (50.0% of the Area Median Income or below).

- Award recipients reported that that 90.0% of the homeownership units have been affordable for Low-Income persons (80.0% of the Area Median Income or below).

- 70.0% of units are projected to be located in Areas of Economic Distress.

CDFI Bond Guarantee Program

Enacted through the Small Business Jobs Act of 2010, the Community Development Financial Institutions Bond Guarantee Program (CDFI Bond Guarantee Program) responds to the critical market demand for long-term, low-cost capital that can be used to spur economic growth in low-income communities.

How it Works

Purpose
The CDFI Bond Guarantee Program accelerates the economic revitalization of low-income communities by giving CDFIs access to a significant source of long-term capital.

Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants, but is instead a federal credit program, designed to function at no cost to taxpayers. The bonds are debt instruments that must be repaid.

Through the CDFI Bond Guarantee Program, the CDFI Fund enables Qualified Issuers to issue bonds that have maturity dates of up to 29.5 years and are fully guaranteed by the federal government. The Qualified Issuer then sells the bonds to the Federal Financing Bank[8] (FFB) and uses the bond proceeds to make long-term loans at affordable rates to CDFIs to finance or refinance new or existing community development projects.

[8] The Federal Financing Bank (the Bank) is a government corporation under the general supervision and direction of the Secretary of the Treasury. The Congress created the Bank in 1973, at the request of the U.S. Department of the Treasury (Treasury). The Bank borrows from Treasury and lends to Federal agencies and to private entities that have Federal guarantees.

Award Process

To be considered a Qualified Issuer, an organization must:

- Be a certified CDFI or its designee;
- Be able to issue bonds and make loans; and
- Demonstrate the capacity to perform specialized administrative functions, including loan servicing and financial reporting.

During the application round, a Qualified Issuer applies to the CDFI Fund for authorization to issue bonds on behalf of CDFIs. Each bond issue is required to be a minimum of $100.0 million. CDFIs have the opportunity to borrow long-term capital from the FFB for large-scale community development projects such as the development of small businesses, commercial real estate, housing units, charter schools, daycare or healthcare centers, and municipal infrastructure.

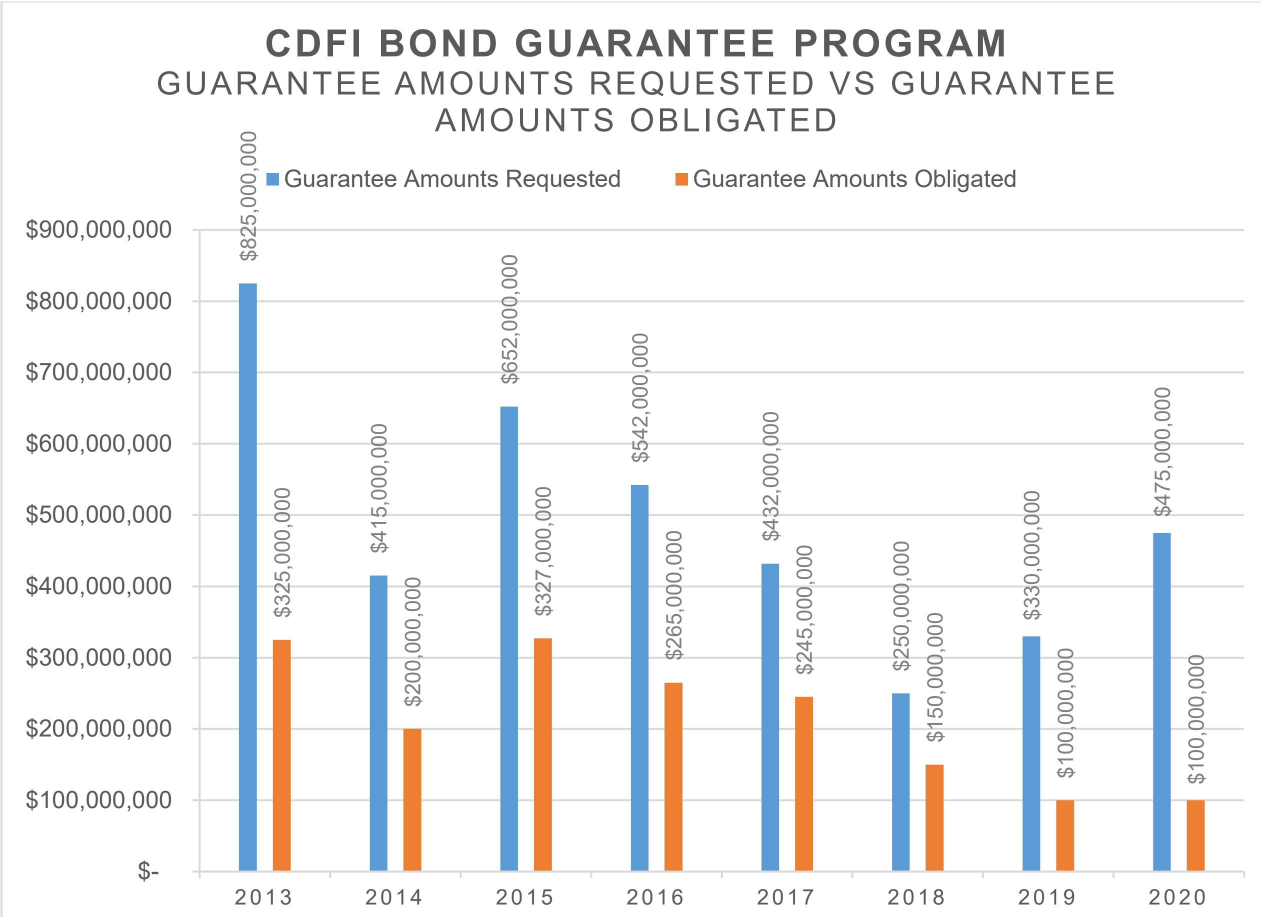
In addition, CDFIs may use the capital to extend credit to other community development borrowers or to refinance existing loans at affordable interest rates.

Awards since Inception

Since the inception of the CDFI Bond Guarantee Program in 2010, the CDFI Fund has completed six rounds of the program and has guaranteed more than $1.7 billion in bonds. CDFIs have up to five years to deploy committed funds. Of the more than $1.7 billion guaranteed to date, participating CDFIs have deployed nearly $1.2 billion in loans.

FY 2020 Activities

The FY 2020 round opened on March 18, 2020 with up to $500.0 million in bond guarantee authority available to CDFIs. The application period closed on May 18, 2020. A total of $475.0 million was requested from the applications received. The approval of a $100.0 million bond issuance was announced on September 30, 2020.



CDFI Bond Guarantee Program Impact

The CDFI Bond Guarantee Program has provided long-term, fixed-rate capital for a wide range of projects in low-income urban, rural, and Native communities throughout the nation.

CDFI Bond Guarantee Program
Disbursements by Asset Class as of September 30, 2020

Asset Class	Since Inception Disbursements *($millions)*	Proposed Disbursements *($millions)*	Geography *(Based on YTD Disbursements)*
Charter Schools	$308.9	$428.4	AZ, CA, CO, DC, FL, GA, IL, MD, MI, MN, MO, NJ, NM NY, OH, PA, WA

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Rental Housing	$323.4	$463.9	AL, AZ, CA, DC, FL, GA, IL, KY, LA, MA, MD, MI, MN, NC, NJ, NM, NV, NY, OH, OR, PA, TN, TX, WI, WV, UT
Commercial Real Estate	$217.7	$265.7	AZ, CA, IL, MI, NJ, NC, NV, NY, OK, OR, PA
CDFI to Financing Entity	$112.5	$136.7	KY, MA, NJ, NM
Healthcare Facilities	$84.3	$101.3	AZ, CA, DC, IL, KY, NY, WI
Not-for-Profit Organizations	$63.0	$66.6	AZ, CA, FL, MA, MI, NM, NJ, NV, NY, PA, TN
Senior Living and Long Term Care	$14.0	$58.0	CA
Small Business	$43.9	$51.2	AZ, CA, KY, FL, PA, CO, NV
Daycare Centers	$15.7	$20.0	CA, KY, NM, NY
Totals	**$1,183.4**	**$1,592.0**	

CDFI Program

The Community Development Financial Institutions Program (CDFI Program) was created in 1994. It invests in and builds the capacity of CDFIs, empowering them to grow, to achieve organizational sustainability, and to contribute to the revitalization of their communities.

How it Works

Purpose

The purpose of the CDFI Program is to increase the capacity of CDFIs to serve low-income people and underserved communities. The program has two primary components:

- **Financial Assistance (FA) awards** – Monetary awards provided to support the financing activities of CDFIs; and

- **Technical Assistance (TA) awards** – Grants provided to support the capacity-building activities of CDFIs.

Award Process

Financial Assistance

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

To be eligible for an FA award, an organization must be a certified or certifiable CDFI. A certifiable CDFI is an entity that has applied for CDFI certification by the deadline specified in the applicable Notice of Funds Availability but has not been certified by the time it applies for an FA award.

In addition, an organization must demonstrate that it has the financial and managerial capacity to make a significant impact in the communities they serve. To demonstrate this, it must meet the following four criteria:

1. Be able to provide affordable and appropriate financial products and services;
2. Be a viable financial institution;
3. Be able to use an FA award effectively; and
4. Have the ability to leverage its awards with non-federal funding.

Financial Assistance Award Types: The primary FA award type is the Base Financial Assistance (Base-FA) award. Base-FA awards of up to $1.0 million allow CDFIs to sustain and expand their financial products and services. CDFIs may use Base-FA awards for a wide range of purposes—for example, to finance businesses and develop affordable housing, commercial real estate, and community facilities; to support community-based social service organizations; and to provide mortgages, basic banking services, and financial literacy training to people in underserved communities.

Base-FA awards to Core applicants require the award recipient to secure a dollar-for-dollar match of non-federal funds. The form of the matching funds determines the form of the Base-FA award; the match may be in the form of loans, grants, equity investments, and deposits. The match requirement enables CDFIs to multiply the impact of federal investment to meet the demand for affordable financial products in the communities they serve.

Base-FA awards to SECA applicants are made in the form of grants, and although they also include a matching requirement, Congress typically waives this requirement in the annual appropriations.

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

- **HFFI-FA Awards:** In FY 2011, the CDFI Fund launched the Healthy Food Financing Initiative (HFFI), and through the CDFI Program, it provides Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards to support a wide range of activities that expand access to healthy foods in low-income communities.

  CDFIs that are selected to receive a Base-FA award through the CDFI Program are also eligible to receive an HFFI-FA award. The CDFI must submit a separate application for the HFFI-FA award.

  HFFI-FA awards are made in the form of grants, and although they include a matching requirement, Congress has regularly waived this requirement in its annual appropriations measures.

  HFFI-FA awards can be used to make loans and investments and to provide development services that promote and increase access to healthy food options in low-income communities. Award recipients often use the funds to increase retail access to healthy foods, to develop and equip grocery stores, and to strengthen producer-to-consumer relationships.

  Since inception, the CDFI Fund has awarded 120 HFFI-FA awards totaling more than $223.3 million.

- **DF-FA Awards:** In FY 2018, the CDFI Fund began making Disability Funds-Financial Assistance (DF-FA) awards to provide technical and financial assistance to CDFIs that fund projects to help individuals with disabilities.

  To be eligible for a DF-FA award, a CDFI must be selected to receive a Base-FA award and must submit a separate DF-FA award application.

  An applicant must have a demonstrated track record of serving individuals with disabilities, specifically by providing financial products and services and/or development services that have a primary purpose of benefiting individuals with disabilities.

  Since inception, the CDFI Fund has awarded 48 DF-FA awards totaling $11.9 million.

- **PPC-FA Awards:** The Consolidated Appropriations Act of 2019 and 2020 required that 10% of the funds awarded by the CDFI Fund under the appropriation "shall be used for awards that support investments that serve populations living in persistent poverty counties." Persistent poverty counties (PPCs) are defined as counties where 20% or more of the population has lived in poverty over the past 30 years.

To be eligible for a Persistent Poverty County-Financial Assistance (PPC-FA) award, a CDFI must submit a Base-FA award application, indicate in that application its interest in applying for a PPC-FA award, and demonstrate a track record of serving PPCs and the ability to deploy the award in an Eligible Market in a PPC.

Technical Assistance

Technical Assistance Applicant Types: To be eligible for a TA award, an organization must be a certified, certifiable, or emerging CDFI. Certifiable and emerging CDFIs must demonstrate that they have the ability to become certified within three years of receiving a TA award.

