Community Development Financial Institutions Fund

United States Department of the Treasury

Agency Financial Report
FY 2014

Table of Contents

Message from the Acting Director

I am pleased to present the fiscal year (FY) 2014 Agency Financial Report for the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund). In addition to all that we have achieved this fiscal year, we continue to demonstrate our commitment to sound financial management, having obtained an unmodified opinion on our financial statements from independent auditors, with no material weaknesses.

I would like to thank the staff of the CDFI Fund for their exceptional dedication and hard work throughout the fiscal year. Without them, none of the accomplishments highlighted in this report would have been possible.

In August 2014, the CDFI Fund announced the FY 2014 awards for the Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program). The awards totaled over $195 million, of which $183.2 million in awards was made under the CDFI Program (including $22.4 million in awards through the Healthy Food Financing Initiative) and $12 million under the NACA Program —to 197 organizations serving low-income and Native communities across the country. The CDFI Fund received a combined total of 411 applications requesting a combined total of over $500 million for CDFI Program and NACA Program awards.

The demand for our Bank Enterprise Award (BEA) Program also continues to remain strong. The BEA Program complements the community development activities of insured depository institutions by providing financial incentives to expand investments in and provide support to CDFIs and to increase lending, investment, and service activities in economically distressed communities. In October 2013, the CDFI Fund announced awards totaling approximately $17 million to 85 FDIC-insured depository institutions through the FY 2013 funding round of the BEA Program.

In addition, in September 2014, the CDFI Fund announced awards totaling nearly $17.9 million to 69 FDIC-insured depository institutions through the FY 2014 funding round of the BEA Program. The FY 2014 BEA Program awardees were selected after a comprehensive review of 98 applications from FDIC-insured depository institutions across the nation that requested more than $211 million in funding.

In July and August, 2014, the CDFI Fund completed final closing on four bonds transactions and the Secretary issued the corresponding four guarantees under the FY 2013 application round of the new CDFI Bond Guarantee Program, totaling $325 million, with initial disbursements beginning immediately thereafter. In May, 2014, the CDFI Fund published a Notice of Guarantee Availability (NOGA) for the FY 2014 application round – making available up to $750 million in guarantee authority -- and received three applications seeking a total of $415 million in guarantees. In September, 2014, the CDFI Fund closed four additional bond transactions and the Secretary issued the corresponding four guarantees, totaling $200 million. The CDFI Bond Guarantee Program terminated on September 30, 2014, pursuant to its authorizing legislation.

Also, in the second quarter of FY 2014, the CDFI Fund selected 87 Community Development Entities to receive tax credit allocation authority totaling $3.5 billion, through the calendar year (CY) 2013 round of the New Markets Tax Credit Program (NMTC Program). The CDFI Fund has now awarded $40 billion in tax credit authority through 11 application rounds of the program. In CY 2013, the CDFI Fund received 310 applications requesting an aggregate total over $25.9 billion in NMTC allocation authority.

We continued to seek opportunities throughout the organization to incorporate risk assessment into all of our operations to ensure that we make the best award decisions, while ensuring that those organizations that receive financial support, are fully meeting their obligations.

In addition to these programmatic accomplishments, there were a number of other important FY 2014 milestones that I would like to highlight:

- The CDFI Fund awarded a contract and began implementation for the Awards Management Information System – a cloud-based enterprise software platform that will replace and modernize virtually the entire office's IT infrastructure over the next several years;
- The CDFI Fund published the Interim Impact Assessment for the Capital Magnet Fund Program, demonstrating that the FY 2010 awards have facilitated the development of more than 500 homeowner-occupied homes and more than 6,300 rental homes for low- and moderate-income families;
- Two independent consulting organizations completed the CDFI Program Evaluation with the key finding that the CDFI Program and its awardees are meeting the statutory goals of the program to promote economic and community development through lending in underserved and distressed communities. CDFI Program awardees have grown substantially and performed well, even in the aftermath of the recession. Moreover, the studies document that CDFI depository institutions exhibit no greater risk of failure than mainstream financial institutions, and they are efficient in providing services, despite serving more distressed communities; and
- The CDFI Fund has continued work on the "Access to Capital and Credit in Native Communities" study. The final study will provide an assessment of access to capital and credit in Native Communities.

As each of these achievements clearly demonstrates, the CDFI Fund continues to succeed in its mission to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the Unites States.

