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# MATCHING FUNDS GUIDANCE

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FY 2022 CDFI Program Financial Assistance Application

FEBRUARY 10, 2022  
THE CDFI FUND  
U.S. Department of the Treasury

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## OVERVIEW

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The legislation that authorizes the Community Development Financial Institutions Program (CDFI Program) and Native American CDFI Assistance Program (NACA Program) requires that Financial Assistance (FA) awards<sup>1</sup> be matched with funds from sources other than the federal government on a dollar-for-dollar basis.

All guidance provided in this document is applicable to all Applicants applying for Base FA, Persistent Poverty Counties-Financial Assistance (PPC-FA), Healthy Foods Financing Initiative-Financial Assistance (HFFI-FA), and/or Disability Funds-Financial Assistance (DF-FA) under the FY 2022 CDFI Program funding round. In addition to carefully reviewing this guidance document, Applicants should also review the Matching Funds requirements described in the FY 2022 CDFI Program Notice of Funds Availability (NOFA).

*Capitalized terms not defined herein shall have the meaning specified in the FY 2022 CDFI Program and NACA Program NOFAs.*

**Note:** The Matching Funds requirement for SECA FA and HFFI-FA Applicants was waived in the final appropriations bill for FY 2021, and the final FY 2022 appropriations are still pending. **SECA FA and HFFI-FA Applicants are not required to submit Matching Funds for their award requests at the time of Application.** However, the CDFI Fund reserves the right to request Matching Funds from SECA FA and HFFI-FA Applicants if Matching Funds are not waived for these Applicant types in the final FY 2022 CDFI Program appropriations. **The Matching Funds requirement was permanently waived for Native American CDFIs** in the Indian Community Economic Enhancement Act of 2020. As a result, Native American CDFI Applicants are not required to submit Matching Funds for their award requests. Matching Funds are not required for Technical Assistance grant awards under the CDFI Program or NACA Program.

### Matching Funds Requirements

Category II/Core FA Applicants, with the exception of Native American CDFIs<sup>2</sup>, must enter required information on each Matching Funds source in the Matching Funds section of the FA Application in the Awards Management Information System (AMIS). An Applicant must demonstrate, at the time of Application submission, that it has In-Hand and/or Committed Matching Funds in an amount that is at least 50 percent of its Base FA, DF-FA, and/or PPC-FA award request(s).

In addition to entering required information about each Matching Funds source, supporting documentation, as outlined in **Appendix A**, is required at the time of Application submission for In-Hand and/or Committed

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<sup>1</sup> Financial Assistance award types include the Base-FA award and the following awards that are provided as a supplement to the Base-FA award: Persistent Poverty Counties-FA (PPC-FA), Disability Funds-Financial Assistance (DF-FA), and Healthy Food Financing Initiative-Financial Assistance (HFFI-FA). See the applicable NOFA for more information.

<sup>2</sup> A Native American CDFI (Native CDFI) is one that Primarily Serves a Native Community. Primarily Serves is defined as 50% or more of an Applicant's activities being directed to a Native Community. Per the FY 2022 CDFI Program NOFA and the FY 2022 NACA Program NOFA, a Native Community is defined as Native American, Alaska Native, or Native Hawaiian populations or Native American areas defined as Federally-designated reservations, Hawaiian homelands, Alaska Native Villages and U.S. Census Bureau-designated Tribal Statistical Areas.

retained earnings, In-Hand deposits, and In-Hand equity investments. Supporting documentation for Matching Funds in the form of loans, grants (including in-kind contributions), credit union shares, and secondary capital is not required at the time of Application submission. However, documentation that meets the requirements outlined in **Appendix A** must be made available to the CDFI Fund upon request.

### **Application Submission**

Applicants are responsible for ensuring that they have entered sufficient eligible Matching Funds (In-Hand and/or Committed Matching Funds totaling at least 50 percent of the total Base-FA, DF-FA, and/or PPC-FA award requests) in the FA Application before submitting the application to the CDFI Fund. **Applicants will not be given the opportunity to correct or amend the Matching Funds information included in the FA Application after Application submission.**

### **Matching Funds Types**

If the CDFI Fund makes an award that is subject to the Matching Funds requirement to an Applicant, the form of award will be in the same type as the Matching Funds offered by the Applicant. Matching Fund types include a grant, loan, equity investment, etc. For example, if the Applicant provides an eligible grant as Matching Funds, the CDFI Fund will make the award as a grant.

Applicants can also provide multiple types of Matching Funds. For example, if the Applicant submitted Matching Funds totaling 100% of its final award amount, of which one-third was a grant and two-thirds was a loan, the CDFI Fund would make the award in matching amounts of one-third grant and two-thirds loan. Note that the portion of an award matched by retained earnings and/or in-kind contributions will be made in the form of a grant.

**Once the awards have been announced for the FY 2022 round, the CDFI Fund will not change the form of award from the type of Matching Funds that have been accepted as In-Hand. Therefore, note that the CDFI Fund will not permit a Recipient that received its award (or a portion of its award) in the form of a loan to change the form of award.**

### **Eligible Sources of Matching Funds by Institution Type**

Applicants may use the following seven types and sources of Matching Funds. Note that some types of Matching Funds are not applicable to certain CDFI institution types. Also note that for some types of Matching Funds, the Applicant must provide documentation at the time of Application submission. For other types, documentation must be made available upon request. These properties are summarized in Table 1 and discussed further in “Section 3b: Attach Documentation if Required” and “Appendix A: Acceptable Forms of Matching Funds Documentation”.

*The table below summarizes eligible and applicable sources of Matching Funds by CDFI Institution type:*

### **Table 1: Eligible and Applicable Sources of Matching Funds by Institution Type with Timing of Required Documentation**

| Type (Source)                            | Unregulated                           | Credit Unions and Cooperativas | Banks/Bank Holding Companies <sup>3</sup> | Documentation Required at Application Submission? |
|--|---------------------------------------|--------------------------------|---|---|
| Loans                                    | Eligible                              | Eligible                       | Eligible                                  | No  |
| Grants (including In-Kind Contributions) | Eligible                              | Eligible                       | Eligible                                  | No  |
| Deposits                                 | N/A                                   | Eligible                       | Eligible                                  | Yes   |
| Credit Union Shares                      | N/A                                   | Eligible                       | N/A                                       | No  |
| Equity Investment                        | Eligible (For-profit Applicants only) | N/A                            | Eligible                                  | Yes   |
| Retained Earnings                        | Eligible                              | Eligible                       | Eligible                                  | Yes   |
| Secondary Capital                        | N/A                                   | Eligible                       | N/A                                       | No  |

### Award Rescission

The CDFI Fund reserves the right to rescind its approval of all or a portion of an award if an Applicant fails to obtain the required In-Hand Matching Funds by the deadline set forth in the applicable NOFA. In no event will any portion of an award subject to the Matching Funds requirement be paid to an Award Recipient if the required evidence of the corresponding Matching Funds has not been provided to, and approved by, the CDFI Fund.

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<sup>3</sup> A Depository Institution Holding Company (DIHC) is defined as a Bank Holding Company or a Savings and Loan Holding Company. For the purposes of this Application, any DIHC should consider themselves a Bank Holding Company and follow the instructions for Bank Holding Companies.

## MATCHING FUNDS STEPS

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*The below steps must be completed by all Category II/Core FA Applicants as part of the Application submission, with the exception of Native American CDFIs, under the FY 2022 CDFI Program funding round. Category I/SECA FA Applicants and HFFI-FA Applicants are not required to submit Matching Funds at the time of Application submission but may be required to do so if Congress does not waive the Matching Funds requirement for these types of Applicants.*

### Step 1: Determine the Status of Matching Funds

#### Dates

In order to be eligible, Matching Funds must be **received** within the Matching Funds Window of **January 1, 2020 to January 15, 2023**, as stated in the FY 2022 CDFI Program NOFA. Note that Matching Funds may be awarded outside of the Matching Funds Window, but the Matching Funds or in-kind goods or services must be received within the window to be considered eligible.

Evidence of receipt of all Matching Funds In-Hand is due to the CDFI Fund by January 31, 2023. After the awards are announced, the CDFI Fund will provide further instructions on submitting evidence of Matching Funds for Award Recipients that, at the time of award, do not have In-Hand Matching Funds totaling their award amount.

#### Status

Determine if the Matching Funds are In-Hand or Committed at the time of Application submission.

**In-Hand:** Matching Funds are considered In-Hand on the date when the funds come into the physical possession of the Applicant). Upon the CDFI Fund's request, the Applicant must be able to validate the date of receipt with acceptable documentation as outlined in **Appendix A**. In-Hand Matching Funds must be received by the Applicant on or after January 1, 2020, and on or before the Application submission deadline set forth in the NOFA.

- Eligible retained earnings will only be considered to be In-Hand if they have been calculated using a final audit. More detail on retained earnings follows in subsequent sections.
- For Insured Depository Institution Applicants (i.e. Credit Unions, cooperativas, banks, and bank holding companies) using the "Retained Earnings Since Inception" option, Matching Funds will be considered In-Hand when the Applicant has demonstrated an increase in its deposits and/or total loans in an amount equaling the amount of the award that is matched by "Retained Earnings Since Inception". Please refer to **Appendix D** and the NOFA for additional guidance.