Technical Assistance Award Types: TA awards of up to $125,000 are made in the form of grants and do not have a matching funds requirement. Award recipients can use the awards to purchase equipment, to hire consulting or contracting services, to pay salaries and benefits, to train staff or board members, and to support other capacity-building activities.

TA award recipients often use the funds to analyze their target markets, develop lending policies and procedures, and to build staff lending capacity. More established CDFIs also use TA grants to provide new products, to serve current target markets in new ways, or to enhance the efficiency of their operations.

Awards since Inception

Since the inception of the CDFI Program in 1994, the CDFI Fund has completed 25 rounds of the program, and awarded FA awards and TA awards totaling more than $2.6 billion.

FY 2020 Activities

In FY 2020, the CDFI Fund administered two different award rounds for the CDFI Program. The FY 2019 Financial Assistance awards were announced on November 19, 2020[9]. In addition, the CDFI Fund opened the FY 2020 award round of the CDFI Program on February 20, 2020. The FY 2020 application period closed on April 30, 2020. The CDFI Fund announced the FY 2020 Financial and Technical Assistance awards on September 24, 2020.

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

- For the FY 2019 Base-FA awards announced in FY 2020, 412 organizations requested $363.5 million in awards and 261 organizations received more than for $132.0 million in awards.

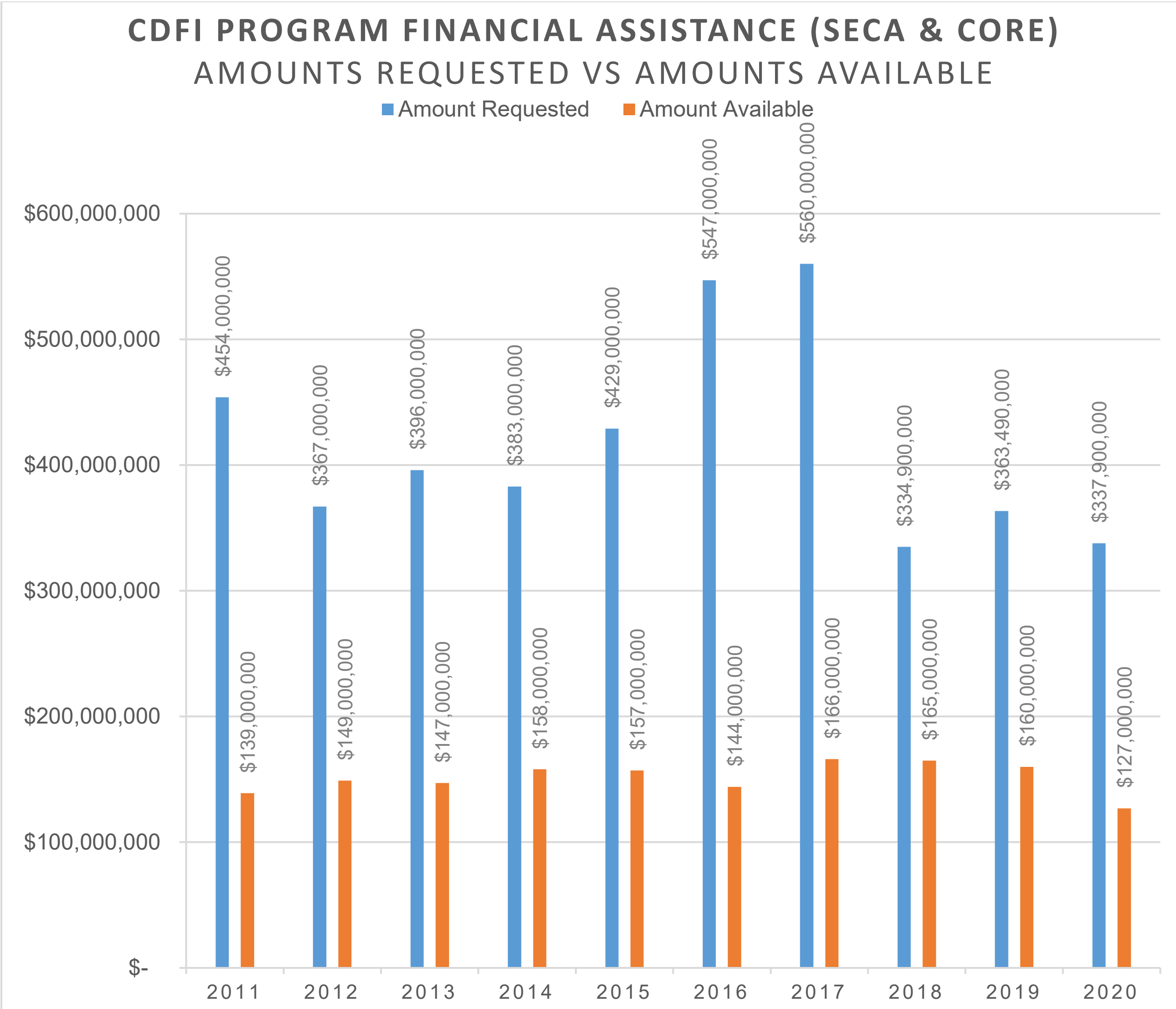
[9] The FY 2019 Technical Assistance awards were finalized in FY 2019 and announced on September 19, 2019.

- For the FY 2020 Base-FA awards, 377 organizations requested $337.9 million in CDFI Program Base-FA awards; 230 organizations received more than for $127.0 million in Base –FA awards.

- For the FY 2020 TA awards, 153 organizations requested $19.1 million in TA awards; 127 organizations received more than $15.8 million in TA awards.

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

- For the FY 2019 FA supplemental awards announced in FY 2020,
  - 170 organizations requested $49.1 million in Persistent Poverty County-Financial Assistance (PPC-FA) awards; 123 organizations received $18.2 million in CDFI Program PPC-FA awards.
  - 35 organizations requested $114.1 million in Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards (CDFI Program and NACA Program combined); 14 organizations received $22.0 million in HFFI-FA awards.
  - 24 organizations requested $10.1 million in Disability Funds-Financial Assistance (DF-FA) awards (CDFI Program and NACA Program combined); 16 organizations received $3.0 million in DF-FA awards.
- For the FY 2020 FA supplemental awards,
  - 174 organizations requested $51.3 million in Persistent Poverty County-Financial Assistance (PPC-FA) awards; 106 organizations received $18.5 million in CDFI Program PPC-FA awards.
  - 24 organizations requested $10.4 million in Disability Funds-Financial Assistance (DF-FA) awards (CDFI Program and NACA Program combined); 17 organizations received $4.0 million in DF-FA awards.
  - 28 organizations requested $84.6 million in Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards (CDFI Program and NACA Program combined); 13 organizations received $22.0 million in HFFI-FA awards.



CDFI Program Impact

In FY 2020, CDFI Program award recipients reported originating loans or investments totaling more than $25.5 billion based on their portfolio of activities in 2019. This includes, but is not limited to:

- $ 10.0 billion for consumer loans;
- $ 6.5 billion for home improvement and purchase loans;
- $ 3.9 billion for business and microenterprise loans;

- $ 2.2 billion for residential real estate transactions; and
- In addition, recipients financed over 41,000 affordable housing units;

The FY 2020 performance results reported in the table below reflect program outcomes and activities for 2019 and are based on information entered into the CDFI Fund's performance reporting system by CDFI Program award recipients.

Annual Performance Report of CDFI Program Award Recipients for FY 2020
(Based on 2019 Program Activities Reported in 2020)

Lending and Investing Activity	Amount
Amount of Total Loans/Investments Originated	**$25,487,518,620**
Number of Total Loans/Investments Originated	1,035,590
Business and Microenterprise Originations	**$3,888,522,071**
Number of Originations	128,727
Consumer Originations	**$9,995,681,762**
Number of Originations	846,744
Home Improvement and Home Purchase Originations	**$6,524,957,895**
Number of Originations	49,652
Residential Real Estate Originations	**$2,196,065,191**
Number of Originations	5,134
Commercial Real Estate Originations	**$2,440,555,641**
Number of Originations	3,884
All Other Originations	**$441,736,060**
Number of Originations	1,449

Affordable Housing Units Financed	**41,091**
Rental Units	37,014
Owner Units	4,077
Businesses Financed	**87,088**

CDFI Program cumulative impact data is reported in the table below for FY 2010 to FY 2020 based on recipients' activities in 2009 to 2019.

Cumulative Performance Report of CDFI Program Award Recipients for FYs 2010 to 2020

(Based on Program Activities Reported from 2009 to 2019)

Lending and Investing Activity (includes late reporters not included in FY2019 AFR)	Amount
Amount of Total Loans/Investments Originated	**$84,008,516,203**
Number of Total Loans/Investments Originated	6,348,892
Business and Microenterprise Originations	**$15,124,380,653**
Number of Originations	436,998
Consumer Originations	**$25,667,564,713**
Number of Originations	5,643,439
Home Improvement and Home Purchase Originations	**$18,790,393,608**
Number of Originations	188,857
Residential Real Estate Originations	**$10,876,737,497**
Number of Originations	23,149
Commercial Real Estate Originations	**$10,268,750,209**

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Number of Originations	15,428
All Other Originations	**$3,280,689,523**
Number of Originations	41,021
Affordable Housing Units Financed	**314,840**
Rental Units	289,324
Owner Units	25,516
Businesses Financed	**344,325**

HFFI-FA Program Impact: Since the inception of the HFFI-FA program in 2011, HFFI-FA award recipients have reported healthy food investments totaling more than $288.5 million. There were retail investments totaling more than $229.8 million that developed 3.7 million square feet of new retail space for projects ranging from small green grocers to large supermarkets which served low-income, low-access census tracts. In addition, there were non-retail investments totaling nearly $55.0 million in projects involving production and distribution, which developed more than 7.0 million square feet of space for eligible healthy food activities. The HFFI Program's cumulative impact is derived from transactional reports by HFFI recipients.

HFFI-FA Program Cumulative Performance Report of Award Recipients for FY 2020

(Based on Program Activities Reported from 2012 to 2019)

Amount of Total Loans/Investments Originated	**$288,548,930**
Number of Total Loans/Investments Originated	527
Number of Projects	404
Number of Award Recipients Reported	38
HFFI Retail Investments	
Amount of Retail Loans/Investments	$229,884,223
Number of Retail Loans/Investments	285
HFFI Non-Retail Investments	

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Amount of Non-Retail Loans/Investments	$54,997,877
Number of Non-Retail Loans/Investments	190
HFFI Square Footage - Project Level	
Square Footage of New Retail Healthy Food Outlets	3,729,346
Square Footage of New Non-Retail Healthy Food Outlets	7,003,106

Native Initiatives

The Native Initiatives was launched in 2001 to help Native Communities—defined as Native American, Alaska Native, and Native Hawaiian communities—grow by increasing their access to credit, capital, and financial services.

How it Works

Purpose

The origin of the Native Initiatives dates back to the Riegle Act, when Congress mandated, through the CDFI Fund's authorizing statute, a study on lending and investment practices in Native Communities. The CDFI Fund conducted the study from 1999 to 2000, and in 2001 published the Native American Lending Study.

The study reported that Native Communities face a number of unique challenges to economic growth, including higher barriers to accessing capital and basic financial services, and increased difficulty interacting with private and public sector programs. The study affirmed the importance of developing Native CDFIs—CDFIs that specialize in serving Native Communities—to play a key role in the broader effort to lead Native Communities into the nation's economic mainstream.

The study led to the formation of the CDFI Fund's Native Initiatives. The program's purpose is to generate economic opportunity in Native Communities by supporting the creation and expansion of Native CDFIs through the Native American CDFI Assistance Program (NACA Program).

The NACA Program is very similar to the CDFI Program. Like the CDFI Program, it provides Financial Assistance (Base-FA) awards, Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards, Persistent Poverty Counties-Financial Assistance (PPC-FA) awards, Disability Funds-Financial Assistance (DF-FA) awards, and Technical Assistance (TA) awards. However, the NACA Program focuses solely on supporting Native CDFIs.

By building and strengthening Native CDFIs, the NACA Program helps these community-based organizations increase access to credit, capital, and financial services in their communities, which in turn creates jobs, develops affordable housing, and provides opportunities for Native American, Alaska Native, and Native Hawaiian people to obtain appropriate financial services and counseling.

Award Process

The NACA Program has similar award components to the CDFI Program, but with an exclusive focus on Native CDFIs. An overview of the award types may be found in the CDFI Program discussion. Details specific to the NACA Program's FA and TA awards are described below.