Dennis E. Nolan

Acting Director
Community Development Financial Institutions Fund
November 12, 2014

Community Development Financial Institutions Fund Overview

Overview

In 1994, the Community Development Financial Institutions Fund (CDFI Fund) was created for the purpose of promoting economic revitalization and community development through investment in and assistance to Community Development Financial Institutions (CDFIs). Since 1996, the CDFI Fund has administered the Community Development Financial Institutions Program (CDFI Program) and the Bank Enterprise Award Program (BEA Program) to help build the capacity of CDFIs, increase investment in CDFIs, and increase community development lending, investments, and service-related activities in distressed communities, respectively. The CDFI Fund's role in promoting community and economic development was expanded in FY 2001 when the Secretary of the Treasury delegated to the CDFI Fund the responsibility of administering the New Markets Tax Credit Program (NMTC Program). The breadth and depth of the CDFI Fund's reach was further expanded in FY 2008, with the enactment of legislation that created the Capital Magnet Fund (CMF), and again in FY 2010 with the enactment of legislation that created the CDFI Bond Guarantee Program.

Since its creation in 1994, the CDFI Fund has awarded more than $2.1 billion to CDFIs, community development organizations, and financial institutions through the CDFI Program, the BEA Program, and the Native Initiatives, which includes the Native American CDFI Assistance Program (NACA Program). Further, the CDFI Fund has allocated $40 billion in tax credit authority to Community Development Entities (CDEs) through the NMTC Program, and closed guaranteed bonds in the total amount of $525 million through the CDFI Bond Guarantee Program.

Authorizing Legislation

The CDFI Fund was established as a bipartisan initiative under the Riegle Community Development and Regulatory Improvement Act of 1994, which authorized the CDFI Program and BEA Program. The NMTC Program was authorized by the Community Renewal Tax Relief Act of 2000. The FEC Pilot Program and the CMF were authorized by the Housing and Economic Recovery Act of 2008. The CDFI Bond Guarantee Program was authorized by the Small Business Jobs Act of 2010.

CDFI Fund's Vision and Mission

The CDFI Fund's vision is to economically empower America's underserved and distressed communities. Its mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States. The CDFI Fund achieves its purpose by promoting access to capital and local economic growth through the following programs:

> ***Community Development Financial Institutions Program***, which provides Financial Assistance awards to institutions that are certified as CDFIs and Technical Assistance grants to certified CDFIs

and entities that will become certified as CDFIs within two years in order to sustain and expand their services and to build their technical capacity;

Native Initiatives, which includes the Native American CDFI Assistance Program (NACA Program), providing Financial Assistance and Technical Assistance awards to CDFIs serving Native American, Alaskan Native and Native Hawaiian communities (Native Communities) to sustain and expand their services and to build their technical capacity, and training opportunities through the Capacity Building Initiative;

New Markets Tax Credit Program, which provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling investors to claim tax credits against their federal income taxes, with investment proceeds used for community development purposes;

Bank Enterprise Award Program, which provides monetary awards to federally insured banks and thrifts for increasing investments in distressed communities and/or CDFIs;

CDFI Bond Guarantee Program, through which the Secretary provides guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes and;

Capital Magnet Fund, which provided grants for CDFIs and other non-profits to finance the development, rehabilitation, preservation, and purchase of affordable housing and community development facilities for low-income families and communities.

What is a CDFI?

Providing access to affordable financial products and services in underserved communities is a vital part of the CDFI Fund's mission. By building the capacity of a nation-wide network of specialized financial institutions serving economically distressed communities, low-income people are empowered to enter the financial mainstream. The community-based organizations that make this possible are called Community Development Financial Institutions — or CDFIs — and they are dedicated to serving market niches that are often underserved by traditional financial institutions. The first step to utilizing many of the CDFI Fund's programs is CDFI certification. For example, only financial institutions certified by the CDFI Fund can receive Financial Assistance awards through the CDFI Program and the NACA Program. Technical Assistance awards are available through both programs to certified CDFIs and entities that propose to become certified CDFIs.

CDFIs provide a range of financial products and services that help their customers build wealth and achieve the goal of participating in the ownership society. While the types of products made available are generally similar to those provided by mainstream financial institutions (such as mortgage financing for low-income and first-time homebuyers, small business lending, and lending for community facilities), CDFIs may offer rates and terms that are more flexible to low- income borrowers and small businesses. CDFIs also provide services that help ensure that credit is used effectively, such as technical assistance to small businesses, and home buying and credit counseling to consumers. In addition, CDFIs often lend to and make equity investments in markets that may not be served by mainstream financial institutions. CDFIs include depository institutions, such as community development banks and credit unions, and non-depository institutions, such as loan funds and venture capital funds.

CDFI Customers

CDFIs serve a wide range of customers, including (among others):

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

Certification of Community Development Financial Institutions and Community Development Entities

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

1) Be a legal entity;
2) Have a primary mission of promoting community development;
3) Serve principally an investment area or targeted population;
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 and not be controlled by any governmental entities.