**Committed:** Matching Funds are considered Committed when the Applicant has entered into and received a legally binding commitment from the Matching Funds provider indicating that funds will be disbursed to the Applicant at a future date. Committed Matching Funds are funds that are not In-Hand at the time of Application submission, for which the Applicant has evidence that the funds will be received by the Applicant by the end of the Matching Funds Window (January 15, 2023). Funds can be Committed to the Applicant by the Matching Funds provider prior to the start of the Matching Funds Window (January 1, 2020), but funds must be received In-Hand within the Matching Funds Window.

- For example, an Award Recipient can count funds as Committed if they are from a grant awarded prior to January 1, 2020, as long as the funds were, or will be, received between January 1, 2020 and January 15, 2023.
- Commitments may be contingent upon receipt of a CDFI Program award, and other contingencies deemed reasonable by the CDFI Fund, in its sole discretion.
- Eligible retained earnings will be considered Committed if they have been calculated using a draft audit or internally prepared statements, so long as a final audit will be available to submit to the CDFI Fund by January 31, 2023.
- For Insured Depository Institution Applicants (i.e. Credit Unions, cooperativas, banks, and bank holding companies) using the “Retained Earnings Since Inception” option, Matching Funds will be considered Committed until the Applicant has demonstrated an increase in its deposits and/or total loans in amount equaling the amount of the award that is matched by “Retained Earnings Since Inception.” Once this requirement has been met, the Matching Funds will be considered as In-Hand. Please refer to **Appendix D** and the NOFA for additional guidance.

## Step 2: Determine Eligibility of Matching Funds

### Eligible Sources

Non-federal funds and in-kind contributions may be used as Matching Funds for CDFI Program FA awards.

### Non-Federal Matching Funds

The following funds are considered non-federal and eligible to be offered as Matching Funds for a CDFI Program FA award:

- Federal Home Loan Bank (FHLB) funds (grants and loans).
- Fannie Mae and Freddie Mac corporate and foundation funds.
- NeighborWorks America, if such funds are not from NeighborWorks’ federal appropriation. Please provide appropriate clarification and contact information to confirm.
- State Small Business Credit Initiative (SSBCI) funds.
- Indian Self-Determination and Education Assistance Act of 1974 (26 U.S.C. 450) grant funds.
- Tribal government funds not obtained from a federal government source.
- Bank Enterprise Award (BEA) Program award proceeds provided by a non-Affiliated BEA Program Awardee to an Applicant.
- Equity Investments and CDFI Support Activities, as defined in the BEA Program regulations, provided to an Applicant by a BEA Program Awardee (excluding direct provision of technical assistance by a BEA Awardee to an Applicant).
- Any other funds from private sources, such as foundations and individuals.
- Retained earnings adjusted to account for federal sources of revenue and previously used Matching Funds. For further guidance, please refer to **Appendix D**.
- Loan and fee forgiveness occurring within the Matching Funds Window. **NOTE:** A loan used as Matching Funds for a previous FA award is not eligible to be used under a subsequent funding round if the loan is later forgiven.

- In-kind donations from non-federal sources (e.g. pro-bono legal counsel, land donations, etc.).
- Donations of securities such as stocks and loan receivables.
- Other funds determined to be eligible by the CDFI Fund.

#### Rules for In-Kind Contributions

1. The dollar value of in-kind contributions is equal to the value of the non-cash contributions (i.e. goods or services) provided by non-federal third parties and received by the Applicant.
2. In-kind contributions may be in the form of real property, equipment, supplies, and other expendable property, or the value of goods and services directly benefiting the eligible FA activities.
3. The fair market value of goods and services received as in-kind contributions and used as Matching Funds must be documented and be verifiable via the organization's or donor's records. Applicants are responsible for documenting the value of all in-kind contributions as described in the "Uniform Administrative Requirements".
4. Rates for goods must be the fair market value for donated land, equipment, space, or loaned equipment. Rates for donated land can also be the value of the remaining life of the property recorded in the accounting records at time of donation.
5. Rates for volunteer services must be consistent with the rates paid for similar work by the donor. If the in-kind contribution is not a service typically provided by the donor, the rate must be consistent with similar work.

#### Rules for Loans

Loans<sup>4</sup> used as Matching Funds must meet the following eligibility requirements:

1. The loan must have a term of three years or longer.
2. A line of credit is an eligible form of Matching Funds if the term of the line of credit or draw-down(s) is three years or longer. The CDFI Fund will only make an award payment to an Award Recipient based on draw-downs on the line of credit up to the maximum value of the line of credit.
3. Loan renewals with a renewal term longer than three years may be eligible in the following scenarios:
  - *Loans Renewed Prior to Maturity:* The CDFI Fund will match loans that: (a) were originated prior to the Matching Funds Window; and (b) were renewed (prior to maturity) during the Matching Funds Window if such renewal provides new, additional funds to the Applicant. The CDFI Fund will only match the amount of the new, additional funds provided as part of the loan renewal.
  - *Loans Renewed At or After Maturity:* The CDFI Fund will match loans that: (a) were originated prior to, and matured prior to or during, the Matching Funds Window; and (b) were renewed during the Matching Funds Window. The CDFI Fund will match the full face value of the renewed loan less any principal repayments.
4. Award Recipients that receive an award or portion of an award in the form of a loan will receive the CDFI Fund's Standard Loan Product with the following terms:
  - **Amount:** Based on eligible matching loan
  - **Rate:** 1.39% fixed interest rate (as expressed in the FY 2022 CDFI Program and NACA Program NOFAs)
  - **Term:** Thirteen (13) years
  - **Principal Payment:** Principal amortized payments due in years eleven through thirteen

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<sup>4</sup> The CDFI Fund will consider Matching Funds that are required to be repaid to the Matching Funds Provider to be a loan.



- **Interest Payments:** Semi-annual interest-only payments due in years one through ten
- **Lender Position:** Pari-Passu with Senior Lenders

### Rules for Retained Earnings

1. An Applicant may use its retained earnings as Matching Funds for a CDFI Program FA award.
2. Retained earnings available for use as Matching Funds must be calculated using the CDFI Fund’s “Retained Earnings Calculator” (excel workbook).
3. Non-regulated institutions (for profit and non-profit), banks and bank holding companies, and insured credit unions, and cooperativas) must use the “Retained Earnings Calculator” for their respective institution type.
4. The CDFI Fund will deem retained earnings that were not calculated using the “Retained Earnings Calculator” as ineligible. The amount of retained earnings available for use as Matching Funds is calculated as of the Applicant’s fiscal year end based on audited financial statements or applicable call reports. Applicants can combine increased retained earnings for multiple fiscal years within the Matching Funds Window and/or a three year average (provided the retained earnings by year are only used once). Additionally, banks, bank holding companies, insured Credit Unions, and cooperativas may use the “Retained Earnings Since Inception” option, which includes the entirety of the Applicant’s retained earnings that have been accumulated since its inception.
5. For the purposes of the retained earnings calculation, the CDFI Fund will only consider “Total Income (Total Revenue)” (e.g. Net financial and earned revenues) and “Total Expenses” as evidenced by the Applicant’s corresponding **audited financial statements or applicable call reports**. In an effort to standardize the review process, the CDFI Fund cannot consider additional sources of “Other Income” or other extraordinary or unusual adjustments to retained earnings that appear on an Applicant’s financial statements. Inputs into the “Retained Earnings Calculator” must tie directly to the “Total Income (Total Revenue)” and “Total Expenses” summation on the Applicant’s income statement taken directly from **audited financial statements or applicable call reports**.
6. Retained earnings calculations must be based on the Applicant CDFI’s operating performance on an **unconsolidated** basis as represented in its audited financial statements or applicable call reports. Audited financial statements that are prepared on a consolidated basis must include a breakout of income and expenses that allow the CDFI Fund to tie income/expenses back to the Applicant CDFI. For unregulated institutions, typically, but not in all cases, this breakout is provided as part of the Applicant’s audited financial statements, and income and expenses are detailed for each consolidating entity. In rare instances, where there is no breakout available in the consolidated audited financial statements, the CDFI Fund may accept a letter from the auditor, Board Treasurer, and/or management attesting to the limits of the CDFI’s audit. Please see **Appendix C** for a sample letter template.

**Note:** For in-depth guidance on retained earnings and completing the institution type-specific “Retained Earnings Calculator,” refer to **Appendix D** (in this document).

## Rules for Matching Funds Received From Affiliates

Matching funds provided by an Affiliate of the Applicant must adhere to the following guidelines:

1. An Affiliate may provide funds from a third party (e.g., a pass-through grant) or directly from the Affiliate to the Applicant to be used as Matching Funds.
  - **NOTE:** In the case of third party funds, the CDFI Fund may request that the Applicant provide documentation that demonstrates that the original source of funds has authorized the transfer of funds from the Affiliate to the Applicant.
2. In the case of an Affiliate providing funds from a third party, the original source of the Matching Funds (i.e. the person or organization that provided the funds to the Affiliate) must be non-federal. In no event will an Affiliate's transfer of federal funds to the Applicant be eligible Matching Funds for an FA award.
3. If the Affiliate already used the funds as Matching Funds for any previous federal award, the funds cannot be used as Matching Funds by the Applicant.
4. The Applicant must be able to demonstrate that the Matching Funds were disbursed to the Applicant from the Affiliate during the Matching Funds Window.
5. An Applicant may use Matching Funds that the Affiliate received prior to the start of the Matching Funds Window as long as the funds are received by the Applicant during the Matching Funds Window.