FA Awards: NACA Base-FA awards require a dollar-for-dollar match from non-federal funds, and the form of the matching funds determines the form of the FA award. Although the NACA Base-FA awards include a matching requirement, Congress has historically waived this requirement in its annual appropriations measures.

To be eligible for a Base-FA award through the NACA Program, an organization must be a certified or certifiable CDFI. It also must have a Target Market of a Native Community and must ensure that at least 50% of its activities serve Native American, Alaska Native, and/or Native Hawaiian communities.

TA Awards: Four types of organizations are eligible to apply for a TA award through the NACA Program: certified CDFIs, certifiable CDFIs, emerging CDFIs, and sponsoring entities (organizations primarily serving Native Communities that propose to create a separate certified CDFI). Certifiable and emerging CDFIs must demonstrate the ability to become a certified CDFI within three years of receiving a TA grant. Sponsoring entities must demonstrate the ability to create a new entity that will become a certified Native CDFI within four years of receiving an award.

For more information about the awards process and all of the award types available, please see the CDFI Program discussion.

Awards since Inception

Since the inception of the NACA Program in 2001, the CDFI Fund has completed 18 rounds of the program, and has awarded FA and TA awards totaling more than $205.8 million, which includes PPC-FA awards totaling $7.3 million.

FY 2020 Activities

In FY 2020, the CDFI Fund administered two different award rounds for the NACA Program. The FY 2019 Financial Assistance awards were announced on November 19, 2019[10]. In addition, the

[10] The FY 2019 Technical Assistance awards were finalized in FY 2019 and announced on September 19, 2019.

CDFI Fund opened the FY 2020 award round of the NACA Program on February 20, 2020. The application period closed on April 30. The CDFI Fund announced the FY 2020 Financial and Technical Assistance awards on September 24, 2020.

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

- For the FY 2019 Base-FA awards announced in FY 2020, 32 organizations requested $25.9 million in NACA Program Base-FA awards and the CDFI Fund awarded $12.0 million in FY 2019 NACA Program Base-FA awards to 23 organizations.
- In addition, 16 organizations requested in $4.5 million in NACA PPC-FA awards and 11 organizations received $1.5 million in FY 2019 NACA PPC-FA.
- For the FY 2020 Base-FA awards 30 organizations requested $23.5 million in NACA Program Base-FA awards; 20 organizations were awarded $12.3 million.
- For the FY 2020 TA awards 28 organizations requested $4.1 million in NACA Program TA awards; 20 organizations were awarded $2.9 million.
- For the FY 2020 FA supplemental awards, 17 organizations requested $4.6 million in NACA PPC-FA awards; 11 organizations received $1.6 million in NACA Program PPC-FA awards.

NACA Program Impact

Since the NACA Program was launched in 2001, the CDFI Fund has provided more than $175.0 million in FA and TA awards through the program. Those funds have helped build a nationwide network of certified Native CDFIs:

- In 2001, the number of Native CDFIs totaled 14.
- As of the end of FY 2020, the number of certified Native CDFIs totaled 69.

The performance results reported by NACA Program award recipients in FY 2020 show that Native CDFIs originated in 2019 over 6,900 loans or investments totaling $144.3 million based on their portfolio of activities in 2019, including $45.8 million in business and microenterprise loans, $47.4 million in home improvement and home purchase loans, and $36.9 million in consumer loans.

The Native Initiatives is generating economic opportunity and fostering economic self-determination in Native Communities nationwide. The table below demonstrates the cumulative impact of NACA recipient activities from FY 2010 to FY 2020.

Cumulative Performance Report of NACA Program Award Recipients for FYs 2010 to 2020

(Based on Program Activities Reported from 2009 to 2019)

Lending and Investing Activity (includes late reporters not included in FY2019 AFR)	Amount
Amount of Total Loans/Investments Originated	**$1,106,561,106**
Number of Total Loans/Investments Originated	42,777
Business and Microenterprise Originations	**$395,155,149**
Number of Originations	2,777
Consumer Originations	**$117,258,261**
Number of Originations	32,028
Home Improvement and Home Purchase Originations	**$421,526,708**
Number of Originations	3,826
Residential Real Estate Originations	**$7,805,019**
Number of Originations	65
Commercial Real Estate Originations	**$9,173,019**
Number of Originations	31
All Other Originations	**$155,642,950**
Number of Originations	4,050
Affordable Housing Units Financed	**143**
Rental Units	131
Owner Units	12
Businesses Financed	**2,162**

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New Markets Tax Credit Program

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract private investment to underserved communities by offering a tax credit to investors.

How it Works

Purpose

One of the most significant obstacles to economic development that low-income communities face is the lack of access to private investment capital. The NMTC Program is designed to attract new private investment to businesses located in Low-Income Communities (generally defined as population census tracts with at least 20% poverty or 80% or less of the median family income) or businesses that are owned by, employ, or serve Targeted Populations.

The NMTC Program attracts private investment by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making Qualified Equity Investments (QEIs) in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39% of the original investment amount; the investor claims the credit over a period of seven years.

Congress authorized the NMTC Program under the Community Renewal Tax Relief Act of 2000 (P.L. 106-554), which included $15.0 billion in allocation authority for seven years. Since then, the NMTC Program has been reauthorized seven times. Most recently, the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (P.L. 116-94) extended authorization of the program for calendar year (CY) 2020 with $5.0 billion in NMTC allocation authority.

Award Process

The CDFI Fund allocates tax credits to certified CDEs through a competitive application process. If successful, the CDE has five years to offer the tax credits to investors in exchange for QEIs.

A CDE has 12 months to invest “substantially all” of the proceeds from the QEIs into Qualified Low Income Community Investments (QLICIs). The proceeds must be used to make loans or equity investments in qualified businesses or CDEs, to purchase qualifying loans originated by other CDEs, or financial counseling to businesses located in low-income communities.

Awards since Inception

Since the inception of the NMTC Program in 2000, the CDFI Fund has completed 16 allocation rounds and has made 1,254 awards totaling $61.0 billion in tax allocation authority. This includes $3.0 billion in Recovery Act Awards and $1.0 billion of special allocation authority used for the recovery and redevelopment of the Gulf Opportunity Zone.

FY 2020 Activities

In FY 2020, the CDFI Fund completed the CY 2019 round of the NMTC Program and opened the CY 2020 round.

The CDFI Fund opened the CY 2019 round on September 4, 2019, and announced the awards on July 15, 2020. The demand for NMTC allocation authority significantly exceeded the tax credits available during the round:

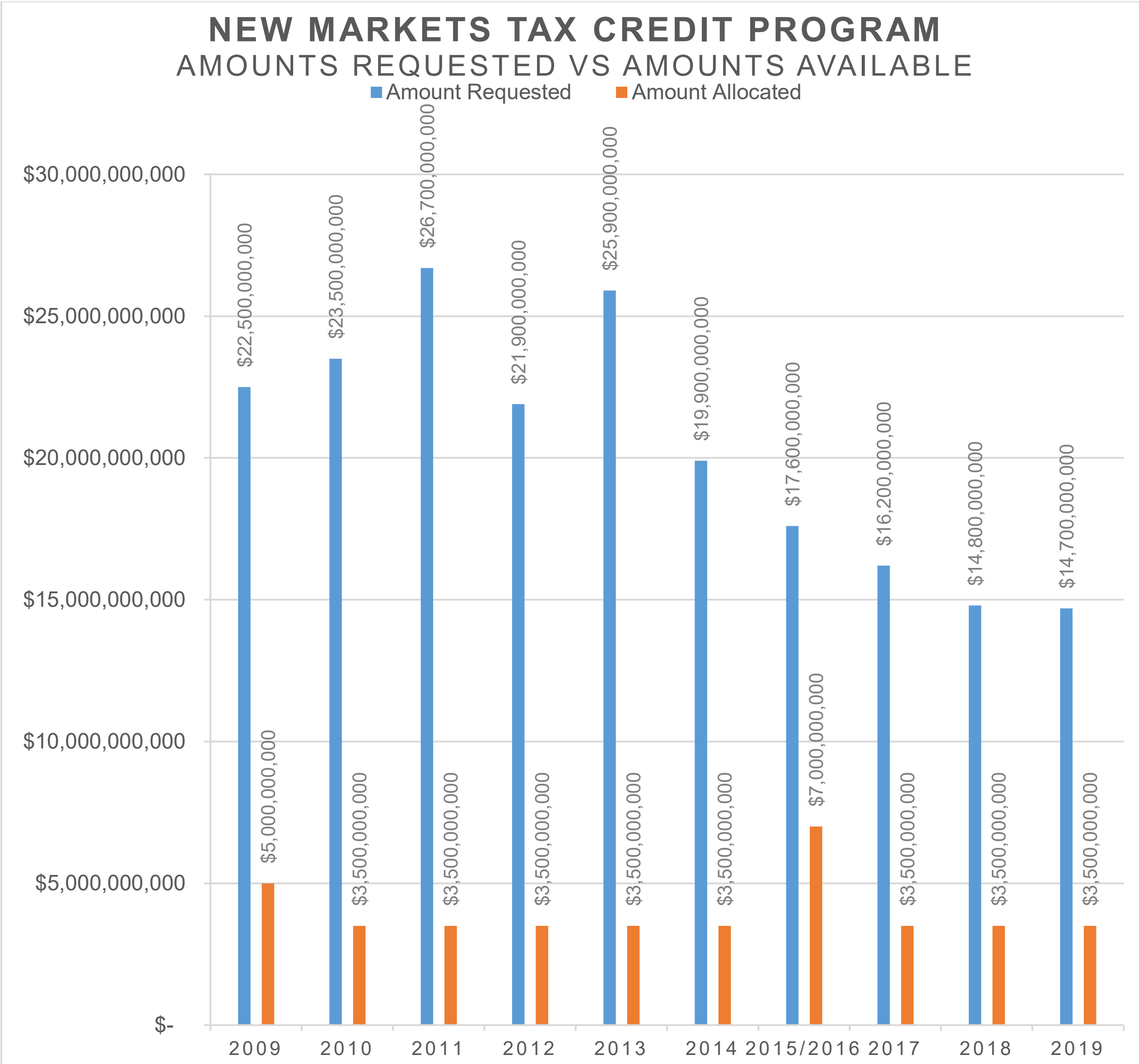
- 206 CDEs submitted applications requesting $14.7 billion in tax credit allocation authority.

- 76 CDEs received more than $3.5 billion[11]in tax credit allocation authority.

The 76 award recipients are headquartered in 30 states and the District of Columbia. It is estimated that these award recipients will make more than $706.0 million in NMTC investments in nonmetropolitan counties.

The CDFI Fund opened the CY 2020 round of the NMTC Program on September 22, 2020. The application deadline is November 16, 2020. The CDFI Fund anticipates announcing CY 2020 allocation awards in summer 2021.

[11] CY 2020 allocation authority included $3.5 billion authorized by the PATH Act plus $48,485,000 rescinded from prior allocation rounds.



NMTC Program Impact

The CDFI Fund has awarded a total of $61.0 billion to CDEs through the NMTC Program. As of September 30, 2020, allocation recipients had reported raising QEIs totaling more than $56.0 billion.

In FY 2020, allocation recipients reported making more than $3.2 billion in loans and investments in Qualified Active Low Income Community Investments (QALICIs), as shown in the table below.

The content on this page is unaudited. Please see the accompanying auditor's report.

In addition, these investments are estimated to have created 10,427 jobs and funded 24,400 construction-related jobs.

Of these investments, 33.2% of the dollars invested were invested in “real estate QALICBs” (i.e., businesses that develop or lease real property for use by others), 66.3% of the dollars were invested in “non-real estate QALICBs” (i.e., operating businesses) in low-income communities, and the remaining investments were direct investments into other CDEs. Since the inception of the program allocations recipients have reported making over $55.9 billion in cumulative qualified low-income community investments, which have created 324,000 jobs and over 546,000 construction jobs.

FY 2020 Annual & Cumulative Performance Report of NMTC Program Allocation Recipients

	Annual Performance	Cumulative Performance
Total Qualified Low-Income Community Investments (QLICI)	**$3,203,868,649**	**$55,924,124,766**
Number of QLICI (TOTAL)	1,083	16,540
Real Estate Activity	**$1,062,737,419**	**$25,920,633,628**
Number of QLICI (RE)	364	6,779
Non-Real Estate Activity	**$2,124,361,230**	**$29,106,458,918**
Number of QLICI (NRE)	712	9,496
Loans/Investments Made to Other CDEs	**$16,770,000**	**$897,032,221**
Number of QLICI (CDE)	7	265
Percent in Distressed Area	**77.2%**	**75.4%**
Jobs at Reporting Period End	**10,427**	**324,427**
Projected Construction Jobs	**24,400**	**546,488**
Affordable Housing Units Financed	**300**	**15,720**
Owner Units	162	6,568

Rental Units	138	9,152
Square Feet of Commercial Real Estate	**13,114,310**	**231,444,578**
Office	3,694,663	98,173,710
Retail	2,427,960	69,583,944
Manufacturing	6,991,687	63,686,924
Businesses Financed	**545**	**7,789**
Financial Counseling and Other Services		
Total Investments	$1,984,515	$48,749,791
Number of Businesses Served	6,094	88,810

The NMTC Program catalyzes investment where investment is needed most. Over 77.0% of NMTC investments for FY 2019 have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments are helping to transform them into places of opportunity.