CDFI certification is a requirement for accessing Financial Assistance awards through the CDFI Program and the NACA Program, and certain benefits through the BEA Program. In addition, CDFI certification is required for CDFIs to access funding of Eligible CDFIs in order to borrow Bond Loans through the CDFI Bond Guarantee Program. During FY 2014, the CDFI Fund certified 145 new CDFIs. The total number of certified CDFIs as of the end of FY 2014 was 917. CDFIs are headquartered in all 50 states, the District of Columbia, Guam, and Puerto Rico.

A Community Development Entity (CDE) is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities through the NMTC Program. To be certified as a CDE, organizations must demonstrate a primary mission of serving low-income communities and low-income people, and must demonstrate that they are accountable (through representation on a governing board or advisory board) to residents of low-income communities. CDEs are certified as such by the CDFI Fund and are eligible to apply for allocations of tax credit authority through the NMTC Program.

Many CDEs create multiple subsidiary CDEs to own specific assets or classes of assets; as a result, 820 new CDEs were certified in FY 2014. Benefits of CDE certification include being able to: (1) apply to the CDFI Fund to receive an allocation of NMTC authority to offer to investors in exchange for equity investments in the CDE and/or its subsidiaries; or (2) receive loans or investments from other CDEs that have received NMTC authority. As of September 30, 2014, the total number of certified CDEs was 7,397. CDEs are headquartered in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Breakdown of Types of Certified CDFIs

There are four main types of CDFIs, each providing a different mix of products geared to reach specific customers:

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

Compliance Monitoring and Evaluation

The CDFI Fund is committed to ensuring that those organizations that participate in its programs are fully accountable for achieving objectives outlined in award agreements. In FY 2014, the CDFI Fund continued to develop a risk-based approach to enhance the effectiveness of monitoring activities while balancing reporting burden on the public. A risk-based approach will allow for the efficient allocation of resources to be dedicated to those organizations most likely to have difficulty complying with award agreements.

In FY 2014, the CDFI Fund took several important steps in order to ensure that its compliance management function will be a robust effort that includes the following:

- Completion of a risk-based scorecard that will be implemented in FY 2015, allowing the CDFI Fund to focus its compliance resources on those awardees deemed highest risk and
- Reviewing reports with a 90-day performance metric for compliance reports from awardees and allocatees.

As noted elsewhere in this document, the CDFI Fund began implementation of an Awards Management Information System (AMIS) in FY 2014, with anticipated full deployment in FY 2016. AMIS will replace legacy business systems used by the CDFI Fund for its business processes. For compliance management, AMIS will electronically perform compliance testing for Performance Goals and Measures required by assistance and allocation agreements and provide reports of exceptions on a timely basis both to CDFI Fund compliance staff and to awardees and allocatees.

When AMIS is fully implemented, electronic compliance testing will enable CDFI Fund compliance staff to perform more thorough compliance analysis, through expanded desk reviews of awardee financial and programmatic data and on-site reviews of awardee accomplishments.

Allocation of CDFI Fund Funding

The CDFI Fund's appropriations comprise program funds and administrative funds. Program funds are used for program awards (such as grants, loans, deposits, equity investments, and capacity building / training contracts); administrative funds are used to cover the costs to administer all programs, including the NMTC Program and the CDFI Bond Guarantee Program. As NMTC allocations are not monetary awards, they are not reflected in the chart below. NMTC Program administrative expenses are included in the administration costs below.

In FY 2014, the CDFI Fund's budgetary allocation of $226.0 million in appropriated funds are as follows:

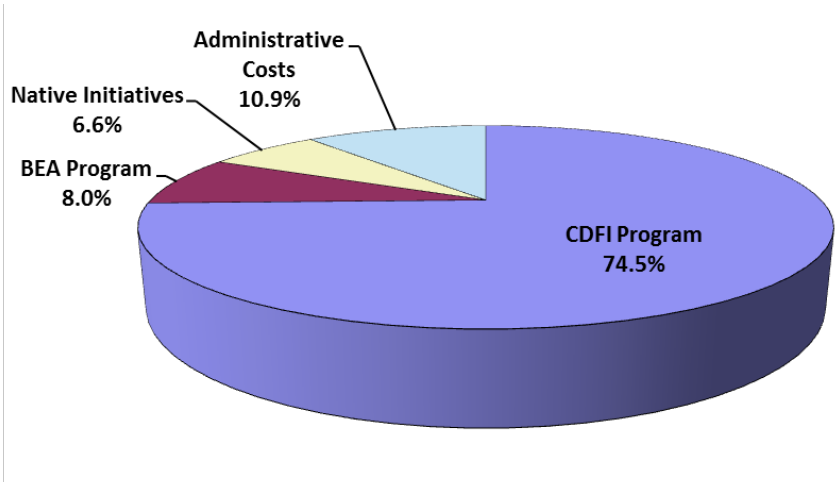
Funding Allocation
(Amounts in Millions)