## Ineligible Sources

### Federal Sources

Matching Funds must come from sources other than the federal government. Funds from an organization to the Applicant submitted as Matching Funds may not consist, in whole or in part, of federal funds. For the purposes of FA awards, the following sources are considered federal and, therefore, are ineligible for use as Matching Funds:

- Funds or in-kind contributions obtained directly from a federal agency or indirectly from a pass-through entity (state agency or other entity).
- Community Development Block Grant (CDBG) funds (even if received through a local government agency).
- Bank Enterprise Award (BEA) Program award proceeds provided by an Affiliated BEA Program Awardee to an Applicant.
- Capital Magnet Fund (CMF) grants.
- Bond Guarantee Program (BGP) proceeds.
- Native American Housing Assistance and Self-Determination Act (NHASDA) funds.
- HOME Funds (even if received through another pass-thru entity).
- Other funds deemed as federal sources by the CDFI Fund.

### Previously Used Matching Funds

Matching Funds used for a prior CDFI Program or NACA Program award or under another federal grant or award program cannot be used to satisfy the current Matching Funds requirement. This rule applies to all Matching Funds types.

Only the portion of the Matching Funds tied to the prior award will be considered ineligible. For example, if only a portion of a grant was used as Matching Funds for a prior award, the remaining portion will still be available to use as Matching Funds if it was received within the Matching Funds Window defined in the applicable NOFA.

Applicants can find information on the Matching Funds sources and amounts that the CDFI Fund approved for prior awards by checking their individual award records in AMIS.

If a Matching Funds provider is an organization that was a prior Award Recipient under the CDFI Program or NACA Program or other federal award program, the Applicant must be able to demonstrate to the CDFI Fund’s satisfaction that such funds do not consist, in whole or in part, of CDFI Program or NACA Program funds or other federal funds.

**Other Ineligible Sources**

The following sources of funds are ineligible for use as Matching Funds.

- Repayment of loan principal and interest.
- Funds from an anonymous source (e.g. anonymous donations).
- Proceeds from a service contract. **NOTE:** The CDFI Fund will determine, in its sole discretion, whether an agreement constitutes a service contract between the Matching Fund provider (funder) and the Applicant. Refer to **Appendix B** for the factors that the CDFI Fund will consider in reviewing these types of agreements.

**Step 3: Complete Matching Funds Section in FA Application**

*Applicants must complete the Matching Funds section in the CDFI Program FA Application in AMIS following the steps below.*

**Step 3a: Provide Required Information for Each Matching Funds Source**

*Applicants are required to provide the following information for each source of Matching Funds according to the instructions provided below.*

**Table 2 – Required Information for Matching Funds Source in AMIS**

| Subsection      | Notes/Guidance   |
|-----------------|--|
| Provider        | Enter the name of the Matching Funds provider.   |
| Type and Status | Use the pick list to select the Matching Funds type and applicable status (In-Hand or Committed)   |
| Amount          | Enter the amount received (if In-Hand) or to be received (if Committed) from the Matching Funds provider. <b>Note:</b> If you received multiple disbursements, enter the total amount received within the Matching Funds Window. |

| Subsection                   | Notes/Guidance   |
|------------------------------|--|
| Loan Term of 3 or more Years | Use the pick list to attest that the loan term is 3 or more years. <b>Note:</b> Loans with a term of less than 3 years are ineligible to be used as Matching Funds. This field will only appear if the selected "Type" is loan.  |
| Provider Contact Name        | Enter the name of a contact person for the Matching Funds provider. <b>Note:</b> If the Matching Funds provider is an individual, the "Provider" and the "Provider Contact Name" may be the same.  |
| Provider Contact Information | Choose whether you would like to enter an email address, phone number, or mailing address for each Matching Funds source. Enter the contact information based upon the option chosen. Note that only one form of contact information is required for each Matching Funds source.   |
| Initial Date of Receipt      | Enter the date that your organization received the Matching Funds from the Matching Funds provider. If you received multiple disbursements from the Matching Funds provider within the match window, enter the date of the first disbursement of funds within the match window. <b><u>This date can be no earlier than January 1, 2020.</u></b>  |
| Final Date of Receipt        | Enter the date that your organization received the Matching Funds from the Matching Funds provider. If you received multiple disbursements from the Matching Funds provider, enter the date (or expected date) of the final disbursement of funds. <b><u>For funds to be considered as In-Hand at the time of Application, this date can be no later than the Application submission deadline. For funds to be considered as Committed, this date can be no later than January 15, 2023.</u></b> |
| Eligible FA Activity         | Use the pick list to select the eligible FA activity that the Matching Funds source supported.   |
| Comments                     | Enter clarifying information, if necessary.  |

| Subsection                                    | Notes/Guidance  |
|---|---|
| Non-Federal Source Validation and Attestation | Click the checkbox to attest that the Matching Funds source is non-federal or has lost its federal character. <b>Note:</b> If you cannot certify that the Matching Funds are non-federal, the Matching Funds are ineligible.                              |
| Documentation Validation and Attestation      | Click the checkbox to attest that documentation, meeting the CDFI Fund’s requirements, can be provided upon request. <b>Note:</b> If you cannot certify that appropriate Matching Funds documentation can be provided, the Matching Funds are ineligible. |

### Step 3b: Attach Documentation if Required

Documentation is required at the time of Application submission for **In-Hand and/or Committed retained earnings, In-Hand deposits, and In-Hand equity investments.** Documentation requirements are outlined below.

**Note:** Documentation for Matching Funds in the form of grants, in-kind contributions , loans, credit union shares, and secondary capital is not required at the time of Application submission. However, documentation that meets the requirements below or outlined in **Appendix A** must be made available to the CDFI Fund upon request.

#### Retained Earnings

- A completed, institution type-specific, “Retained Earnings Calculator” Excel workbook.
- Audited financial statements or call reports, as applicable, for the years included in the “Retained Earnings Calculator”.
- Unregulated Applicants may use unaudited or internally prepared financial statements for the most recent fiscal year end if audited financial statements are not yet available. In such cases, retained earnings calculated with unaudited financial statements will be considered to be Committed (not In-Hand) until audited financial statements are submitted to the CDFI Fund for verification, and, upon the CDFI’s satisfaction of veracity, the retained earnings will be considered to be In-Hand.

#### Deposits

- Certificates of deposit agreement citing terms.
- Proof of payment (copy of check, bank statement, wire transfer, or note in audited statements).

#### Equity Investments

- Confirmation that the equity investment source meets the terms outlined in the CDFI Program’s regulations (12 C.F.R. 1805.401(a)):
  - *Equity:* The CDFI Fund may make non-voting equity investments in an Award Recipient, including, without limitation, the purchase of non-voting stock. Such stock shall be transferable and, in the discretion of the CDFI Fund, may provide for convertibility to voting stock upon

transfer. The CDFI Fund shall not own more than 50 percent of the equity of an Award Recipient and shall not control its operations<sup>5</sup>.

- Stock purchase agreement or equivalent for LLC or LLP organizations, if any.
- Shareholders agreement, or equivalent documentation for LLC or LLP organizations.
- Stock certificates, or equivalent for LLC or LLP organizations.
- Proof of payment (copy of check, bank statement, wire transfer, or note in audited statements), if In-Hand.

The CDFI Fund reserves the right, in its sole discretion, to conduct a valuation of the Applicant's equity in order to determine whether the equity investment submitted as Matching Funds is adequate to match the amount of FA requested and/or awarded; and whether the CDFI Fund's equity investment in the Applicant/Award Recipient would be fiscally responsible.

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<sup>5</sup> The CDFI Fund's ownership of equity is calculated by dividing the shares owned by the CDFI Fund by the total number of shares issued by the Recipient. Also note that per the NOFA, the CDFI Fund reserves the right, in its sole discretion, to perform its own valuation of Equity Investment source(s) and to determine if the equity value is acceptable to the CDFI Fund.

## APPENDIX A – ACCEPTABLE FORMS OF MATCHING FUNDS DOCUMENTATION

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The following is a list of acceptable forms of documentation.

**The CDFI Fund no longer requires Applicants to submit the below documentation at the time of application for loans, grants (including in-kind contributions), credit union shares, and secondary capital.** However, documentation for each of these types used as a Matching Funds source for an FA award **must be made available to the CDFI Fund upon request.** Documentation must be comprehensible and must clearly demonstrate actual receipt of the Matching Funds including the date of the transaction and the amount received.

**Note:** Documentation for Retained Earnings, deposits, and Equity Investments must be provided to the CDFI Fund **at the time of application.** Please see Step 3b above for the appropriate documentation for these forms of Matching Funds.

### Loans

- Loans:
  - Promissory note/loan agreement/commitment letter citing loan terms.
  - Proof of payment (copy of check, wire transfer, bank statement, or note in audited statements).
- Renewed Loans:
  - Documentation of original loan agreement with maturity date and dollar amount.
  - Renewal documentation with date and dollar amount of loan renewed.
  - Proof of payment (copy of check, wire transfer, bank statement, or note in audited statements) of original amount and increased amount (if applicable).
- Loan Forgiveness:
  - Agreement between parties concerning loan forgiveness along with schedule of payments forgiven.
  - Proof of payment of original receipt of loan funds or note in audited financial statements.