ADMINISTRATIVE DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

Initiatives to Maximize Performance

In addition to administering its several programs discussed above in FY 2020, the CDFI Fund continued several significant administrative initiatives to maximize its performance, efficiency, and program results:

- Collaborating with AmeriCorps to implement a new Economic Mobility Corps.
- Soliciting information to standup the Small Dollar Loan Program.
- Ongoing maintenance and enhancement of the Awards Management Information System.
- Developing the CDFI Program Assessment and Risk Management Framework.
- Development of revised CDFI Certification Application and data collection devices to be responsive to the evolving nature of the CDFI industry, better track and measure industry data, and protect government resources.
- Enhancing compliance monitoring and evaluation.

Implementing the Economic Mobility Corps

Established in the Consolidated Appropriations Act of 2020 (P.L. 116-93), the Economic Mobility Corps (EMC) is a joint initiative of the CDFI Fund and AmeriCorps. It places national service members at certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in distressed and underserved areas.

During FY 2020, the CDFI Fund worked with AmeriCorps to cooperatively implement the EMC. As part of the agreement, nearly $2.0 million in FY 2020 appropriated funds were made available through an AmeriCorps' Notice of Funding Opportunity that was released in September 2020. Those organizations selected as EMC grant recipients will receive awards to place EMC members in certified CDFIs for a two-year term of service and provide training on the principles of financial counseling and financial literacy.

The CDFI Fund anticipates that grant funds will be awarded in CY 2021.

Soliciting Information in Preparation to Implement the Small Dollar Loan Program

In July 2020, the CDFI Fund formally solicited information from certified CDFIs, Federally Insured Depository Institutions, trade organizations, and the general public about the Small Dollar Loan Program (SDL Program). The CDFI Fund received $5.0 million for the SDL Program under the Consolidated Appropriations Act, 2020 (P.L. 116-93).

Authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), SDL Program was established to provide grants for Loan Loss Reserves and Technical Assistance to enable certified CDFIs or partnerships between a certified CDFI and a Federally Insured Depository Institution to establish and maintain small dollar loan programs. Small dollar loans are defined as loans that do not exceed $2,500. SDL Program funds are intended to help certified CDFIs or partnerships between a certified CDFI and a Federally Insured Depository Institution provide an alternative to high-cost small dollar loans, as well as help unbanked and underbanked populations build credit, access affordable capital, and allow greater access into the mainstream financial system.

The first Notice for Funding Availability and Application for SDL Program are anticipated to be released in fiscal year 2021.

Maintaining and Enhancing AMIS

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

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

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

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

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

Developing the ARM Framework

During FY 2020, the CDFI Fund continued its development of the CDFI Program Assessment and Risk Management Framework (ARM Framework), which began in FY 2015.

The ARM Framework is a suite of six tools that the CDFI Fund is using to assess the financial and programmatic risk of CDFI Program applicants and award recipients, enhance data-driven decision-making, and mitigate post-award compliance reporting risks.

The full suite of tools will be recalibrated and finalized by the end of FY 2021 and will support the needs of multiple CDFI Fund business units.

- The *CDFI and NACA Program Application Assessment Tool* provides the functionality to assess and evaluate organizational risk of CDFI and NACA financial assistance program applicants' financial portfolio and management capabilities and how applicants' proposed activities address financial needs in distressed communities and underserved populations as part of the five-step application review process, including award-sizing.

- The *Certification Assessment Tool* provides the functionality to support the application review process for new CDFI certification applicants and to monitor the maintenance of CDFI certification status.

- The *Compliance Assessment/Noncompliance Score Card* measures award recipients' risk of non-compliance or default for both regulated and unregulated CDFIs by using the tool's three metrics to rate and score the risk. The three factors are based on award recipient's compliance with reporting requirements, its Performance Goals & Measures as specified in its Assistance Agreement (including a safety and soundness check) and Technical issues.

- The *CDFI Industry Data Analysis Reporting Tool* integrates internal CDFI Fund data from applicant data, and award recipients' transactional and organizational data reports. These data are used generate analytical tables and graphical data visualizations to evaluate how the applicant's proposed business plans and activities may address market gaps for distressed communities and underserved populations.

- The *Macroeconomic Risk Tool* analyzes macroeconomic factors and external data derived from authoritative public sources to assess market served or to be served in the certification application and CDFI Fund programs' review processes.

- The *Direct Loan Component/ Portfolio Monitoring Tool* provides the functionality to assess CDFI recipients' financial risk if they are awarded a direct loan as a match. The tool also monitors risk within the portfolio and award recipient loan performance for CDFIs consistent with Treasury's credit risk measures for CDFIs and Office of Management and Budget Circular A-129 on Policies for Federal Credit Programs and Non-Tax Receivables.

Development of Revised CDFI Certification Application and Data Collection Devices

The criteria and measurements for certifying organizations as CDFIs have not been updated since the CDFI Fund was established in 1994. During this time, the CDFI industry has grown and evolved. In order to ensure certification criteria support the growth and reach of CDFIs, minimize regulatory burden and foster a diversity of CDFI types, the CDFI Fund began reviewing CDFI Certification policies and tests applied to organizations seeking to become recognized as CDFIs in 2016.

In May 2020, the CDFI Fund released for public comment proposed revisions to the CDFI Certification Application. The changes proposed to the CDFI Certification Application embody work the CDFI Fund began in 2016 reviewing CDFI Certification practices. Comments were due to the CDFI Fund on November 5, 2020 and the CDFI Fund anticipates the release of a final version of the CDFI Certification application in calendar year 2021.

To coincide with the revisions outlined in the CDFI Certification Application, the CDFI Fund has also proposed changes to the Annual Certification and Data Collection Report (ACR), which certified CDFIs are required to submit ACRs on an annual basis to verify that they continue to meet CDFI Certification requirements. The proposed revisions to the ACR align with changes being proposed to the CDFI Certification Application. This will ensure that existing CDFIs are being held to the same review criteria as newly certified CDFIs.

In addition, the CDFI Fund proposed the introduction of a new Certification Transaction Level Report (CTLR) for those certified CDFIs that are not current CDFI Program or NACA Program FA Recipients. It provides the CDFI Fund a way to examine the degree to which CDFIs are serving distressed and underserved populations. The CTLR will create a more data-driven, quantitative evaluation of certified CDFIs and CDFI Certification Applicants, and automate key processes.

Together, these three applications and forms—the CDFI Certification Application, ACR, and CTLR—will provide the CDFI Fund the ability to better track, measure, and adapt to the ever-evolving CDFI universe. The combined information collected will allow the CDFI Fund to paint a complete picture of the impact and activity of the certified CDFI community. Having a greater sense of the CDFI industry will serve to build awareness, illustrate and evaluate the comprehensive effects of CDFIs in distressed communities, better assess and target financing gaps and needs, as well as aid in attracting new sources of capital.

Enhancing Compliance Monitoring and Evaluation

Compliance monitoring is an essential part of the CDFI Fund's operations. The CDFI Fund recognizes the importance of ensuring that each dollar of appropriations it receives is used in ways that advance the public interest and support the CDFI Fund's mission.

In FY 2020, the CDFI Fund continued its multi-year effort to enhance monitoring using risk-based strategies. It also invested time and attention to examining core compliance monitoring processes for the CDFI Program, NACA Program, NMTC Program, BEA Program, CDFI Bond Guarantee Program, and the CMF. Although not all of these enhancements will be visible to the public, they will improve the experience of our award recipients, while allowing the compliance staff to focus on deeper compliance analysis.

The CDFI Fund will continue to make enhancements to compliance monitoring and evaluation, including automated compliance status determinations and automated processing in cases of non-reporting.

CDFI Fund's Capacity Building Initiative Activities

In FY 2020, the CDFI Fund continued to provide resources and support through its Capacity Building Initiative (CBI). The CDFI Fund delivered a training curriculum focused on building the capacity of Native CDFIs and CDFIs interested in expanding their financial services and products to reach individuals with disabilities. Specifically, the CDFI Fund supported the following CBI offerings:

- Building Native CDFIs' Sustainability and Impact (BNSCI) II to enhance the ability of Native CDFIs to serve their communities, by ensuring that the organizations are well-positioned to grow and to achieve greater impact. Training focused on specific areas of need or development for Native CDFIs. BNCSI II consisted of in-person workshops and webinars that were initiatives in FY 2019 and continued into FY 2020, as well as individualized technical assistance.
- Building CDFI Capacity to Serve Individuals with Disabilities provided specialized training and technical assistance to Certified and uncertified CDFIs that serve or intend to serve individuals with disabilities. A combination of in-person workshops, webinars, and one-on-one technical assistance was provided to participants during FY 2020.

Status of Financial Management

This section includes a description of the CDFI Fund's financial management system, a summary of the results of the FY 2020 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2020, and a discussion of the CDFI Fund's financial position and results of operations during the fiscal year.

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services through a franchise agreement with the Bureau of the Fiscal Service (Fiscal) in Parkersburg, West Virginia. While Fiscal maintains the accounting system relating to the CDFI Fund's transactions, the CDFI Fund is responsible for the generation of all source documents and the accuracy of all accounting information.

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

Results of FY 2020 Financial Statement Audit

The FY 2020 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2020 Financial Management Oversight

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

Our FY 2020 Payment Integrity reporting includes information required by the *Improper Payments Information Act of 2002* (IPIA), as amended by IPERA of 2010 and *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in the Federal Government*, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement* and OMB Circular A-136. During FY 2020, CDFI performed risk assessments and a payment recapture audit in accordance with the Treasury IPERIA Guidance and Implementation plan.

Management Responsibilities

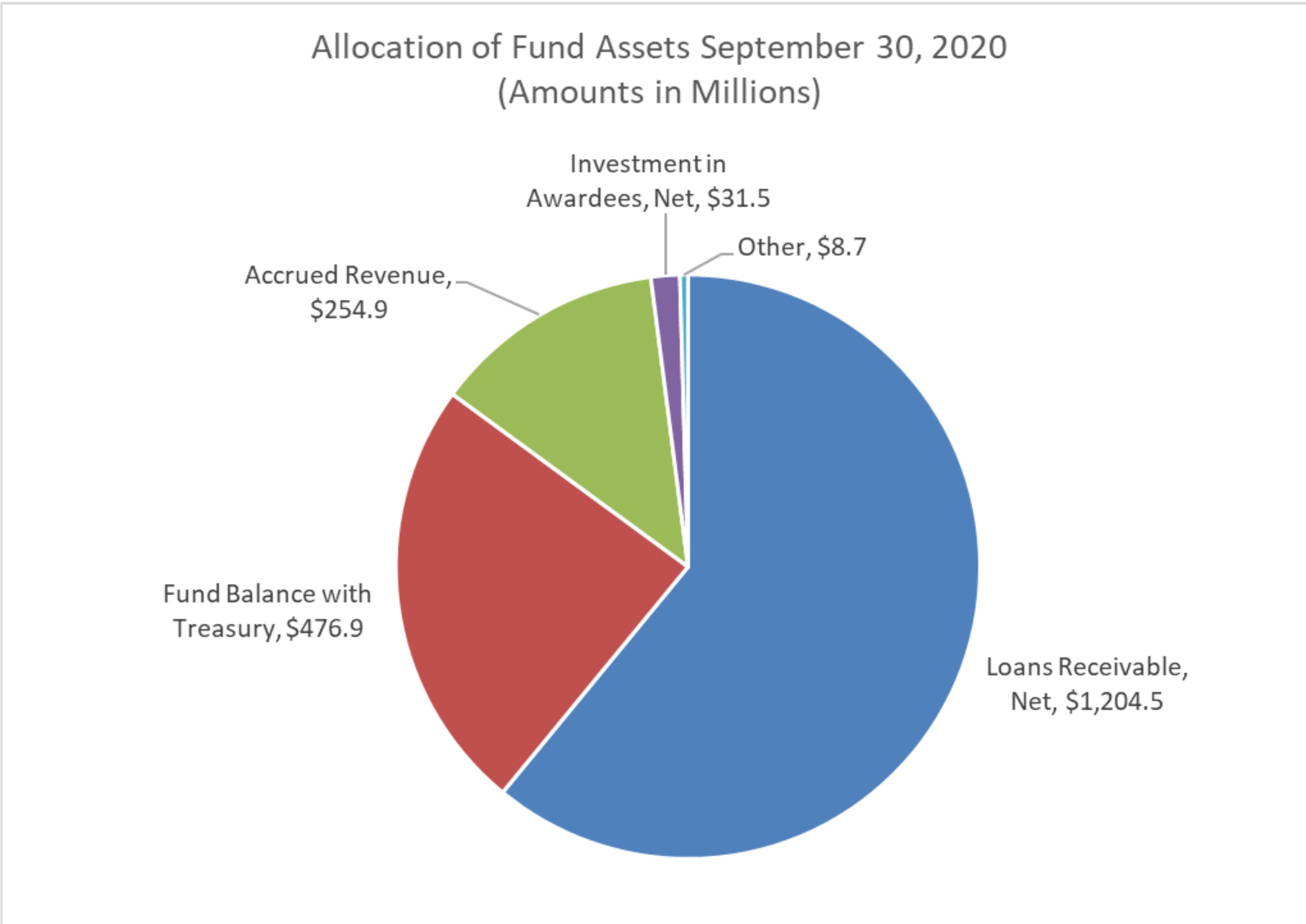
CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. Management is also responsible for the fair presentation of the CDFI Fund's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