	FY2014	**FY2013**
Amounts Funded:		
CDFI Program	168.4	159.2
BEA Program	18	17
Native Initiatives	15	11.4
NMTC Program & Administrative Cost	24.6	21.8
Total Amounts Funded	226	209.4
Less Amounts Not Obligated [1]	10.9	24.8
Total Funding Used	215.1	184.6

[1] In FY 2013, the CDFI Fund carried over $24.8 million, which included $ 1.3 million from the CDFI Program (this includes unobligated balances from HFFI and the Subsidies for Direct Loans), $17.0 million from the BEA Program, $0.6 million from the NACA Program, and $5.9 million for Program Administration.

In FY 2014, the CDFI Fund carried over $10.9 million, which included $0.8 million from the CDFI Program (this includes unobligated balances from HFFI and the Subsidies for Direct Loans), $0.1 million from the BEA Program, $3.7 million from the NACA Program, and $6.3 million for the Program Administration.

Percent of Amounts Funded in FY 2014



Sources of Funding

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

Sources of CDFI Fund Funding
(Amounts in Millions)

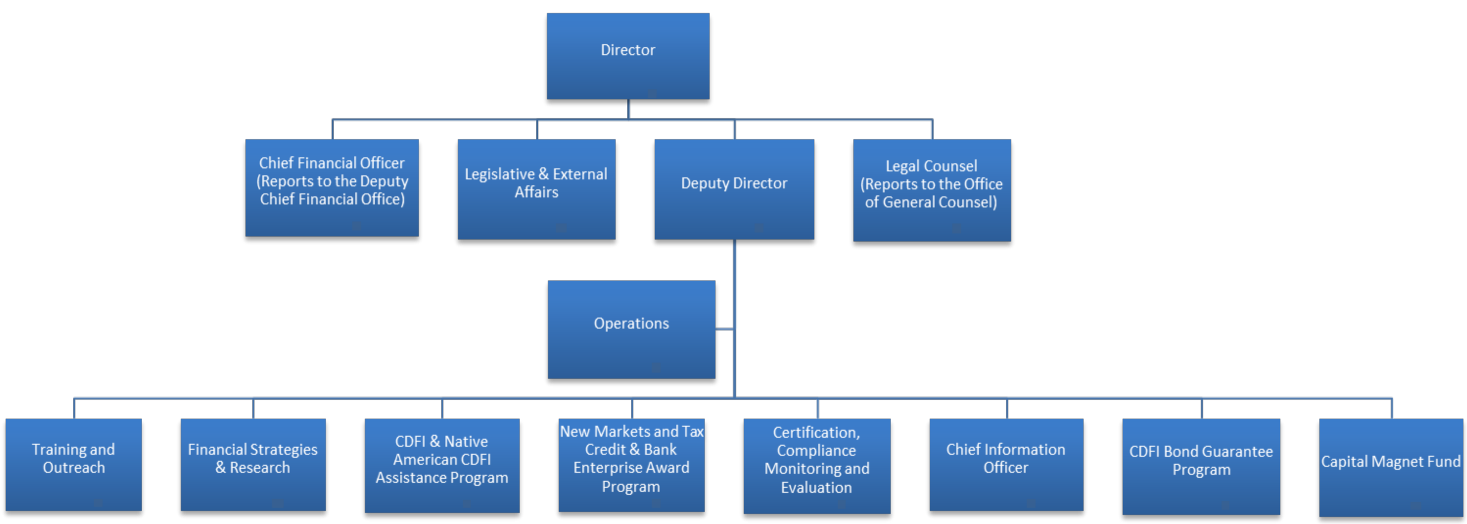
	FY 2014	FY 2013
Budgetary Appropriations	$226.00	$209.40
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	4.2	6.6
Carryover from Prior Year	24.8	31.7
Spending Authority from Offsetting Collections	0.2	0.2
No-Year Funds	4	4
Borrowing Authority Used	57.3	9.8
Total Sources of Funds	**$316.50**	**$261.70**

Note: The above amounts do not include credit subsidy re-estimates.

Organization of the CDFI Fund

The CDFI Fund's organizational structure consists of the following offices and programs: Director; Deputy Director; Legislative and External Affairs; Legal Counsel; Chief Financial Officer; CDFI and Native American CDFI Assistance Programs; Operations; NMTC and BEA Programs; Capital Magnet Fund; Certification, Compliance Monitoring, and Evaluation; Financial Strategies and Research; Training and Outreach; Chief Information Officer; and CDFI Bond Guarantee Program. The organization chart of the CDFI Fund is shown below.