### Grants

- Capital Grants:
  - Documentation including: signed copies of grant transmittal letters, grant agreements, grant commitment letters, official emails.
  - Proof of payment (copy of check, bank statement, wire transfer, letter from grantor).
- Grant in the form of Notes Receivable:
  - Valuation methodology of the portfolio to be transferred.
  - Legal agreement(s) and documentation.
  - Proof of assignment of promissory notes to Applicant.
  - List of the assigned promissory notes.
- In-Kind Contributions:
  - Documentation including: signed copies of letters or official emails from third party noting type of in-kind contribution, fair market value for services or goods provided, and total value provided.
  - All documentation must include date(s) goods or services were provided and the valuation methodology for the goods or services donated.

**Credit Union Shares**

- Records documenting the timing and ownership of shares represented by the member account.

**Secondary Capital**

- Secondary capital agreement and the disclosure and acknowledgement statement/commitment letter citing investment terms.
- Proof of payment (copy of check, wire transfer, bank statement, or note in audited statements).



## APPENDIX B – SERVICE CONTRACT CHARACTERISTICS

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Proceeds from a service contract are an ineligible source of Matching Funds.

The CDFI Fund will determine, in its sole discretion, whether an agreement constitutes a service contract between the funder and the Applicant.

Generally, a service contract exists where:

1. The principal purpose of the contract is to acquire property or services for the direct benefit of the entity requesting the contract services (Contracting Entity);
2. The Contracting Entity has substantial involvement in carrying out the contract;
3. The Contracting Entity retains title and rights to the work product of the contract; and/or
4. The Contracting Entity is the lender of record and receives or controls loan repayments, if the contract involves loans to third parties.

## APPENDIX C – TEMPLATE LETTER FROM MANAGEMENT

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***(For CDFIs whose Consolidated Audited Financial Statements Do NOT Provide a Breakout of the Financial Position and Activities of the CDFI Applicant (Affiliate or Subsidiary CDFI))***

**Purpose of Template:** Applicants may use the template below to provide a letter to the CDFI Fund when the Applicant does not have audited financial statements prepared on an unconsolidated basis detailing the financial position and financial activities of the Applicant. The letter should be (i) submitted on the official letterhead of the Applicant and (ii) signed by an Authorized Representative and by the Applicant’s Auditor, Board Treasurer, and/or other Board member.

Company Letterhead

Company Letterhead

MMMM DD, YYYY

CDFI/NACA Funding Round Manager  
U.S. Department of the Treasury  
Community Development Financial Institutions Fund  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

RE: Statement on Consolidated Audit Materially Representing the Financial Position of the Subsidiary CDFI Applicant: <<Name of CDFI Applicant>>

Dear Concerned:

I, <<Name>> <<Title>> (of Authorized Representative, Board Chair, Board Treasurer, or Auditor), do hereby certify and attest that the audited financial statements of <<Name of Parent Company>> (Consolidated Entity) submitted as part of the application of <<Name of CDFI Applicant>> (CDFI Applicant) to the CDFI Fund for funding under the Notice of Funds Availability (NOFA) for Financial Assistance (FA) awards under the Community Development Financial Institutions Program (CDFI Program) fiscal year (FY) 2022 Funding Round, do materially and fairly represent the financial position of the CDFI Applicant.

I further certify and attest that the audited financial statements of Consolidated Entity do not include a breakdown of its subsidiaries and/or affiliates and, as such, it is not possible to provide audited financial information exclusively for the CDFI Applicant that is broken out from the Consolidated Entity.

I further certify and attest that for all reporting periods submitted as part of the aforementioned funding application, that the Audit Opinion was unqualified and denoted no deviations from GAAP.

Sincerely,

Authorized Representative Signature:

Authorized Representative Full Name and Title:

Authorized Representative Email:

Authorized Representative Phone Number:

Board Representative Signature:

Board Representative Full Name and Title:

Board Representative Email:

Board Representative Phone Number:

## APPENDIX D – RETAINED EARNINGS AND RETAINED EARNINGS CALCULATOR GUIDANCE

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The “Retained Earnings Calculator” (RE Calculator) must be used by Applicants that intend to use retained earnings as a Matching Funds source in order to determine the amount of eligible retained earnings that are available to be used.

Per the NOFA, retained earnings are calculated based on an Applicant’s audited financial statements or call reports, based on institution type, and adjusted to exclude sources of income generated from federal sources and Matching Funds used for federal awards.<sup>6</sup>

**NOTE:** Each eligible institution type (i.e. (a) Unregulated CDFI (b) Credit Union (c) Cooperativa and (d) Bank/Bank Holding Company) has a unique calculator tab that must be completed in the RE Calculator.

The RE Calculator tabs are used to determine the retained earnings eligible to be used as a source of Matching Funds based on each Applicant’s institution type. This calculator must be completed by the Applicant with financial data that ties directly to the CDFI Applicant’s unconsolidated audited financial statements.<sup>7</sup>

To begin using retained earnings as a source of Matching Funds, Applicants must select their corresponding CDFI Institution Type (i.e. Unregulated CDFI, Credit Union, Cooperativa, or Bank/Bank Holding Company) in cell “D4” of the “Select Institution Type” tab for the appropriate RE Calculator to appear as a new tab in the workbook.

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<sup>6</sup> For the purposes of the retained earnings calculation, the CDFI Fund will only consider “Total Income (Total Revenue)” and “Total Expenses” as evidenced by the Applicant’s corresponding **audited financial statements or applicable call reports**. In an effort to standardize the review process, the CDFI Fund cannot consider additional sources of “Other Income” or other extraordinary or unusual adjustments to retained earnings that appear on an Applicant’s financial statements. Inputs into the “Retained Earnings Calculator” must tie directly to the “Total Income (Total Revenue)” and “Total Expenses” summation on the Applicant’s income statement taken directly from **audited financial statements or applicable call reports**.

<sup>7</sup> Retained earnings calculations must be based on the Applicant CDFI’s operating performance on an unconsolidated basis as represented in its audited financial statements or applicable call reports. Applicants whose financial statements are prepared on a consolidated basis must provide a breakout of income and expenses that allow the CDFI Fund to tie profit/loss back to the Applicant CDFI. For unregulated institutions, typically, but not in all cases, this breakout is provided as part of the Applicant’s audited financial statements, and income and expenses are detailed for each consolidating entity. In rare instances, where there is no breakout available from the consolidated audited financial statements, the CDFI Fund may accept a letter from the auditor, Board Treasurer and management attesting to the limits of the CDFI’s audit. Please see **Appendix C** for a sample letter template.

## Retained Earnings Guidance for Unregulated Applicants

Unregulated institutions have a unique calculator tab to determine the retained earnings eligible to be used as Matching Funds.

The guidance below is intended to be used in conjunction with the “RE Calc – Unregulated” tab in the RE Calculator.

For Unregulated CDFIs, the retained earnings calculator recreates the income statement excluding income from federal sources and Matching Funds used for federal awards. All inputs for federal sources and Matching Funds used must correlate to the year they were realized on the Applicant CDFI’s income statement.

### Instructions

Unregulated institutions may choose from two options when calculating eligible retained earnings. Applicants have the ability to combine available retained earnings for multiple fiscal years within the Matching Funds Window or use a three year average of fiscal years, if no overlap (as long as one fiscal year is within the Matching Funds Window):

1. *Option #1- Fiscal Year End (FYE): The change in net assets with adjustments occurring over a fiscal year(s) during the Matching Funds Window.*
2. *Option #2- Three Year Average: The three year average of change in net assets with adjustments as noted in the retained earnings calculator.*

Use audited financial statements to complete the RE Calculator. All inputs must be tied directly to audited financial statements.