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(Amounts in Millions)

	FY 2020	FY 2019	Increase / (Decrease)
Total Assets	$1,976.6	$1,640.4	$336.2
Total Liabilities	$1,284.9	$1,141.2	$143.7
Total Net Position	$691.7	$499.2	$192.5
Total Revenue and Financing Sources	$615.3	$462.0	$153.3
Total Expenses	$420.0	$446.3	($26.3)
Net Income	$195.3	$15.7	$179.6

Allocation of Fund Assets September 30, 2020



Assets

Assets increased by $336.2 million during FY 2020. Fund Balance with Treasury increased $57.4 million mainly due to a larger portion of the FY 2019 Government Sponsored Enterprise (GSE) fees received in FY 2020 compared to the prior year. Loans receivable also increased $132.2 million due to new loans issued in FY 2020 under the CDFI Bond Guarantee Program and the CDFI FA Program. In addition, there was a $15.5 million increase in Investments-Cost Method resulting in a fair value gain due to the implementation of a new FASB accounting update. A $133.4 million increase in Accrued Revenue was due to the accrual of the FY 2020 portion of GSE fees owed to the CDFI Fund. This accrual will be paid in 2021 to fund the Capital Magnet Fund. Investments-Amortized Cost decreased $1.5 million due to redemptions of investments. There was also a $0.8 million decrease in Internal-use Software.

Fund Balance with Treasury

The Fund Balance with Treasury (FBwT) reflected a $57.4 million increase. The majority of the increase is due to restricted funds received from the GSEs. Restricted funds from Special and Trust Funds relate to the Capital Magnet Fund and are used to carry out competitive award grants to CDFIs and qualified Non-Profit Housing Organizations.

Loans Receivable

Loans receivable is increased when loan awards (under the CDFI, NACA and CDFI Bond Guarantee programs) are disbursed and decreased for loan repayments and loan write-offs. During FY 2020, net loans increased by $132.2 million resulting from new loans of $169.5 million. This is offset by BGP and Direct Loan principal repayments from recipients of $35.8 million and a decrease due to the change in Allowance for Doubtful Accounts of $1.5 million.

Investments

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

- Non-voting equity securities - $29.3 million
- Limited partnerships - $0.7 million
- Secondary Capital - $1.5 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. Zero investments totaling $0 and two investments totaling $400,738 at September 30, 2020 and 2019, respectively, were determined to be other-than-temporarily impaired and were written down at the end of those fiscal years. One non-voting equity security investment had an upward adjustment for an observable price change totaling $15.5 million at September 30, 2020.

Accrued Revenue

Accrued revenue reflects a $133.4 million increase in projected collections of GSE fees.

Liabilities

The increase in liabilities of $143.7 million during the year was primarily attributable to a net increase in debt of $144.2 million.

Debt

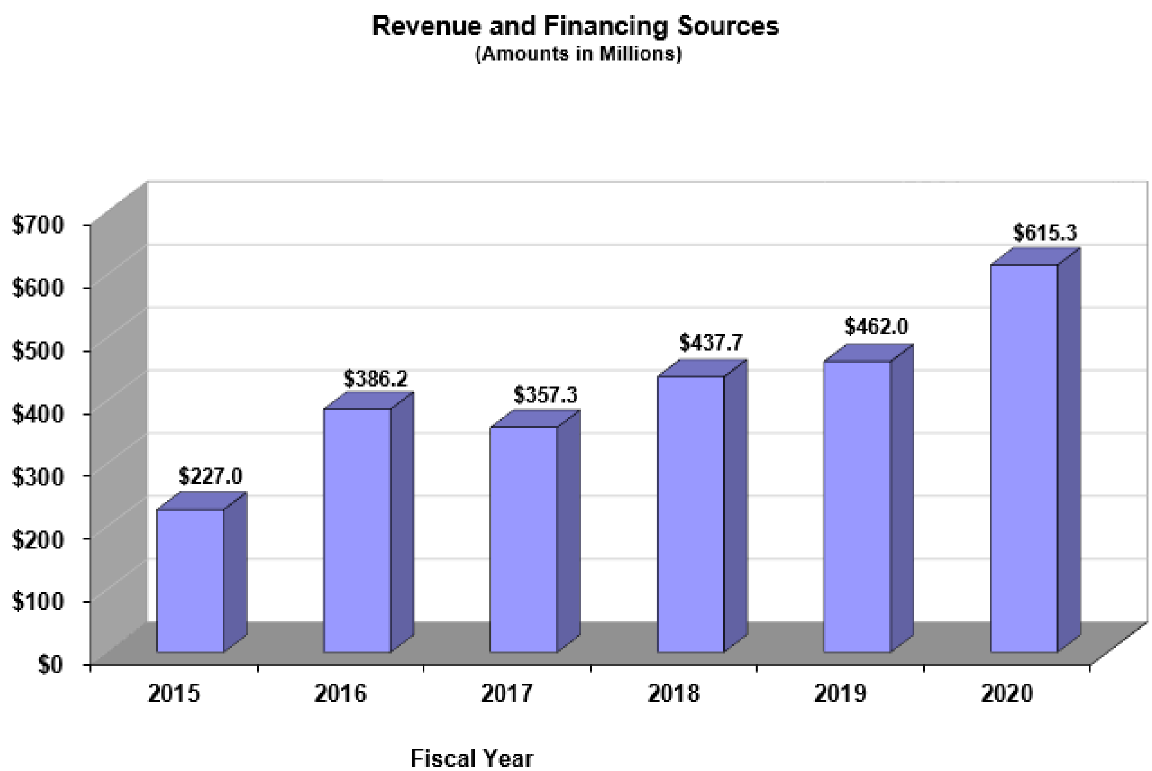
During FY 2020, the CDFI Fund borrowed $173.1 million to issue new loans, $14.3 million to fund a downward subsidy re-estimate, and $3.0 million to meet annual interest payments to Treasury at interest rates ranging from 1.92% to 5.83%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of BGP principal, upward subsidy re-estimates, repayments of Direct Loan debt, and repayments of prior year cash balances brought forward to Treasury totaling $46.2 million. Principal repayments collected from recipient's loans during the year are used to repay the Treasury borrowings; therefore, amounts collected and repaid to Treasury each year will vary.

Net Position

Net position increased during the year by $192.5 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received (net of appropriations cancelled, rescinded and adjusted for credit subsidy re-estimates) and appropriations used; and 2) net income. During FY 2020, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) were $249.5 million, and appropriations used was $252.3 million resulting in a decrease in net position of $2.8 million. The decrease in net position, caused by a change in appropriations received and used, was offset by net income of $195.3 million. Net Income of $182.9 million is attributable to GSE fees collected, accrued, and expensed. The CDFI Fund collected and accrued $309.2 million and expensed $126.3 million. The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the Capital Magnet Fund. Net Income of $15.5 million is attributable to an unrealized gain in non-voting equity securities due to an upward adjustment for an observable price change.

Revenue and Financing Sources

One source of revenue and financing for the CDFI Fund is the annual appropriation used to fund expenses ("appropriations" as reflected in the Statements of Operations and Changes in Net Position). Consistent with GAAP, the amount of appropriated funds recognized as revenue is, with certain adjustments, equal to the amount of operating expenses for the year. The second source is the GSE fees accrued and collected to support the CMF. The fees collected are subsequently disbursed and reported as an expense.



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

The content on this page is unaudited. Please see the accompanying auditor's report.

Expenses

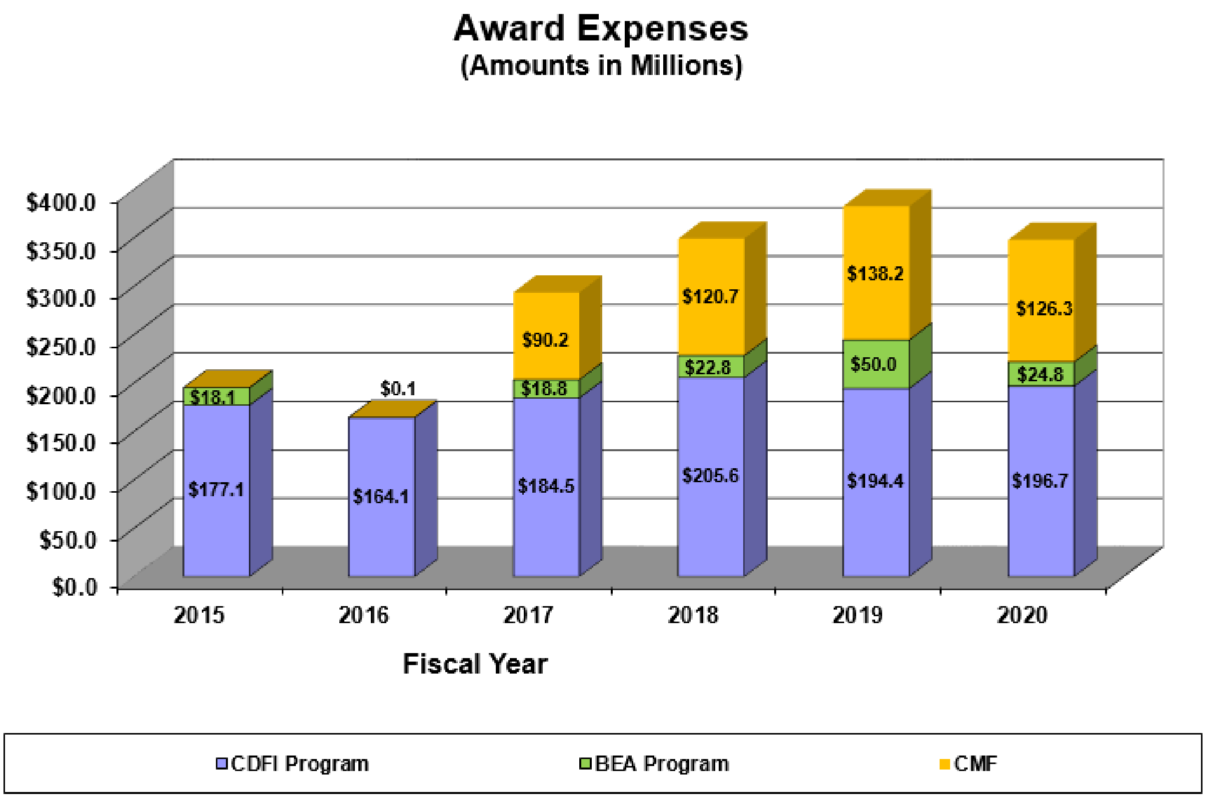
The change in the CDFI Fund's operating expenses, during FY 2020 consisted of the following:

Comparison of Operating Expenses Excluding Administrative Expenses Paid by Others Fiscal Years 2020 and 2019 (Amounts in Millions)

	FY 2020	FY 2019	Difference
Award Expenses	$347.8	$382.5	($34.7)
Administrative Expenses	$32.3	$29.9	$2.4
Bad Debt Expense	$1.5	$0.0	$1.5
Total Operating Expenses	$381.6	$412.4	($30.8)

Award Expenses

Award expenses during the year decreased $34.7 million. Of this total, BEA award expenses decreased $25.2 million and CMF award expenses decreased $11.9 million, offset by CDFI Program award expenses increasing $2.4 million. The BEA Program award expenses decreased, due to both the 2018 and 2019 funding rounds being awarded in FY 2019 and only the 2020 funding round being awarded in FY 2020. The change in CMF Program award expenses was due to a decrease in the total amount of award funding in FY 2020. The CDFI Program award expense increase was due to more payments disbursed in FY 2020 than FY 2019. The CDFI Program incurs expenses when awardees have met the conditions required for payment.