Community Development Financial Institutions Fund
Organizational Chart
September 2014



Program Discussion and Analysis

Community Development Financial Institutions Program

Through the Community Development Financial Institutions Program (CDFI Program), the CDFI Fund uses Federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for Financial Assistance (FA) and Technical Assistance (TA). CDFIs use FA awards to further goals such as:

- Economic development (job creation, business development, and commercial real estate development);

- Affordable housing (housing development and homeownership); and

- Community development financial services (provision of basic banking services and financial literacy training to underserved communities).

In FY 2014, the CDFI Program announced awards totaling $183.2 million to CDFIs - $160.8 million in CDFI Fund Program awards and $22.4 million in Healthy Food Financing Initiative (HFFI) awards. The CDFI Program used $4.3 million of the FY 2013 funds and $145.1 million of the FY 2014 funds for $149.4 million in FY 2014 awards. The HFFI-FA Program used $0.4 million of the FY 2013 funds and $22 million of the FY 2014 funds for $22.4 million in FY 2014 awards.

CDFI Program: Financial Assistance

The CDFI Program consists of three components, FA awards, HFFI awards, and TA awards. The FA component is by far the most subscribed and consists of two categories: Category 1 – Small and Emerging CDFI Assistance (SECA); and Category 2 – Core. Through the CDFI Program, the CDFI Fund invests in CDFIs that provide financing and related services to communities and populations lacking access to credit, capital, and financial services.

Applicants to the CDFI Program must demonstrate they have the financial and managerial capacity to make significant impact in the communities they serve. Applicants must: 1) be able to provide affordable and appropriate financial products and services; 2) be a viable financial institution; 3) be able to use CDFI Program awards effectively; and 4) have the ability to leverage their awards with non- Federal funding.

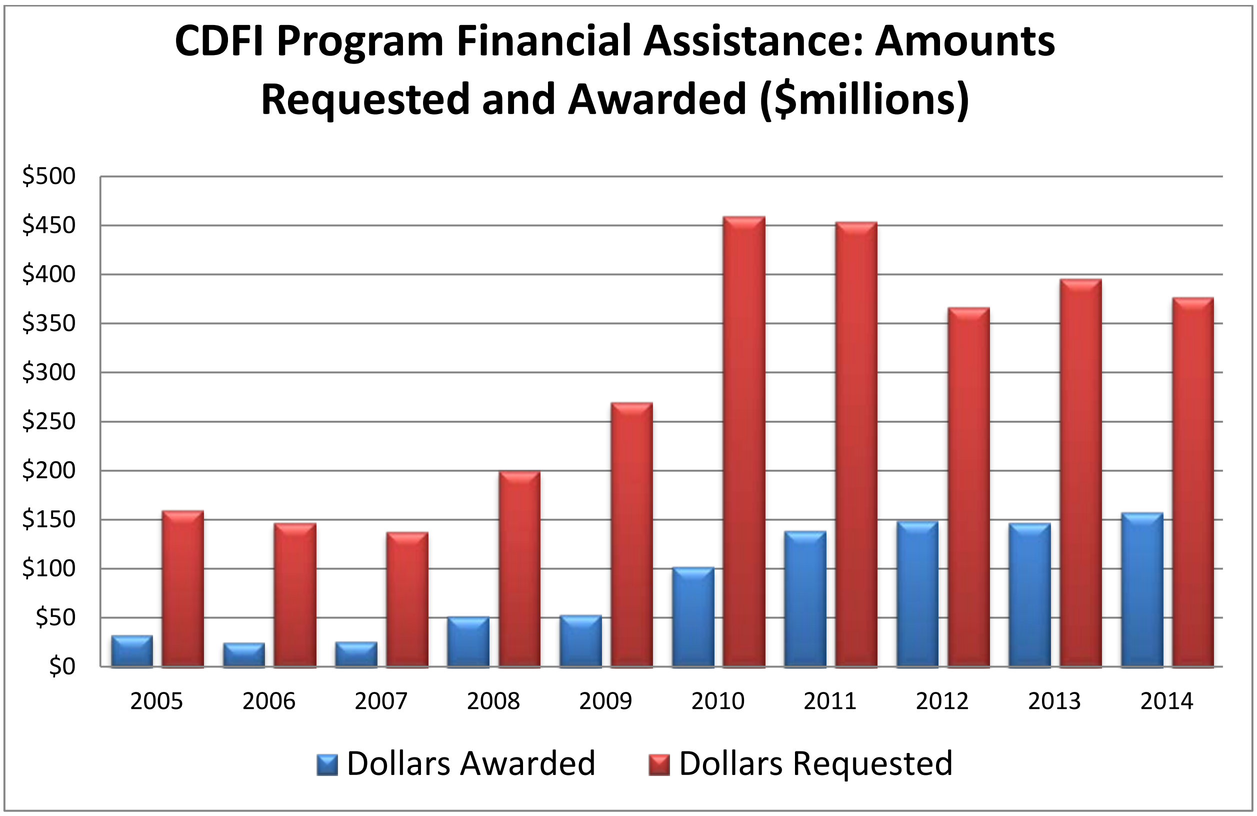
The CDFI Program makes FA awards in the form of equity investments, loans, deposits, and grants; the CDFI awardee is required to match its FA award dollar-for-dollar with non-Federal funds of the same type as the award itself. This requirement enables CDFIs to leverage private capital to meet the demand for affordable financial products and services, including loans, investments, training, and basic financial services such as checking or savings accounts, in economically distressed communities.