Applicants may use unaudited financial statements for the most recent fiscal year if audited financial statements are not yet available. In such cases, retained earnings calculated with unaudited financial statements will be considered to be Committed (not In-Hand) until audited financial statements are submitted to the CDFI Fund for verification, at which point the retained earnings will be considered to be In-Hand. **If an Applicant cannot produce audits for the fiscal years reported in the RE Calculator by January 31, 2023, it cannot use retained earnings as a Matching Funds source.**

**Table 3: Unregulated Institution RE Calculator Option #1**

| <b>Option #1: Fiscal Year End</b><br>The regulations allow Applicants to use the change in net assets with adjustments occurring over a fiscal year(s) during the Matching Funds Window. Only fiscal years within the Matching Funds Window can be used under Option #1. |  |
|--|--|
| Steps  |  |
| Line A: Total Income/Revenue   | <ul style="list-style-type: none"> <li>• Insert Total Revenue from the income statement.</li> <li>• Include all income such as unrealized gains and other sources of revenue that may be considered “below the line.”</li> </ul>   |
| Line B: Income from Federal Sources  | <ul style="list-style-type: none"> <li>• Include all income received from federal sources for each fiscal year. Please refer to “Step 2” above for what is deemed federal funds.</li> <li>• If your audited financial statements break out federal funds and there is a difference between what is categorized as federal in your audited financial statements and what you enter into the retained earnings calculator, please provide an explanatory note.</li> <li>• Be sure to include any grant funds received through the CDFI Fund's CDFI, NACA, CMF or BEA Programs as separate line items.                             <ul style="list-style-type: none"> <li>○ If a previous CDFI or NACA Program FA award was received in the form of a loan this <b>should not be included</b>, as loans are not listed on the income statement.</li> <li>○ <u>If your audited financial statements do not book the full amount of the award received in the year of the award announcement, please provide an explanatory note under the “Notes/Documentation” column.</u> For example, some grant awards may be booked as deferred revenue on the balance sheet and not treated as income until a later time. If this is the case, please note.</li> </ul> </li> </ul> |
| Line C: Income Listed as Matching Funds Used   | <ul style="list-style-type: none"> <li>• Insert Matching Funds used for current and previous CDFI Program and NACA Program FA funding rounds. Do not include retained earnings here (see Line D).</li> <li>• The amounts entered into the calculator must correspond to the fiscal year that the Matching Funds were received by your organization, not the fiscal year of the funding round for which the Matching Funds were used to match a FA award. For example, if a non-federal grant was received by your organization in FY 2020 but used as Matching Funds for a FY 2021 CDFI Program award, place the Matching Funds amount in the column that corresponds to income received in FY 2020.</li> <li>• Note: All PPC-FA, DF-FA, and HFFI-FA Award Recipients must also include any Matching Funds used for a previous award (if Matching Funds were required for the funding round under which you received the award).</li> </ul>  |

|   |  |
|---|--|
| <p>Line D: Retained Earnings Used in Previous Award Years<br/><i>(Only applicable to previous FA Award Recipients that previously used retained earnings for a year reported in the calculator as Matching Funds)</i></p> | <ul style="list-style-type: none"> <li>• Insert the amount of retained earnings used as Matching Funds in the column that corresponds to the fiscal year during which the retained earnings were generated.</li> <li>• Applicants can review information on prior Retained Earnings used for previous awards on the individual Award Record (found under the Awards tab in AMIS) for a given prior award.</li> <li>• If the retained earnings calculation used previously was Option # 1 (Fiscal Year End), input the figure in Line D1.</li> <li>• If the retained earnings calculation used previously was Option # 2 (Three Year Average) with two years (of the three years used as part of the three year average) overlapping with current award calculation, input the figure in Line D2.</li> <li>• If the retained earnings calculation used was Option # 2 (Three Year Average) with one year (of the three years used as part of the three year average) overlapping with the current award calculation, input the figure in Line D3.</li> </ul>  |
| <p>Line E: Subtotal: Adjusted Operating Income/Revenue</p>  | <ul style="list-style-type: none"> <li>• Automatically calculates based on Applicant input of audited financial data.</li> </ul>   |
| <p>Line F: Total Expenses</p>   | <ul style="list-style-type: none"> <li>• Insert Total Expenses from the income statement.</li> <li>• Include expenses such as tax expense and unrealized losses that may be considered “below the line.”</li> </ul>  |
| <p>Line G: Total Expenses associated with Lines B and C</p>   | <ul style="list-style-type: none"> <li>• Enter total expenses associated with Lines B and C into the following categories. The following are acceptable expenses associated with federal and grant Matching Funds income: <ul style="list-style-type: none"> <li>i. Salary and fringe benefits</li> <li>ii. Bad debt/loan loss provision</li> <li>iii. Program Services funded through grants</li> <li>iv. Grant expense</li> </ul> </li> <li>• The CDFI Fund will verify that the expenses associated with each line item do not exceed what was noted in the audited financial statements for each fiscal year.</li> <li>• Total expenses in Line G cannot exceed the total operating expenses in Line F; if this occurs, the cell below Line G will show “Review!”</li> <li>• NOTE: The only income statement expenses eligible from a prior CDFI or NACA FA award is bad debt expense and/or 15 percent of an award amount in Administrative Funds to carry out eligible uses. These expenses may be incurred over the Period of Performance.</li> <li>• If there is an expense associated with Lines B and C that is not noted above, insert the expense and provide additional notes.</li> </ul> |
| <p>Line H: Subtotal: Adjusted Expenses</p> <p>Line I: Total Retained Earnings (Line E minus Line H)</p>   | <ul style="list-style-type: none"> <li>• Automatically calculates based on Applicant input of audited financial data.</li> <li>• Automatically calculates based on Applicant input of audited financial data. The number should correspond to the “change in net assets” that is represented on the Applicant’s income statement.</li> </ul>   |

|   |  |
|---|--|
| Line J: Retained Earnings Increase from Fiscal Year End(s) within the Matching Funds Window | <ul style="list-style-type: none"> <li>Enter the total amount of retained earnings available from one or more fiscal year ends <u>within the Matching Funds Window</u> (sum of amounts displayed in Line I for fiscal years within the Matching Funds Window – use only positive retained earnings - do not subtract any negative amounts from Line I when calculating this field).</li> </ul> |
| Line K: Three Year Average Retained Earnings Eligible for MF                                | <ul style="list-style-type: none"> <li>Calculates automatically based on completing Line A thru Line I above for the past three (3) years’ audited financial statements. See instructions for Option #2 below.</li> </ul>  |
| Line L: Matching Funds Used   | <ul style="list-style-type: none"> <li>Enter amount of eligible retained earnings Matching Funds to be used (from Line J or Line K above) toward current FA award request.</li> </ul>  |

**Table 4: Unregulated Institution RE Calculator Option #2**

|  |  |
|--|--|
| <p><b>Option #2: Three Year Average</b></p> <p>The regulations allow the average change in net assets that has occurred over the Applicant’s three most recent fiscal years to be used as eligible Matching Funds. At least one fiscal year used in the three year average calculation must be within the Matching Funds Window.</p> |  |
| <p><b>Steps</b></p>  |  |
| Step 1   | Follow the directions in Option #1 and complete for all fiscal years in the RE Calculator.   |
| Step 2   | Line K will generate the three year average of retained earnings available.  |
| Step 3   | Enter amount of eligible retained earnings Matching Funds to be used (from Line K) to be used in Line L toward current FA award request. |



## **Retained Earnings Guidance for Credit Union and Cooperativa Applicants**

Credit Union and Cooperativa CDFI Applicants have a unique calculator tab to determine the retained earnings eligible to be used as Matching Funds.

The guidance below is intended to be used in conjunction with the “RE Calc - Credit Union” or the “RE Calc – Cooperativa” tab as appropriate in the RE Calculator workbook.

Retained earnings eligible to be used as a source of Matching Funds are the retained earnings from the Applicant’s NCUA 5300 call report for Credit Unions and Automatización de Informe Trimestral y Sistema Actuarial (AITSA) report for Cooperativas, with adjustments made for income from federal sources and Matching Funds used for federal awards.

### **Instructions**

Credit Unions and Cooperativas have three options to calculate the amount of retained earnings eligible to be used as Matching Funds for a Financial Assistance (FA) award: (1) combine multiple FYEs, (2) Three Year Average (if no overlap), or (3) Since Inception.

- 1. Option #1- Fiscal Year End (FYE): The change in retained earnings, with adjustments, occurring over a fiscal year(s) during the Matching Funds Window.*
- 2. Option #2 - Three Year Average: The three year average of annual changes in retained earnings, with adjustments, as noted in the RE Calculator.*
- 3. Option #3 - Since Inception (SI): Total retained earnings accumulated since the Applicant’s inception.*

Credit Union Applicants must use their NCUA 5300 Call Reports for the four (4) most recent fiscal years to complete the RE Calculator. All inputs must be tied directly to the Applicant’s NCUA 5300 Call Reports. Cooperativa Applicants must use their AITSA reports for the four (4) most recent fiscal years to complete the RE Calculator. All inputs must be tied directly to the Applicant’s AITSA reports.

**Table 5: Credit Union and Cooperativa RE Calculator Option #1**

| <b>Option #1: Fiscal Year End</b>   |   |
|---|---|
| <p>The regulations allow the increase in retained earnings that has occurred over a fiscal year(s) within the Matching Funds Window to be used as an eligible source of Matching Funds.</p> <p>Please use the following guidance to complete the RE Calculator for Credit Union and Cooperativa CDFI Applicants. Applicants must insert required data into the chart for the four (4) most recently completed fiscal years to calculate the change over each fiscal year.</p> |   |
| <b>Steps</b>  |   |
| Line A: Total Net Worth   | <ul style="list-style-type: none"> <li>For Credit Unions, enter Line 8 of the PCA worksheet in the 5300 Call Report.</li> <li>For Cooperativas, enter Line 16530 (Total de Capital Indivisible) in AITSA report.</li> </ul>   |
| Line B: Uninsured Secondary Capital   | <ul style="list-style-type: none"> <li>For Credit Unions, enter Line 9: Uninsured Secondary Capital, “Total Amount” from the 5300 Call Report.</li> <li>For Cooperativas, enter Line 30501 (Obligaciones de Capital) in AITSA report.</li> </ul>  |
| Line C: Less Income from Federal Funds  | <ul style="list-style-type: none"> <li>Insert all federal income received in the fiscal year. Be sure to include previous CDFI, NACA, CMF, and BEA Program award funds as separate line items. Refer to “Step 2” above to determine what is deemed federal funding.</li> </ul>  |
| Line D: Less Matching Funds Used  | <ul style="list-style-type: none"> <li>Insert Matching Funds used for current and previous CDFI Program and NACA Program FA funding rounds. <b><u>Do not include retained earnings here (see Line E).</u></b></li> <li>The amounts entered into the calculator must correspond to the fiscal year that the Matching Funds were received by your organization, not the fiscal year of the funding round for which the Matching Funds were used. For example, if a non-federal grant was received by your organization in FY 2020 but used as Matching Funds for a FY 2021 CDFI Program award, place the Matching Funds amount in the column that corresponds to income received in FY 2020.</li> <li>Note: All PPC-FA, DF-FA, and HFFI-FA Award Recipients must also include any Matching Funds used for a previous award (if Matching Funds were required for the funding round under which you received the award).</li> </ul> |