Administrative Expenses

Administrative expenses increased by $2.4 million during FY 2020. This increase was due to a $1.4 million increase in personnel compensation and benefits $1.8 million increase in contractual services with external parties; offset by a $0.8 million decrease in rent, communication, utilities, and miscellaneous charges.

Bad Debt Expense

Bad debt expense increased by $1.5 million as a result of an addition to the bad debt allowance in FY 2020. In addition to the loans issued under the CDFI FA Program, the Secretary of the Treasury issues guarantees for the full amount of bond issuances to support CDFI BGP loans. The CDFI Fund does not bear any BGP loan defaults and, therefore, no allowance is recognized.

Net Income

As stated above, the amount of appropriations used (the largest component of the CDFI Fund's revenue) is, with certain adjustments, equal to the amount of operating expenses for the year. The two exceptions are for the GSE fees collected, accrued, and expensed as well as any gains or losses related to investments. Accordingly, the excess (shortage) will consist of the amount by which revenue and financing sources, other than appropriations used, exceeds expenses. For FY 2020, other expenses totaled $37.6 million, consisting of interest expense for Treasury borrowings. Interest and dividend income totaled $36.2 million.

Independent Auditors' Report

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

Independent Auditors' Report

Deputy Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of operations and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Financial Institutions Fund as of September 30, 2020 and 2019, and the results of its operations, changes in net position, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 3(r) to the financial statements, in 2020, the CDFI Fund adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Message from the Director, Overview, Program Discussion and Analysis, Administrative Discussion and Analysis, Status of Financial Management, and Appendix: Glossary of Acronyms are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2020, we considered the CDFI Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 13, 2020

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2020 and September 30, 2019

		2020		2019
Assets				
Fund Balance with Treasury (Note 4)	$	476,869,488	$	419,504,251
Loans Receivable, Net of Allowance for Bad Debt (Note 5)		1,204,536,292		1,072,386,527
Investments, Amortized Cost (Note 6)		1,451,726		2,967,723
Investments, Cost Method (Note 7)		29,345,407		13,848,687
Investments, Equity Method (Note 8)		743,086		645,398
Accrued Revenue (Note 13)		254,900,000		121,500,000
Internal-use Software, Net of Accumulated Amortization		8,271,393		9,127,508
Other Assets		471,801		402,840
Total Assets	$	1,976,589,193	$	1,640,382,934
Liabilities and Net Position				
Accounts Payable	$	724,729	$	1,379,471
Awards Payable		24,990,245		25,276,021
Accrued Payroll		728,122		540,634
Accrued Annual Leave		1,070,041		847,120
Other Liabilities		37,500		-
Debt (Note 9)		1,257,386,143		1,113,172,775
Total Liabilities	$	1,284,936,780	$	1,141,216,021
Commitments and Contingencies (Note 10)				
Cumulative Results of Operations - All Other Funds	$	17,266,272	$	3,229,609
Cumulative Results of Operations - Capital Magnet Fund (Note 13)		446,459,661		265,176,110
Total Cumulative Results of Operations		463,725,933		268,405,719
Unexpended Appropriations (Note 11)		227,926,480		230,761,194
Total Net Position		691,652,413		499,166,913
Total Liabilities and Net Position	$	1,976,589,193	$	1,640,382,934

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

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
For the Years Ended September 30, 2020 and September 30, 2019

		2020		2019
Revenue and Financing Sources:				
Appropriations (Note 11)	$	252,365,130	$	272,065,981
Imputed Other Income (Note 12)		807,894		957,904
Interest, Non-Federal		31,250,588		26,039,756
Interest, Federal		4,840,402		6,717,554
Dividends		141,195		136,912
Government Sponsored Enterprise Fees (Note 13)		309,209,003		155,083,872
Other		1,126,648		880,396
Equity in Gain of Associates, Net		97,689		121,785
Unrealized Gain of Investment		15,496,721		-
Total Revenue and Financing Sources		615,335,270		462,004,160
Expenses:				
CDFI Grants	$	196,736,843	$	194,386,998
BEA Grants		24,806,561		49,999,920
CMF Grants		126,258,872		138,166,610
Administrative Expenses (Note 14)		32,318,860		29,924,960
(Reduction)/Addition of Bad Debt Expense		1,463,402		(16,491)
Administrative Expenses Paid by Others (Note 12)		807,894		957,904
Total Operating Expenses		382,392,432		413,419,901
Other Expenses				
Interest Expense, Federal		37,395,991		32,486,525
Impairment Loss		-		400,738
Loss on Redemption of Investment		226,633		-
Total Expenses		420,015,056		446,307,164
Net Income	$	195,320,214	$	15,696,996
Cumulative Results of Operations, Beginning of Year	$	268,405,719	$	252,708,723
Net Income		195,320,214		15,696,996
Cumulative Results of Operations, End of Year	$	463,725,933	$	268,405,719

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

Community Development Financial Institutions Fund
Statements of Cash Flows
For the Years Ended September 30, 2020 and September 30, 2019

	2020	2019
Cash Flows from Operating Activities:		
Net Income	$ 195,320,214	$ 15,696,996
Adjustments to Reconcile Net Income to Net Cash Provided by/(used in) Operations:		
Impairment Loss	-	400,738
Loss on Redemption of Investment	226,633	-
Equity in Gain of Associates	(97,689)	(121,785)
Amortization Expense	1,946,823	1,739,370
Accretion of Discount	(24,135)	(68,239)
Bad Debt Expense (Reduction)/Addition	1,463,402	(16,491)
Unrealized Gain on Investments	(15,496,721)	
Change in Assets and Liabilities:		
(Increase) in Accrued Revenue	(133,400,000)	(23,200,000)
(Decrease) in Accounts Payable, Accrued Payroll, & Other Liabilities	(429,754)	(29,769)
Increase/(Decrease) in Awards Payable	(285,776)	25,214,482
Increase in Accrued Annual Leave	222,921	88,626
Decrease/(Increase) in Other Assets	(68,961)	536,342
Net Cash Provided by Operating Activities	49,376,957	20,240,270
Cash Flows from Investing Activities:		
Loans Disbursed	$ (169,485,115)	$ (350,374,789)
Collection of Loan Principal	35,871,509	36,254,933
Proceeds from Redemption of Investments	1,313,500	-
Proceeds from Disposition of Investments	-	125,000
Purchases of New Investments	-	(400,738)
Purchases of Internal-use Software	(1,090,708)	(2,502,553)
Recovery of Loan Written Off in Current Year	440	837
Net Cash used in Investing Activities	(133,390,374)	(316,897,310)
Cash Flows from Financing Activities:		
Decrease in Unexpended Appropriations, Net (Note 11)	$ (2,834,714)	$ (36,033,718)
Borrowings from Federal Financing Bank	168,425,765	347,130,619
Repayments to Federal Financing Bank	(30,507,657)	(25,918,883)
Borrowings from Treasury	21,965,194	23,222,880
Repayments to Treasury	(15,669,934)	(15,972,200)
Net Cash Provided by Financing Activities	141,378,654	292,428,698
Net Change in Fund Balance with Treasury	57,365,237	(4,228,342)
Fund Balance with Treasury, Beginning of Year	419,504,251	423,732,593
Fund Balance with Treasury, End of Year	$ 476,869,488	$ 419,504,251

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

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2020 and 2019

(1) Description of Reporting Entity

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

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

The major programs operated by the CDFI Fund are the:

- Community Development Financial Institutions (CDFI) Program
- Native Initiatives CDFI Assistance (NACA) Program
- Bank Enterprise Award (BEA) Program
- Capital Magnet Fund (CMF)
- CDFI Bond Guarantee Program (BGP)
- New Markets Tax Credit Program (NMTC)
- Small Dollar Loan Program (SDLP)
- Economic Mobility Corps (EMC)

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

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

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

CMF provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients are able to utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. Organizations that receive CMF awards are required to provide housing and community development investments at least ten times the award amount.

The BGP was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240). The CDFI Fund administers the program and the Secretary of the Treasury issues guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs.

Under the NMTC Program, the CDFI Fund provides tax credit allocation authority to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the CDFI Fund's grant programs and the BGP, the tax credit allocation authority to CDEs has no effect on the financial statements of the CDFI Fund.

The SDLP, a new program authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act, was enacted through the Consolidated Appropriations Act, 2020. The purpose of the SDLP is to provide grants for Loan Loss Reserves and Technical Assistance to enable Certified CDFIs to establish and maintain small dollar loan programs. The program is in the implementation stage and currently has no effect on the financial statements of the CDFI Fund.

Funding for the EMC was enacted through the Consolidated Appropriations Act, 2020 to be operated in conjunction with the AmeriCorps. The EMC places national service members at Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in distressed and underserved areas. The program is in the implementation stage and currently has no effect on the financial statements of the CDFI Fund.

(2) Limitations of the Financial Statements

The financial statements report the financial position, results of operations, changes in net position, and cash flows of the CDFI Fund as of and for the fiscal years ending on September 30, 2020 and 2019, pursuant to the requirements of Title 31 of the United States Code 91, *Government Corporations*. While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The American Institute of Certified Public Accountants (AICPA) has designated the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body for financial statements of federal governmental entities, with respect to the establishment of accounting principles generally accepted in the United States of America. Statements of Federal Financial Accounting Standards (SFFAS) 34, issued by FASAB, provides authoritative guidance allowing federal entities to prepare financial statements in conformance with accounting and reporting principles issued by the Financial Accounting Standards Board FASB, the private-sector standards-setting body. Accordingly, the CDFI Fund financial statements are presented in accordance with accounting standards published by FASB, and follows the full accrual basis of accounting under which revenues are recognized when earned and expenses recognized when incurred, regardless of when cash is exchanged.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Items subject to such estimates include allowance for bad debts, the identification and valuation of cost method investments, and the accrual of revenues for fees from Government Sponsored Entities (GSEs), comprised of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

(c) Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. The Department of the Treasury processes cash receipts and disbursements. Fund Balance with Treasury is composed of appropriated and borrowed funds (program and financing accounts) that are available to pay liabilities and finance authorized award and purchase commitments. Also included are restricted funds from the GSEs used to finance activities for CMF. For the purposes of the Statements of Cash Flows, the funds with the Department of the Treasury are considered cash.

(d) Loans Receivable, Net of Allowance for Bad Debt

Loans receivable relate to direct loans made to certain CDFI Program awardees and CDFI BGP recipients and are recorded at face value on the closing date. Direct and incremental loan costs are deemed to be de minimis. Any interest is recognized over the life of the loan, when earned. Principal amounts collected on loans receivable are included in cash flows from investing activities in the Statements of Cash Flows.

All amounts due and payable under the loans issued through the BGP are guaranteed by the United States of America, acting through the Secretary of the Treasury, thus the possibility of a loss is remote.

The allowance for bad debts is the CDFI Fund's best estimate of the amount of credit losses in the CDFI Fund's existing loans. The allowance comprises specific loan analysis that considers portfolio level historical loss experience adjusted for current factors. The historical loss experience is based on actual loss history experienced by the CDFI Fund since inception of the loan portfolio. This actual loss experience is supplemented with other qualitative factors including delinquencies, adjusted asset to liability ratios of borrowers, and consideration of the number of historical loan restructurings. The allowance includes observable and non-observable impairments. A loan is considered impaired if it is probable that the CDFI Fund will not collect all principal and interest contractually due. The CDFI Fund recognizes loans that have a credit quality indicator of "doubtful" or "loss" as an impaired loan. Impaired loans include loans modified in Troubled Debt Restructurings ("TDRs") where concessions have been granted to borrowers experiencing financial difficulties only if the most current asset to liability ratio, excluding restricted assets, is below 100%. The TDR concessions may include a reduction in the interest rate on the loan, payment extensions, or other actions intended to maximize collection. In order to calculate the impairment amount for each loan, the borrower adjusted asset to liability ratio, excluding restricted assets is reviewed and mapped to Standard and Poor's published default rates. The default rates represent the portion of each loan that is considered impaired. The impairment represents the present value of the expected future cash flows discounted at the loan's effective interest rate. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Loans are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

During fiscal years 2020 and 2019, the CDFI Fund received zero and three requests, respectively, from awardees requesting an extension of their maturity date. These requests were processed in collaboration with the Department of the Treasury's Office of the Deputy Chief Financial Officer (ODCFO). A restructuring of a loan constitutes a troubled debt restructuring for purposes of FASB ASC-310-40, *Receivables – Troubled Debt Restructuring by Creditors*, if the creditor grants a concession to the debtor that it would not otherwise consider. While the loan extensions are being processed, awardees do not make principal payments. The CDFI Fund continues to accrue and collect interest on all loans that are under restructuring subject to determination about eventual collectability.