FY 2014 CDFI Program FA Awards

In FY 2014, the Financial Assistance component received eligible applications from 275 organizations, requesting $385.8 million in FA awards, including 69 SECA applicants requesting $45.6 million and 206 Core applicants seeking $340.2 million.

The CDFI Fund awarded a total of $158.2 million to 130 organizations in FY 2014, including 37 SECA awards totaling $17.6 million and 93 Core awards totaling $140.6 million.

The following graph shows the total amount of FA funds requested and awarded since FY 2005. The CDFI Program has consistently received more applications than it can fund.



Healthy Food Financing Initiative

In FY 2011, the CDFI Fund launched the new Healthy Food Financing Initiative (HFFI) in coordination with efforts being undertaken by the U.S. Department of Agriculture (USDA) and the U.S. Department of Health and Human Services (HHS), and provided FA awards through the CDFI Program to support the initiative. The HFFI represents the Federal government's first coordinated step to eliminate "food deserts" – low-income urban and rural areas in the United States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products; developing and equipping grocery stores; and strengthening producer-to-consumer relationships. In addition, the HFFI is part of a larger effort to create quality jobs and promote comprehensive community development strategies to revitalize distressed neighborhoods into healthy and vibrant communities of opportunity. FA awards made through the HFFI 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.

In FY 2014, the CDFI Fund announced more than $22.4 million in HFFI awards through the CDFI Program to 12 organizations to finance healthy food activities. These CDFIs will use the funds to enhance their capacity to make investments in a range of healthy food projects serving food deserts, including grocery stores, mobile food retailers, farmers markets, cooperatives, corner stores, bodegas, and stores that sell other food and non-food items along with a full range of healthy foods. The awardees were located in eight states: California, Colorado, Maine, Massachusetts, Mississippi, New York, Pennsylvania, and Virginia.

In FY 2014, 17 prior HFFI awardees reported 100 HFFI investments totaling $50,281,657. Fifty-nine were retail investments totaling $40,837,599 that developed 1,037,089 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 41 non-retail investments totaling $9,444,058 in projects involving production and distribution, which developed 1,220,423 square feet of space for eligible healthy food activities.