|  |   |
|--|---|
| <p>Line E: Retained Earnings Used in Previous Award Years (<i>Only applicable for prior FA Award Recipients who previously used retained earnings for a year reported in the calculator as Matching Funds</i>)</p> | <ul style="list-style-type: none"> <li>• If the retained earnings used were Option #1 (FYE) insert amount on Line E1, in column of year the retained earnings were used.</li> <li>• Applicants can review information on prior Retained Earnings used for previous awards on the individual Award Record (found under the Awards tab in AMIS) for a given prior award.</li> <li>• If the retained earnings used was Option #2 (Three Year Average) with <u>two</u> years (of the three years used as part of the three year average) overlapping with the current award calculation, input amount on Line E2.</li> <li>• If the retained earnings used was Option #2 (Three Year Average) with <u>one</u> year (of the three years used as part of the three year average) overlapping with the current award calculation, input amount on Line E3.</li> <li>• If the retained earnings used was Option #3 (Since Inception), the amount should not be reported in Line E.</li> </ul> |
| <p>Line F: Adjusted Retained Earnings</p>  | <ul style="list-style-type: none"> <li>• Automatically calculates based on Applicant input of financial data from applicable call reports.</li> </ul>   |
| <p>Line G: Retained Earnings Increase from Fiscal Year End(s) within the Matching Funds Window</p>   | <ul style="list-style-type: none"> <li>• Enter the total amount of retained earnings available from one or more fiscal year ends <u>within the Matching Funds Window</u> (sum of amounts displayed in Line F for fiscal years within the Matching Funds Window – use only positive retained earnings – do not subtract any negative amounts from Line F when calculating this field).</li> </ul>  |
| <p>Line H: Three Year Average Retained Earnings</p>  | <ul style="list-style-type: none"> <li>• Calculates automatically based on completing Line A thru Line E above for the past four (4) fiscal years. See instructions for Option #2 below.</li> </ul>   |
| <p>Line I: Matching Funds Used</p>   | <ul style="list-style-type: none"> <li>• Enter amount of eligible retained earnings Matching Funds to be used (from Line G or Line H above) toward current FA award request.</li> </ul>   |

**Table 6: Credit Union and Cooperativa RE Calculator Option #2**

|   |  |
|---|--|
| <p><b>Option #2: Three Year Average</b></p> <p>The regulations allow the average increase in retained earnings that has occurred over three fiscal years as long as at least one fiscal year is within the Matching Funds Window.</p> <p>Applicants must insert required data in the RE Calculator for the four (4) most recently completed fiscal years to calculate the change over each fiscal year.</p> |  |
| <p><b>Steps</b></p>   |  |
| <p>Step 1</p>   | <p>Follow the directions in Option #1 and complete for all fiscal years in the calculator.</p> |

|        |   |
|--------|---|
| Step 2 | Based on the inputs, Line H will generate available retained earnings available for Option #2.  |
| Step 3 | Enter amount of eligible retained earnings Matching Funds to be used in Line I (from Line G or Line H above) toward current FA award request. |

**Table 7: Credit Union and Cooperativa RE Calculator Option #3**

|   |  |
|---|--|
| <p><b>Option #3: Since Inception</b></p> <p>The regulations allow Credit Unions and Cooperativas to use retained earnings that have been accumulated since the inception of the Applicant. For this option, the CDFI Fund requires the credit union to increase its member/non-member shares and deposits and/or total loans and leases in a one-to-one match to the “Since Inception” amount. The Since Inception Test includes three tests that occur during the application, review, and post-award phases. <b><u>Applicants are responsible for ensuring that they meet Tests 1 &amp; 2 in order to use “Retained Earnings Since Inception” as a Matching Funds source.</u></b></p> |  |
| <p><b>Test #1: Pre-Application Submission – completed by Applicant</b></p>  |  |
| <p><b>Test #1: Total Retained Earnings</b> – Applicant ensures that its Adjusted Retained Earnings is greater than its Total FA Request Amount in order to move forward with the next Since Inception test (Test #2).</p> <p>Pre-requisite: Applicant must complete the RE Calculator using the steps for Option #1 and/or Option #2 above.</p>   |  |
| Line K: Total FA Request Amount   | <ul style="list-style-type: none"> <li>Enter the Applicant’s Total FA Request Amount (sum of Base-FA, PPC-FA, and DF-FA award amounts).</li> </ul>   |
| Line L: Total Net Worth   | <ul style="list-style-type: none"> <li>Automatically populated from Line A (most recent fiscal year).</li> </ul>   |
| Line M: Uninsured Secondary Capital   | <ul style="list-style-type: none"> <li>Automatically populated from Line B (most recent fiscal year).</li> </ul>   |
| Line N: Adjusted Retained Earnings  | <ul style="list-style-type: none"> <li>Based on the inputs, Line N will generate the adjusted retained earnings amount for Option #3.</li> </ul>   |
| Line O: Since Inception Match Available   | <ul style="list-style-type: none"> <li>Line O will display the Applicant’s eligibility to move forward to Test #2.</li> <li><b>“Yes, move forward to Test 2”</b> – Indicates that the Applicant is eligible to move forward to Test #2.</li> <li><b>“No, not eligible to use Since Inception option”</b> – Indicates that Adjusted Retained Earnings are less than or equal to the Applicant’s Total FA Request Amount; and therefore, the Applicant is not eligible to use Option #3 (Since Inception) as a Matching Funds source.</li> </ul> |

| Test #2: Pre-Application Submission – completed by Applicant   |   |
|--|---|
| <p><b>Test #2: Annual Increase in Shares/Deposits and/or Loans</b> – Applicant ensures that its shares/deposits and/or total loans outstanding increased by 25% of its Total FA Request Amount, between December 31, 2020 and December 31, 2021 in order to move forward with the next Since Inception test (Test #3).</p> <p>Pre-requisites: Applicant must complete the RE Calculator and complete and pass Test #1 above.</p> |   |
| Line P: Total Shares and Deposits (December 31, 2020)  | <ul style="list-style-type: none"> <li>For Credit Unions: Enter Line 19c: Total Shares and Deposits, "Total Amount" from <b>December 31, 2020</b> 5300 Call Report.</li> <li>For Cooperativas: Enter sum of Line 20500 (Acciones) and Line 30500 (Depósitos) from <b>December 31, 2020</b> AITSA report.</li> </ul>   |
| Line Q: Total Shares and Deposits (December 31, 2021)  | <ul style="list-style-type: none"> <li>For Credit Unions: Enter Line 19c: Total Shares and Deposits, "Total Amount" from <b>December 31, 2021</b> 5300 Call Report.</li> <li>For Cooperativas: Enter sum of Line 20500 (Acciones) and Line 30500 (Depósitos) from <b>December 31, 2021</b> AITSA report.</li> </ul>   |
| Line R: Increase over the Past Year  | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the increase in shares/deposits over the past year.</li> </ul>  |
| Line S: % of Award   | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the Increase over the Past Year/Total FA Request Amount.</li> </ul>   |
| Line T: Minimum Threshold Met  | <ul style="list-style-type: none"> <li>Line S will indicate if the Applicant’s increase in shares/deposits over the past year represents at least 25% of the Total FA Request Amount.</li> <li><b>“Yes, eligible to move to Test 3”</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission. The Applicant does not need to complete the remainder of the RE Calculator (Lines U-Z).</li> <li><b>“No”</b> – Indicates that shares/deposits did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant must proceed with completing the RE Calculator, specifically Section II: Loans &amp; Leases (Lines U-Y).</li> </ul>   |
| Line U: Loans and Leases (December 31, 2020)   | <ul style="list-style-type: none"> <li>Line U will automatically calculate and populate based on data entered in U1 and U2: <ul style="list-style-type: none"> <li><b>Complete Line U1</b> <ul style="list-style-type: none"> <li>For Credit Unions: Enter Line 16: Total Loans &amp; Leases, “Amount” from <b>December 31, 2020</b> 5300 Call Report.</li> <li>For Cooperativas: Enter Line 10500 (Préstamos) from <b>December 31, 2020</b> AITSA report.</li> </ul> </li> <li><b>Complete Line U2</b> <ul style="list-style-type: none"> <li>For Credit Unions: Enter Line 17: Less: Allowance for Loan &amp; Lease Losses, “Amount” from <b>December 31, 2020</b> Call Report.</li> <li>For Cooperativas: Enter Line 11000 (Provisión para Préstamos Incobrables) from <b>December 31, 2020</b> AITSA report.</li> </ul> </li> </ul> </li> </ul> |