(e) Investments

The CDFI Fund provides assistance to certain for-profit CDFI program awardees by purchasing various investments described below. The CDFI Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. None of the investments meet the criteria for Variable Interest Entity Accounting.

CDFI investments include the following:

- Non-voting Equity Securities: These investments are valued using the measurement alternative. The measurement valuation is cost minus any impairment, plus or minus fair value changes based on observable prices in orderly transactions for the identical or similar investment of the same issuer.

- Secondary Capital Interests: These interests are held-to-maturity and carried at amortized cost, subject to other-than-temporary impairments 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. The interests are adjusted for the amortization/ accretion 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.

- 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. 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

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. The impairment is charged to earnings and a new cost basis for the security is established.

(f) Interest and Other Receivables

Interest and other receivables are included in "*Other Assets*" on the Statements of Financial Position. Interest is accrued on the outstanding loans receivable principal balances and investments based on stated rates of interest as earned and when determined collectible. Interest is not accrued past the maturity date of loans receivable and investments or on impaired loans with a loss credit quality indicator.

(g) Accrued Revenue

The CDFI Fund receives fees from the GSEs, under the Housing and Economic Recovery Act of 2008 (HERA). Per statute, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. The CMF Program receives 35% of these allocations. The fees are recorded on an accrual basis as they are considered recognizable and estimable.

(h) Internal-Use Software

Internal-use software represents the completed phases of various software placed in service pertaining to 1) processing applications – this software automates the award application submission process; 2) geocoding – web-based software that geocodes addresses, census tracts and counties, and enables applicants to determine the funding eligibility of census tracts and counties under the CDFI Fund's various programs; and 3) reporting - recipients of financial awards from the CDFI Fund will submit their Institutional Level Reports and Transactional Level Reports in AMIS, which offer users an improved experience for completing and submitting compliance reporting and monitoring activities.

The software is amortized using the straight-line method over the estimated useful life ranging from seven to ten years. Amortization expense for the years ended September 30, 2020 and 2019 was $1,946,823 and $1,739,370, respectively.

(i) Internal-Use Software in Development

Internal-use software in development encompasses software design, development, and testing of projects adding significant new functionality and long-term benefits. All costs incurred during the application development stage for internal-use software are accumulated in internal-use software in development until a project is placed into service, and testing and final acceptance are successfully completed. Internal-use software in development is recognized in other assets on the Statements of Financial Position. Once completed the costs are transferred to internal-use software.

(j) Awards Payable

CDFI and CMF Programs' grant expenses are recognized and awards payable are recorded when the CDFI Fund is made aware, in writing, that the awardee has met the conditions required for payment. BEA Program grant expense is recognized and awards payable are recorded when the CDFI Fund approves the BEA award to be made (i.e. at the time the funds are obligated) as the banks being awarded funds have already performed the required service in order to receive an award.

(k) Retirement Plans

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

Employees hired prior to January 1, 1984, were provided an opportunity to join both FERS and Social Security or remain in the Civil Service Retirement System (CSRS). The amount of cost recognized by the CDFI Fund for FERS and Social Security contributions for the years ended September 30, 2020 and 2019 was $1,518,929 and $1,210,875, 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. The CDFI Fund makes matching contributions for FERS employees ranging from 1% to 4% for employees who contribute to their TSP account. Additionally, a 1% contribution is automatically made to TSP by the CDFI Fund for each employee. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2020 and 2019 was $456,474 and $410,331, respectively.

The CDFI Fund has no employees covered under CSRS as of September 30, 2020.

(l) Annual, Sick, and Other Leave

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

(m) Debt

Debt represents borrowings payable to the Department of the Treasury and the Federal Financing Bank (FFB) that were incurred to fund direct loans made by the CDFI Fund and other aspects of permissible borrowing authority. The CDFI Fund recognizes these as related party transactions. The borrowings payable to Treasury are related to the unsubsidized portion of loans. Subsidies are costs to the government over the entire life of the loan. The borrowings payable related to the FFB represent the principal loans balances disbursed under the CDFI BGP. Principal repayments to the Department of the Treasury are required to be made based on the scheduled collections of loans receivable and are due September 30 of each year of maturity. Principal repayments to the FFB are made quarterly and semi-annually as collections are received by loan borrowers. See Note 9 for more information and disclosures related to debt and other borrowings.

(n) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the obligation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The CDFI Fund currently has one contingent liability meeting the disclosure or recognition thresholds.

(o) Revenue and Other Income

The CDFI Fund receives funding through appropriations from the U.S. Congress. The CDFI Fund receives two-year appropriations to be used for financial and technical assistance awards, within statutory limits, and annual appropriations for operating expenses. Appropriations are recognized as revenues at the time 1) the CDFI Fund's grants are recorded as expenses and 2) when administrative expenses are incurred.

The CDFI Fund also receives fees from the GSEs, under the Housing and Economic Recovery Act of 2008 (HERA). Per statute, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. The CMF Program receives 35% of these allocations. The fees are recorded on an accrual basis as they are considered recognizable and estimable.

The CDFI Fund also receives Bond Guarantee Agency Administrative Fees from the Eligible CDFI's, per the Small Business Jobs Act of 2010. Per statute, the fees are payable annually to the CDFI Fund based on the amount of the unpaid principal balance of the bond issue. The Administrative Fees collected, recorded in "*Other*" on the Statements of Operations and Changes in Net Position, shall be used to reimburse the Department of the Treasury for any administrative costs incurred in implementing the CDFI Bond Guarantee Program.

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

Additional revenue is obtained from interest received on direct loans and on undisbursed borrowings of funds held by the Department of the Treasury. Interest is recognized when earned and determined to be collectible.

(p) Tax Status

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

(q) Classified Activities

The operating results of classified programs (those designated as classified by the U.S. Government which cannot be specifically described), if any, are included in our financial statements and are subjected to the same oversight and internal controls as our other programs.

(r) Adoption of New Accounting Standards

On October 1, 2019 the CDFI Fund adopted ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* which requires equity investments (except for those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus fair value changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Per ASU 2016-01 disclosures will be made prospectively. ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, and eliminates the requirement to disclose fair value of financial instruments for entities that are not public business entities. The CDFI Fund has elected the measurement alternative as the equity investments held do not have readily determinable fair values. The CDFI Fund has evaluated each of the investments held to determine if observable price changes in orderly transactions exist and has recorded an observable price change of $15,496,721 in net income.

On October 1, 2019 the CDFI Fund adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which (i) requires that the statement of cash flows explain the change during the reporting period in total cash, cash equivalents, restricted cash, and restricted cash equivalents, and (ii) discloses the components of cash, cash equivalents, restricted cash, and restricted cash equivalents, and to describe such restrictions. As the CDFI Fund presents all categories on the same line (Fund Balance with Treasury) in the Statements of Financial Position and discloses restricted cash in Note (4) Fund Balance with Treasury, the adoption of ASU 2016-18 did not have a material effect on the financial statements.

(s) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326)*. This update and numerous subsequent updates are intended to provide financial statement users with more decision useful information. This information includes the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses. This methodology requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years beginning after December 15, 2022, accordingly, the CDFI Fund will implement the provisions of ASU 2016-13 as of October 1, 2023. The CDFI Fund is currently evaluating the impact of this ASU on its financial statements.

(4) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) as of September 30, 2020 and 2019 consisted of the following components:

		2020		2019
Available	$	16,209,766	$	197,982,753
Obligated		266,873,639		74,996,681
Restricted		191,561,835		143,682,447
Expired		2,224,248		2,842,370
	$	476,869,488	$	419,504,251

FBwT includes appropriated, borrowed funds and restricted funds available to pay liabilities and finance authorized financial award and purchase commitments. The expired funds reflect appropriated funds that are no longer available for obligation, but can be used to pay liabilities; expired funds cancel after 5 years and are no longer available for use. Restricted funds relate to the Capital Magnet Fund, and are used to carry out competitive award grants to CDFIs and qualified non-profit housing organizations.

(5) Loans Receivable

The CDFI Fund assesses and monitors the credit quality of its loans on an ongoing basis using audited financial statements of awardees, unaudited disclosures, and IRS 990 forms. Loans receivable are disaggregated by general recourse versus asset-backed loans. The general recourse loan portfolio is disaggregated further by loans disbursed pre-2012 and 2012-current. This delineation has been made as the CDFI Fund introduced a standard loan product in 2012 to reduce risk and exposure to the Fund by creating standard underwriting procedures, predictable amortization schedules, and scheduled interest payments. Asset-backed loans represent loans issued in conjunction with the CDFI Bond Guarantee Program.

The CDFI Fund is exposed to several risk factors related to its general recourse loans receivable:

- Risk of a deteriorating economic climate and its impact on the CDFI Fund’s collection of loans.
- Economic, industry, and geographic risks associated with unsecured loans to small financial institutions.

All amounts due and payable under the loans issued through the CDFI Bond Guarantee Program are guaranteed by the United States of America, acting through the Secretary of the Treasury, thus the possibility of a loss is remote.

The CDFI Fund's loan portfolio as of September 30, 2020 and 2019, delineated by delinquency category is as follows:

As of September 30, 2020

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Loans Receivable
General Recourse Pre-2012	$ -	$ -	$ 848,429	$ 8,114,476	$ 8,962,905
General Recourse 2012-Current	-	-	-	48,808,673	48,808,673
Asset-backed	-	-	-	1,154,977,911	1,154,977,911
	$	$	$ 848,429	$ 1,211,901,060	$ 1,212,749,489
Less Allowance for Bad Debt					8,213,197
Total					$ 1,204,536,292

As of September 30, 2019

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Loans Receivable
General Recourse Pre-2012	$ -	$ -	$ 891,000	$ 10,745,268	$ 11,636,268
General Recourse 2012-Current	-	-	-	50,439,812	50,439,812
Asset-backed	-	-	-	1,017,059,802	1,017,059,802
	$	$	$ 891,000	$ 1,078,244,882	$ 1,079,135,882
Less Allowance for Bad Debt					6,749,355
Total					$ 1,072,386,527

Gross loans receivable in nonperforming status for the years ended September 30, 2020 and 2019 was $848,429 and $891,000, respectively. The CDFI Fund defines nonperforming status as any delinquent loan where an award recipient has not made any attempt to pay off the balance owed to the Fund or any loan referred to collections.

The activity in the allowance for bad debt by loan type in fiscal years 2020 and 2019 is as follows:

As of September 30, 2020

	Beginning Balance	Write-offs	Recoveries	(Reduction)/ Addition of Bad Debt Expense	Ending Balance
General Recourse Pre-2012	$ 2,202,916	$ -	$ 440	$ (120,450)	$ 2,082,906
General Recourse 2012-Current	4,546,439	-	-	1,583,852	6,130,291
Asset-backed	-	-	-	-	-
	$ 6,749,355	$ -	$ 440	$ 1,463,402	$ 8,213,197

As of September 30, 2019

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

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2020 and 2019 is as follows:

As of September 30, 2020

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
General Recourse Pre-2012	$ 1,288,429	$ 7,674,476	$ 1,288,429	$ 794,477	$ 2,082,906
General Recourse 2012-Current	812,213	47,996,460	812,213	5,318,078	6,130,291
Asset-backed	-	1,154,977,911	-	-	-
	$ 2,100,642	$ 1,210,648,847	$ 2,100,642	$ 6,112,555	$ 8,213,197

As of September 30, 2019

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
General Recourse Pre-2012	$ 1,810,000	$ 9,826,268	$ 1,376,232	$ 826,684	$ 2,202,916
General Recourse 2012-Current	812,213	49,627,599	428,848	4,117,591	4,546,439
Asset-backed	-	1,017,059,802	-	-	-
	$ 2,622,213	$1,076,513,669	$ 1,805,080	$ 4,944,275	$ 6,749,355

As of September 30, 2020 and 2019 impaired loans with and without a related allowance are as follows:

As of September 30, 2020

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse Pre-2012	$ 1,288,429	$ 1,288,429	$ 1,288,429	$ 1,549,215	$ -
General Recourse 2012-Current	812,213	812,213	812,213	812,213	15,708
Asset-backed	-	-	-	-	-
	$ 2,100,642	$ 2,100,642	$ 2,100,642	$ 2,361,428	$ 15,708

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

As of September 30, 2019

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse Pre-2012	$ 1,810,000	$ 1,810,000	$ 1,376,232	$ 1,593,000	$ 750
General Recourse 2012-Current	812,213	812,213	428,848	406,107	12,188
Asset-backed	-	-	-	-	-
	$ 2,622,213	$ 2,622,213	$ 1,805,080	$ 1,999,107	$ 12,938

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

The CDFI Fund recognizes interest income on impaired loans with a credit quality indicator of doubtful, as earned, in accordance with loan agreements.