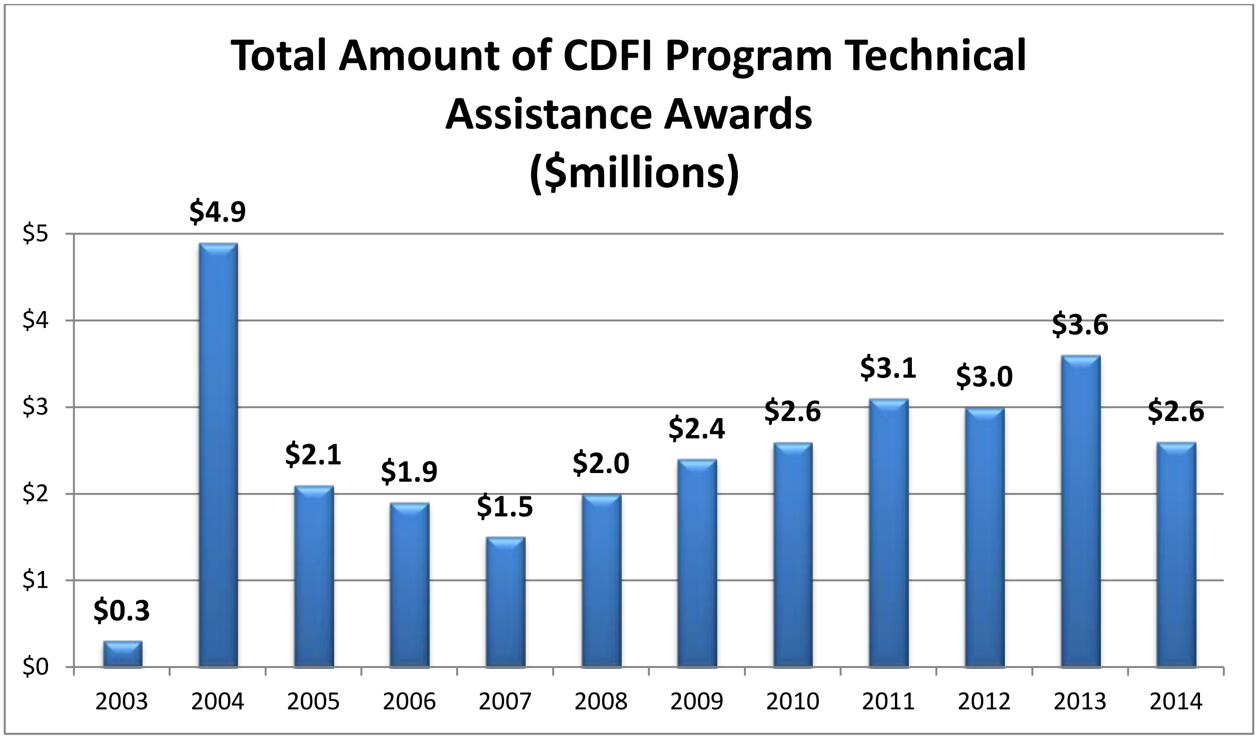
CDFI Program: Technical Assistance

Through the Technical Assistance (TA) component of the CDFI Program, the CDFI Fund provides grants to build the capacity of both start-up and existing CDFIs. TA grant funds can be used for items such as staff salaries, benefits, staff training, professional services, supplies, and equipment. Applicants often request funds to analyze their target markets, develop lending policies and procedures, or to build staff lending capacity. There is no matching requirement for applicants seeking TA.

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

FY 2014 CDFI Program TA Awards

In FY 2014, the CDFI Fund received 61 applications requesting a total of more than $7.4 million in TA grants. Twenty-two organizations received awards totaling $2.6 million. The following graph shows the total amount of TA awards since 2003.



CDFI Program Performance

CDFI Program awardees report their annual performance to the CDFI Fund through the CDFI Fund's Web-based reporting system, the Community Investment Impact System (CIIS). Each awardee has 180 days from its fiscal year end to report through CIIS. This time allows the awardee to complete its annual audit and enables the CDFI Fund to verify reported information against the audit.

The FY 2014 performance information provided here pertains to each awardee's performance results for FY 2013. Please note that the lag in performance reporting reflects the time it takes to deploy funds and make investments for which actual and projected results can be estimated. The delay in performance reporting reflects the length of time from notice of award to award disbursement, the time it takes for an awardee to deploy the funds, and the additional time it takes to compute and report awardee impact information to the CDFI Fund's CIIS reporting system. The FY 2014 performance results reported in the table below reflect program outcomes and activities for 2013 and are based on information entered into CIIS by reporting CDFI Program awardees.

In FY 2014, CDFI awardees reported originating loans or investments totaling nearly $2.8 billion, based on their portfolio of activities in 2013. This includes $565 million for home improvement and purchase loans, $643 million for business and microenterprise loans, and $668 million for residential real estate transactions. These data on the amount and number of loans or investments originated provide baselines for benchmarking and targeting program performance in the forthcoming fiscal year. In addition, real estate loans financed 28,617 affordable housing units, including 25,662 rental units and 2,955 owner units. CDFIs also provided financial products and services to "unbanked" and underserved individuals by maintaining 8,401 CDFIs reported providing financial literacy counseling and other training opportunities to 252,552 individuals. Finally, loans and investments originated by CDFIs over the last three years were located in more than 26 percent of eligible census tracts.

Annual Performance of CDFI Program Awardees for FY2014[1] (Based on Program Activities Reported in 2013)

	Amount
Lending and Investing Activity	
Amount of Total Loans/Investments Originated	**$2,759,152,949**
Number of Total Loans/Investments Originated	28,117
Business and Microenterprise Originations	**$643,338,268**
Number of Originations	12,035
Consumer Originations	**$19,531,162**
Number of Originations	3,941
Home Improvement and Home Purchase Originations	**$565,338,116**
Number of Originations	8,428
Residential Real Estate Originations	**$668,079,808**
Number of Originations	1,231
Commercial Real Estate Originations	**$497,509,086**
Number of Originations	830
All Other Originations	**$365,356,509**
Number of Originations	1,652
Affordable Housing Units Financed	**28,617**
Rental Units	25,662
Owner Units	2,955
Business Financed[2]	**9,388**
Percent of Eligible Areas Served[3]	**26.40%**
Financial Access and Literacy	
Open Individual Development Accounts	8,401
Dollars Saved in Individual Development Accounts	$6,617,451
Individuals Served by Financial Literacy or Other Training	252,552

[1] Data does not include NACA program award outcomes which are separately tabulated.