|  |   |
|--|---|
| <p>Line V: Loan and Leases<br/>(December 31, 2021)</p> | <ul style="list-style-type: none"> <li>• Line V will automatically calculate and populate based on data entered in V1 and V2: <ul style="list-style-type: none"> <li>○ <b>Complete Line V1</b> <ul style="list-style-type: none"> <li>▪ For Credit Unions: Enter Line 16: Total Loans &amp; Leases, “Amount” from <b>December 31, 2021</b> 5300 Call Report.</li> <li>▪ For Cooperativas: Enter Line 10500 (Préstamos) from <b>December 31, 2021</b> AITSA report.</li> </ul> </li> <li>○ <b>Complete Line V2</b> <ul style="list-style-type: none"> <li>▪ For Credit Unions: Enter Line 17: Less: Allowance for Loan &amp; Lease Losses, “Amount” from <b>December 31, 2021</b> Call Report.</li> <li>▪ For Cooperativas: Enter Line 11000 (Provisión para Préstamos Incobrables) from <b>December 31, 2021</b> AITSA report.</li> </ul> </li> </ul> </li> </ul> |
| <p>Line W: Increase over the Past Year</p>             | <ul style="list-style-type: none"> <li>• Based on the inputs, the RE Calculator will automatically calculate and populate the increase in loans over the past year.</li> </ul>  |
| <p>Line X: % of Award</p>                              | <ul style="list-style-type: none"> <li>• Based on the inputs, the RE Calculator will automatically calculate and populate the Increase over the Past Year/Total FA Request Amount.</li> </ul>   |
| <p>Line Y: Minimum Threshold Met</p>                   | <ul style="list-style-type: none"> <li>• Line Y will indicate if the Applicant’s increase in loans over the past year represents at least 25% of the Total FA Request Amount.</li> <li>• <b>“Yes, eligible to move to Test 3”</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission.</li> <li>• <b>“No”</b> – Indicates that loans did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant must refer to Line Z to determine final eligibility to use Option #3.</li> </ul>  |
| <p>Line Z: Minimum Threshold Met</p>                   | <ul style="list-style-type: none"> <li>• Line Z will indicate if the Applicant’s increase in shares/deposits <b>and</b> loans over the past year represent at least 25% of the Total FA Request Amount.</li> <li>• <b>“Yes, eligible to move to Test 3”</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission. Applicant must insert amount of retained earnings to be used toward current FA award request in Line J.</li> <li>• <b>“No, not eligible to use Since Inception option”</b> – Indicates that shares/deposits and loans did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant is not eligible to use Option #3 (Since Inception) as a Matching Funds source.</li> </ul>   |

| <b>Test #3: Post-Application Submission – completed by CDFI Fund</b>  |  |
|---|--|
| <i>The following test (Test #3) occurs after Application submission and will be completed by the CDFI Fund.</i> |  |
| Test conducted by CDFI Fund staff   | <ul style="list-style-type: none"> <li>Occurs prior to receiving an Assistance Agreement and award payment, if the Applicant is selected to receive a FA award.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>In order to receive an initial award payment, the Award Recipient must increase deposits and/or total loans outstanding by the amount of the award being matched by retained earnings accumulated since inception. This increase (1) will be measured on a quarterly basis from March 31, 2022; (2) must occur by December 31, 2023; and (3) will be based on amounts reported in the call report.</li> </ul> |
|   | <ul style="list-style-type: none"> <li>The CDFI Fund will use the Applicant’s call reports to verify all changes to shares/deposits and/or total loans outstanding.</li> </ul>   |

## **Retained Earnings Guidance for Banks and Bank Holding Company Applicants**

Banks and Bank Holding Company CDFI Applicants have a unique calculator tab to determine the retained earnings eligible to be used as Matching Funds.

The guidance below is intended to be used in conjunction with the “RE Calc - Bank” tab in the RE Calculator.

Retained earnings eligible to be used as a source of Matching Funds are the retained earnings from the Applicant’s Bank Call Report, with adjustments made for income from federal sources and Matching Funds used for federal awards.

### **Instructions**

Banks and Bank Holding Company CDFIs have three options to calculate the amount of retained earnings eligible to be used as Matching Funds for a Financial Assistance (FA) award: (1) combine multiple FYEs, (2) Three Year Average (if no overlap), or (3) Since Inception.

1. *Option #1- Fiscal Year End (FYE): The change in retained earnings, with adjustments, occurring over a fiscal year(s) during the Matching Funds Window.*
2. *Option #2 - Three Year Average: The three year average of annual changes in retained earnings, with adjustments, as noted in the RE Calculator.*
3. *Option #3 - Since Inception (SI): Total retained earnings accumulated since the Applicant’s inception.*

Banks and Bank Holding Company Applicants must use their Bank/Bank Holding Company Call Reports for the four (4) most recent fiscal year ends to complete the RE Calculator. All inputs must be tied directly to the Applicant’s Call Report(s).



**Table 8: Bank/Banking Holding Company RE Calculator Option #1**

| Option #1: Fiscal Year End  |   |
|---|---|
| <p>The regulations allow the increase in retained earnings that has occurred over a fiscal year(s) within the Matching Funds Window to be used as an eligible source of Matching Funds.</p> <p>Please use the following guidance to complete the RE Calculator for Bank/Bank Holding Company Applicants. Applicants must insert required data into the chart for the four (4) most recently completed fiscal years to calculate the change over the years.</p> <p>Please note that Bank Holding Company Applicants must use the call report of the Bank Holding Company, not its bank subsidiary.</p> |   |
| Steps   |   |
| Line A: Retained Earnings   | <ul style="list-style-type: none"> <li>Enter Line 16c from Holding Company report FR Y-9SP; Line 20d from Holding Company report FR Y-9LP; or Line 26a from Bank Call Report Schedule RC.</li> </ul>  |
| Line B: Accumulated other comprehensive income  | <ul style="list-style-type: none"> <li>Enter Line 16d from Holding Company report FR Y-9SP; Line 20e from Holding Company report FR Y-9LP; or Line 26b from Bank Call Report Schedule RC.</li> </ul>  |
| Line C: Less Income from Federal Funds included in Line C   | <ul style="list-style-type: none"> <li>Please insert all federal income received in that fiscal year. Be sure to include previous CDFI, NACA, CMF, and BEA Program funds as separate line items. Refer to the Matching Funds Guidance to determine what is deemed federal funding.</li> </ul>   |
| Line D: Matching Funds Used   | <ul style="list-style-type: none"> <li>Insert Matching Funds used for current and previous CDFI Program and NACA Program FA funding rounds. Do not include retained earnings here (see Line E).</li> <li>The amounts entered into the calculator must correspond to the fiscal year that the Matching Funds were <b>received</b> by your organization, not the fiscal year of the funding round for which the Matching Funds were used. For example, if a non-federal grant was received by your organization in FY 2020 but used as Matching Funds for the FY 2021 CDFI Program or NACA Program award, place the Matching Funds amount in the column that corresponds to income <b>received</b> in FY 2020.</li> <li>Note: All PPC-FA, DF-FA, and HFFI-FA Award Recipients must also include any Matching Funds used for a previous award (if Matching Funds were required for the funding round under which you received the award).</li> </ul> |

|  |   |
|--|---|
| <p>Line E: Retained Earnings Used in Previous Award Years <i>(Only applicable for prior FA Award Recipients who previously used retained earnings for a year reported in the calculator as Matching Funds)</i></p> | <ul style="list-style-type: none"> <li>• If the retained earnings used were Option #1 (FYE) insert in Line E1, in column of year the retained earnings were used.</li> <li>• Applicants can review information on prior Retained Earnings used for previous awards on the individual Award Record (found under the Awards tab in AMIS) for a given prior award.</li> <li>• If the retained earnings used was Option #2 (Three Year Average) with <u>two</u> years (of the three years used as part of the three year average) overlap with the current award calculation, input amount on Line E2.</li> <li>• If the retained earnings used was Option #2 (Three Year Average) with <u>one</u> year (of the three years used as part of the three year average) overlaps with the current award calculation, input amount on Line E3.</li> <li>• If the retained earnings used was Option #3 (Since Inception), the amount should not be reported in Line E.</li> </ul> |
| <p>Line F: Adjusted Retained Earnings</p>  | <ul style="list-style-type: none"> <li>• Based on the inputs, Line F will generate available retained earnings for Option #1.</li> </ul>  |
| <p>Line G: Retained Earnings Increase from Fiscal Year End(s) within the Matching Funds Window</p>   | <ul style="list-style-type: none"> <li>• Enter the total amount of retained earnings available from one or more fiscal year ends <u>within the Matching Funds Window</u> (sum of amounts displayed in Line F for fiscal years within the Matching Funds Window – use only positive retained earnings – do not subtract any negative amounts from Line F when calculating this field).</li> </ul>  |
| <p>Line H: Three Year Average Retained Earnings</p>  | <ul style="list-style-type: none"> <li>• Calculates automatically based on completing Line A thru Line E above for the past four (4) fiscal years. See instructions for Option #2 below.</li> </ul>   |
| <p>Line I: Matching Funds Used</p>   | <ul style="list-style-type: none"> <li>• Enter amount of eligible retained earnings Matching Funds to be used (from Line G or Line H above) toward current FA award request.</li> </ul>   |