As of September 30, 2020 the CDFI Fund had a total recorded investment of one impaired loan from General Recourse Pre-2012 TDRs of $848,429 of which this amount had a related allowance for bad debt of $848,429. As of September 30, 2019 the CDFI Fund had a total recorded investment of two impaired loans from General Recourse Pre-2012 TDRs of $1,350,000 of which this amount had a related allowance for bad debt of $1,133,352. There were no impaired General Recourse 2012-Current or Asset-backed TDRs as of September 30, 2020 or 2019.

For the years ended September 30, 2020 and 2019, the CDFI Fund had 0 and 1 loan, respectively, whose terms have been modified in TDRs. The loan modified for the year ending September 30, 2019 had its loan maturity date extended due to financial hardship.

For the years ended September 30, 2020 and 2019, grants in the amount of $2,130,000 and $4,886,000, respectively, were disbursed to debtors owing receivables whose terms have been modified in TDRs. As of September 30, 2020 and 2019, there were commitments in the amount of $2,406,250 and $0, respectively, to disburse grants to debtors owing receivables whose terms have been modified in TDRs.

The CDFI Fund utilizes a rating system to classify each loan according to credit worthiness and risk.

A description of each category (credit quality indicator) as of September 30, 2020, in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself, follows:

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

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

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

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

The credit quality indicators for loans receivable as of September 30, 2020 and 2019 were as follows:

As of September 30, 2020

	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 4,979,515	$ 2,694,961	$ 440,000	$ 848,429	$ 8,962,905
General Recourse 2012-Current	22,515,136	25,481,324	812,213	-	48,808,673
Asset-backed	1,154,977,911	-	-	-	1,154,977,911
	$ 1,182,472,562	$ 28,176,285	$ 1,252,213	$ 848,429	$ 1,212,749,489

As of September 30, 2019

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

(6) Amortized Cost Method Investments

The carrying amount, net of applicable discounts, gross unrealized holding losses and fair value of held-to-maturity debt securities by major security type at September 30, 2020 and 2019 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2020:			
Secondary capital securities	$ 1,451,726	$ -	$ 1,451,726
Total	$ 1,451,726	$ -	$ 1,451,726

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

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2020:

	Fair Value
Held-to-Maturity:	
Within one year	$ -
Due after one through five years	1,451,726
Total	$ 1,451,726

The CDFI Fund evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Significant factors considered include regulatory findings and trends in various financial criteria. Based on this evaluation, the CDFI Fund recognized no other-than-temporary impairment losses of these investments for years ended September 30, 2020 or September 30, 2019.

Secondary capital securities consist of one investment that cannot be redeemed prior to the scheduled redemption date of April 9, 2022.

(7) Cost Method Investments

Investments accounted for under the cost method consist of non-voting common stock held in for-profit CDFI Program awardees. The aggregate carrying value amount of these investments without readily determinable fair values is $6,600,000 as of September 30, 2020. The CDFI Fund recognized no other-than-temporary impairment losses of these investments for the year ended September 30, 2020.

One upward adjustment for an observable price change totaling $15,496,721 was recognized for the year ended September 30, 2020. The fair value for the investment determined to have an observable price change is $22,745,407 as of September 30, 2020. The CDFI Fund confirmed with each investee whether an observable price in orderly transactions existed for the year ended September 30, 2020. Two investments were noted as having observables prices. One investee confirmed that stock was issued at par value, which is currently where the CDFI Fund carries its investment, thus no upward adjustment was recognized. The other investee issued Series A common stock and the observable price resulted in the recognition of an upward adjustment. The difference between the stock issued and the stock the CDFI Fund currently holds, Series B, was voting preference. The value of the two types of stocks are equivalent. Cost method investments totaled $29,345,407 and $13,848,687 at September 30, 2020 and 2019, respectively.

(8) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in Sustainable Jobs Fund, LP, an interest in Pacific Community Ventures Investment Partners II, and a non-voting redeemable transferable interest in BCLF Ventures II, LLC. Equity method investments totaled $743,086 and $645,398 at September 30, 2020 and 2019, respectively.

(9) Debt and Other Borrowings

The CDFI Fund's debt with FFB and the Department of Treasury totaled $1,257,386,143 and $1,113,172,775 at September 30, 2020 and 2019, respectively. Principal payments that include direct loans and total principal payments for the bond guarantees on this debt as of September 30, 2020 are as follows:

Fiscal Year	Principal Payments
2021	$ 41,760,224
2022	46,132,851
2023	47,668,952
2024	49,832,572
2025	53,851,061
Later years, through 2058	972,655,399
Total	$ 1,211,901,059

During fiscal year 2020, the CDFI Fund borrowed $190,390,959 for loans. This included $172,169,697 for BGP loans, $12,864,408 for BGP downward subsidy reestimate, $954,427 for direct loans, $1,434,605 for direct loan downward subsidy reestimate, and $2,967,822 to meet annual interest payments due to the Department of the Treasury, at interest rates ranging from 1.92% to 5.83%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of BGP principal, repayments of Direct Loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $46,177,591.

During fiscal year 2019, the CDFI Fund borrowed $370,353,499 for loans. This included $356,774,437 for BGP loans, $7,664,531 for BGP downward subsidy reestimate, $2,876,989 for direct loans, $1,412,076 for direct loan downward subsidy reestimate, $101,265 for BGP loan modification, and $1,524,201 to meet annual interest payments due to the Department of the Treasury, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of BGP principal, repayments of Direct Loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $41,891,083.

Interest paid in cash for the years ended September 30, 2020 and 2019 was $37,395,991 and $32,486,525 respectively.

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

(10) Commitments and Contingencies

Award, Purchase and Bond Guarantee Program Commitments

As of September 30, 2020 and 2019, unfilled award commitments amounted to $240,400,819 and $41,551,332 respectively. Award commitments relate to CDFI Program, NACA Program, and CMF awards which were approved by CDFI Fund management but not disbursed as of year-end. The CDFI Program, NACA Program, and CMF award commitments are not considered liabilities at year-end because the awardees have not met the conditions required for payment.

Award commitments pertaining to the BEA Program of $24,990,245 and $25,275,971 as of September 30, 2020 and 2019, respectively, represent expenditures incurred by awardees for which the CDFI Fund will compensate the awardee through a grant award and are excluded from these amounts since they are reflected as liabilities on the CDFI Fund's balance sheet. There were no award commitments pertaining to the CDFI Program as of September 30, 2020 and 2019, respectively.

Purchase commitments of $9,617,954 and $10,027,896 as of September 30, 2020 and 2019, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

As of September 30, 2020 and 2019, Bond Guarantee Program unfilled commitments for related direct loan disbursements amounted to $406,963,547 and $517,281,589, respectively. Actual disbursement is subject to borrowers satisfying certain conditions. Funding for such loans are covered by CDFI's established borrowing authority.

Contingency

The CDFI Fund has one pending or threatened litigation that has a reasonably possible likelihood of an unfavorable outcome; however, it is impossible to ascertain the amount or range of potential loss.

(11) Unexpended Appropriations

Unexpended appropriations as of September 30, 2020 and 2019 were as follows:

		2020		2019
Beginning Unexpended Appropriations	$	230,761,194	$	266,794,912
Appropriations Received		262,000,000		250,004,617
Appropriations for Subsidy Reestimate		7,148,833		6,134,375
Appropriations Cancelled		(1,575,472)		(312,519)
Appropriations Expended		(252,365,130)		(272,065,981)
Downward Subsidy Reestimate Adjustment		(18,042,945)		(19,794,210)
Change in Unexpended Appropriations		(2,834,714)		(36,033,718)
Ending Unexpended Appropriations	$	227,926,480	$	230,761,194

(12) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing include pension costs for CSRS and FERS retirement plans, Health Benefits Program costs, Group Life Insurance Program costs and audit fees. Imputed financing expenses for the years ended September 30, 2020 and 2019 were $807,894 and $957,904 respectively.

(13) Government Sponsored Entities' Fees – Capital Magnet Fund

Under the Housing and Economic Recovery Act of 2008 (HERA), 12 USC 4567, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. Under the Act, the Housing Trust Fund (a Department of Housing and Urban Development Program) would have received 65 percent of the funds, and the CMF would have received 35 percent of the funds. The Federal Housing Finance Agency (FHFA), acting as the GSEs' conservator, suspended the implementation of these allocations before they were set to begin. In December 2014, the FHFA lifted its suspension of the GSEs' allocation and directed the GSEs to begin setting aside funds.

Based on their calendar year 2019 activities, the GSEs' transferred $175,809,003 to the CDFI Fund in February 2020 for the CMF Program. The GSEs' have a fiscal year end of December 31. As a result, in Q1 of FY 2020, the CDFI Fund accrued revenue of $54,400,000 in anticipation of the fees received in February 2020. An accrual of $254,900,000 was made in anticipation of collections in FY 2021 for fees estimated through September 30, 2020.

Based on their calendar year 2018 activities, the GSEs' transferred $131,883,872 to the CDFI Fund in February 2019 for the CMF Program. The GSEs' have a fiscal year end of December 31. As a result, in Q1 of FY 2019, the CDFI Fund accrued revenue of $33,800,000 in anticipation of the fees received in February 2019. An accrual of $121,500,000 was made in anticipation of collections in FY 2020 for fees estimated through September 30, 2019.

The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds from collection of GSEs fees. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the Capital Magnet Fund. Administrative expenses are covered by the GSE fees collected, and, as per the federal statute, amounts in the Capital Magnet Fund shall be available to the Secretary of the Treasury to carry out a competitive grant program.

(14) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2020 and 2019:

		2020		2019
Personnel compensation and benefits	$	13,856,871	$	12,515,110
Travel		36,387		55,527
Rent, communication, utilities and miscellaneous charges		582,979		1,386,362
Contractual services with other agencies		6,074,602		6,155,925
Contractual services with non-federal parties		9,220,825		7,356,482
Information technology systems maintenance		582,428		410,528
Amortization		1,946,823		1,739,370
Supplies and printing		17,945		305,656
Total	$	32,318,860	$	29,924,960

(15) Related Party Transactions

The CDFI Fund recognizes Interagency Agreements (IAAs) with the Department of the Treasury as related party transactions. As of September 30, 2020 and 2019, these related party expenses amounted to $6,001,394 and $6,820,809 , respectively.

Expenses were recorded as follows for fiscal years 2020 and 2019: IAAs with Departmental Offices for financial management services, conference and events, postage, human resources services, and Treasury's Franchise Fund Shared Services Program for shared IT services, building rent and guards in the amount of $2,730,772 and $3,080,380 for fiscal years 2020 and 2019, respectively. An IAA with the Bureau of the Fiscal Service for accounting services, e-Travel and Procurement in the amount of $1,301,771 and $1,286,405 for fiscal years 2020 and 2019, respectively. An IAA with Alcohol and Tobacco Tax and Trade Bureau for IT services in the amount of $1,968,851 and $2,454,024 for fiscal years 2020 and 2019, respectively.

(16) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 13, 2020, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix: Glossary of Acronyms

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

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

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

D
DF-FA – Disability Funds – Financial Assistance

E
EMC – Economic Mobility Corps

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

G
GAAP – Generally Accepted Accounting Principals

GSE – Government Sponsored Entity

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

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

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

O
OCFO – Office of the Chief Financial Officer
OMB – Office of Management and Budget

P
P.L. – Public Law
PPC-FA – Persistent Poverty County-Financial Assistance
PPC - Persistent Poverty County

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

R
RE- Real Estate

S
SDL Program – Small Dollar Loan Program
SECA – Small and Emerging CDFI Assistance
SFFAS – Statements of Federal Financial Accounting Standards

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

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