**Table 9: Bank/Banking Holding Company RE Calculator Option #2**

|   |   |
|---|---|
| <p><b>Option #2: Three Year Average</b></p> <p>The regulations allow the average increase in retained earnings that has occurred over three fiscal within the Matching Funds Window.</p> <p>Please use the following guidance to complete the RE Calculator for Bank/Bank Holding Company Applicants. Applicants must insert required data into the chart for the four (4) most recently completed fiscal years to calculate the change over the fiscal years.</p> <p>Please note that Bank Holding Company Applicants must use the call report of the Bank Holding Company, not its bank subsidiary.</p> |   |
| <p><b>Steps</b></p>   |   |
| <p>Step 1</p>   | <p>Follow the directions in Option #1 and complete for all fiscal years in the RE Calculator.</p> |

|        |   |
|--------|---|
| Step 2 | Based on the inputs, Line H will generate available retained earnings available for Option #2.  |
| Step 3 | Enter amount of eligible retained earnings Matching Funds to be used in Line I (from Line G or Line H above) toward current FA award request. |

**Table 10: Bank/Banking Holding Company RE Calculator Option #3**

|   |  |
|---|--|
| <p><b>Option #3: Since Inception</b></p> <p>The regulations allow Banks and Bank Holding Companies to use retained earnings that have been accumulated since the inception of the Applicant. For this option, the CDFI Fund requires the Bank/Bank Holding Company to increase its deposits and/or total loans and leases in a one-to-one match to the “Since Inception” amount. The Since Inception Test includes three tests that occur during the application, review, and post-award phases. <b><u>Applicants are responsible for ensuring that they meet Tests 1 &amp; 2 in order to use “Retained Earnings Since Inception” as a Matching Funds source.</u></b></p> <p><b>Important Note for Bank Holding Company Applicants:</b> <u>For Test #1</u>, Bank Holding Company Applicants must <u>use the call report of the Bank Holding Company</u>, not its Bank subsidiary (call report figures needed to perform Test #1 will be automatically populated from data previously entered by the Applicant, as described below). <u>For Test #2</u>, Bank Holding Company Applicants must <u>use the call report of its Bank subsidiary</u>.</p> |  |
| <p><b>Test #1: Pre-Application Submission – completed by Applicant</b></p>  |  |
| <p><b>Test #1: Total Retained Earnings:</b> The Applicant ensures that its Adjusted Retained Earnings is greater than its Total FA Request Amount in order to move forward with the next Since Inception test.</p> <p><b>Pre-requisite:</b> The Applicant must complete the RE Calculator using the steps for Option #1 and/or Option #2 above.</p>   |  |
| Line K: Total FA Request Amount   | <ul style="list-style-type: none"> <li>Enter the Applicant’s Total FA Request Amount (sum of Base-FA, PPC-FA, and DF-FA award amounts).</li> </ul>   |
| Line L: Retained Earnings   | <ul style="list-style-type: none"> <li>Automatically populated from Line A (Line 16c from Holding Company report FR Y-9SP; Line 20d from Holding Company report FR Y-9LP; or Line 26a from Bank Call Report Schedule RC).</li> </ul> |
| Line M: Accumulated other comprehensive income  | <ul style="list-style-type: none"> <li>Automatically populated from Line B Line 16d from Holding Company report FR Y-9SP; Line 20e from Holding Company report FR Y-9LP; or Line 26b from Bank Call Report Schedule RC).</li> </ul>  |
| Line N: Adjusted Retained Earnings  | <ul style="list-style-type: none"> <li>Based on the inputs, Line N will generate the adjusted retained earnings amount for Option #3.</li> </ul>   |

|   |  |
|---|--|
| Line O: Since Inception Match Available | <ul style="list-style-type: none"><li>• Line O will display the Applicant’s eligibility to move forward to Test #2.</li><li>• <b>“Yes, move forward to Test 2”</b> – Indicates that the Applicant is eligible to move forward to Test #2.</li><li>• <b>“No, not eligible to use Since Inception option”</b> – Indicates that Adjusted Retained Earnings are less than or equal to the Applicant’s Total FA Request Amount; and therefore, the Applicant is not eligible to use Option #3 (Since Inception) as a Matching Funds source.</li></ul> |
|---|--|

**Test #2: Pre-Application Submission – completed by Applicant**

**Test #2: Annual Increase in Deposits and/or Loans:** The Applicant ensures that its deposits and/or total loans outstanding increased by 25% of its Total FA Request Amount, between December 31, 2020 and December 31, 2021 in order to move forward with the next Since Inception test.

REMINDER FOR BANK HOLDING COMPANY APPLICANTS: Must use the call report of the Bank subsidiary for this test.

**Pre-requisites:** Applicant must complete the RE Calculator and complete and pass Test #1 above.

|  |   |
|--|---|
| Line P: Schedule RC - Balance Sheet, Deposits: In domestic offices (December 31, 2020)         | <ul style="list-style-type: none"> <li>Enter Line 13a – Deposits: In domestic offices from <b><u>December 31, 2020</u></b> Bank Call Report.</li> </ul>   |
| Line Q: Schedule RC - Balance Sheet, Deposits: In domestic offices (December 31, 2021)         | <ul style="list-style-type: none"> <li>Enter Line 13a – Deposits: In domestic offices from <b><u>December 31, 2021</u></b> Bank Call Report.</li> </ul>   |
| Line R: Increase over the Past Year  | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the increase in deposits over the past year.</li> </ul>   |
| Line S: % of Award   | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the Increase over the Past Year/Total FA Request Amount.</li> </ul>   |
| Line T: Minimum Threshold Met  | <ul style="list-style-type: none"> <li>Line S will indicate if the Applicant’s increase in deposits over the past year represents at least 25% of the Total FA Request Amount.</li> <li><b>“Yes, eligible to move to Test 3”</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission. The Applicant does not need to complete the remainder of the RE Calculator (Lines U-Z).</li> <li><b>“No”</b> – Indicates that deposits did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant must proceed with completing the RE Calculator, specifically Section II: Loans &amp; Leases (Lines U-Y).</li> </ul> |
| Line U: Schedule RC - Balance Sheet, Loans and lease financing receivables (December 31, 2020) | <ul style="list-style-type: none"> <li>Use Line 4d - Loans and leases held for investment, net of allowance from <b><u>December 31, 2020</u></b> Bank Call Report.</li> </ul>   |

|   |  |
|---|--|
| Line V: Schedule RC - Balance Sheet, Loans and lease financing receivables (December 31, 2021)                  | <ul style="list-style-type: none"> <li>Use Line 4d - Loans and leases held for investment, net of allowance from <b><u>December 31, 2021</u></b> Bank Call Report.</li> </ul>  |
| Line W: Increase over the Past Year   | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the increase in loans over the past year.</li> </ul>   |
| Line X: % of Award  | <ul style="list-style-type: none"> <li>Based on the inputs, the RE Calculator will automatically calculate and populate the Increase over the Past Year/Total FA Request Amount.</li> </ul>  |
| Line Y: Minimum Threshold Met   | <ul style="list-style-type: none"> <li>Line Y will indicate if the Applicant's increase in loans over the past year represents at least 25% of the Total FA Request Amount.</li> <li><b>"Yes, eligible to move to Test 3"</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission.</li> <li><b>"No"</b> – Indicates that loans did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant must refer to Line Z to determine final eligibility to use Option #3.</li> </ul>   |
| Line Z: Minimum Threshold Met   | <ul style="list-style-type: none"> <li>Line Z will indicate if the Applicant's increase in deposits <b>and</b> loans over the past year represents at least 25% of the Total FA Request Amount.</li> <li><b>"Yes, eligible to move to Test 3"</b> – Indicates that the Applicant is eligible to move to Test #3, which will be completed by the CDFI Fund after Application submission. Applicant must insert amount of retained earnings to be used toward current FA award request in Line J.</li> <li><b>"No, not eligible to use Since Inception option"</b> – Indicates that deposits and loans did not increase by at least 25% of the Total FA Request Amount over the past year. Applicant is not eligible to use Option #3 (Since Inception) as a Matching Funds source.</li> </ul> |
| <b>Test #3: Post-Application Submission – completed by CDFI Fund</b>  |  |
| <i>The following test (Test #3) occurs after Application submission and will be completed by the CDFI Fund.</i> |  |
| Test conducted by CDFI Fund staff   | <ul style="list-style-type: none"> <li>Occurs prior to issuing an Assistance Agreement, if the Applicant is selected to receive a FA award.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>In order to receive an initial award payment, the Award Recipient must increase deposits and/or total loans outstanding by the amount of the award being matching by retained earnings accumulated since inception. This increase (1) will be measured on a quarterly basis from March 31, 2022; (2) must occur by December 31, 2023; and (3) will be based on amounts reported in the call report.</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>The CDFI Fund will use the Applicant's call reports to verify all changes to deposits and/or total loans outstanding. (If the Applicant is a Bank Holding Company, the CDFI Fund will review the call report of the Bank subsidiary.)</li> </ul>  |