[2] This number reflects netting out businesses that received more than one loan

[3] Defined as the percentage of all eligible Census tracts receiving at least one origination in the past *three* calendar years

CDFI Program Evaluation: The CDFI Program Evaluation was completed by two independent consulting groups.

The Carsey Institute conducted an analysis of CDFI Program awardees to evaluate the financial and social impact of the program. The key findings from the Carsey Institute indicate that:

- CDFI Program awardees are meeting the statutory purposes of the CDFI Fund to promote economic revitalization and community development through the provision of credit, capital and financial services to underserved populations and communities in the United States.
- CDFIs are concentrating lending activity in census tracts with signs of distress such as high poverty or unemployment rates much more so than conventional lenders.
- Depending on loan purpose, CDFIs are delivering from roughly two-thirds to over 90 percent of loan volume to borrowers such as low-income households and business owners, minorities, "unbanked" borrowers, first-time homebuyers, nonprofit or tribal organizations, female-headed households or borrowers living in a CDFI Fund designated Investment Area[1].
- The CDFI industry has grown substantially, leveraging investment and increasing its lending activity even in the face of a recession and dramatic changes in the financial environment.
- CDFIs are meeting needs for financing with "plain vanilla" products that minimize risks to the borrower.

Socratic Solutions conducted an analysis of regulated CDFIs to assess first, whether there are statistically significant differences in the systemic risks of financial failure of CDFIs relative to mainstream financial institutions, and second whether there were differences in operating efficiencies between CDFIs and mainstream financial institutions. The key findings from the Socratic Solutions report indicate that:

- CDFI credit unions and banks were found to have no more risk of financial failure than other financial institutions.
- There is a greater risk of failure for mainstream banks that are more centrally connected in a mortgage market network, but less risk for CDFI banks that tend to dominate their markets.
- Neither the degree of network connectedness or dominance in their market to influenced the likelihood of risk for credit unions.
- CDFI depository institutions had virtually the same level of performance in terms of efficiency as mainstream financial institutions.

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[1] Investment areas are defined in the *Code of Federal Regulations* at 12 C.F.R. §1805.201(b)(3)(ii). A CDFI Investment Area is defined as a geographic unit (or contiguous geographic units), such as a census tract, located within the United States, that meets at least one of the following criteria:

• Has a population poverty rate of at least 20 percent;
• Has an unemployment rate 1.5 times the national average;
• For a metropolitan area has a median family income (MFI) at or below 80 percent of the greater of either the metropolitan or national metropolitan MFI;
• For a non-metropolitan area that has an MFI at or below 80 percent of the greater of either the statewide or national non-metropolitan MFI;
• Is wholly located within an Empowerment Zone or Enterprise Community; or
• Has a county population loss greater than or equal to 10 percent between the two most recent census periods for Metro areas or five percent over last five years for Non-Metro areas.

Native Initiatives

The Native Initiatives were created to increase opportunities for Native American, Alaska Native and Native Hawaiian communities (Native Communities) to access credit, capital, and financial services by creating or expanding CDFIs primarily serving those communities. The Native Initiatives have two main components: the Native American CDFI Assistance Program (NACA Program) and training opportunities available through the Capacity Building Initiative (CBI).

The initiative was established after the CDFI Fund published the “Native American Lending Study” in November 2001, which evaluated access to credit, capital, and financial services in Native Communities. The study affirmed the importance of developing Native CDFIs to play a key role in the broader effort to lead Native Communities into the nation’s economic mainstream. Congress subsequently specified that the CDFI Fund use certain amounts of its annual appropriations to facilitate the development of Native CDFIs.

A Native CDFI is a CDFI that is created to primarily serve the needs of Native Communities. As of September 30, 2014, there were 71 certified Native CDFIs.

Native CDFIs focus, largely, on two different financial sectors: 1) affordable housing (housing development and homeownership); and 2) economic development (job creation, business development, and commercial real estate development). Some Native CDFIs serve as national or regional intermediaries, providing financial products and services to local Native CDFIs and other community development organizations.

NACA Program FY 2014

Through the Native American CDFI Assistance (NACA) Program, the CDFI Fund provides two types of funding: 1) Financial Assistance (FA) awards which are only available to certified Native CDFIs and 2) Technical Assistance (TA) grants, which are available to certified Native CDFIs, Emerging Native CDFIs, and Sponsoring Entities.

FA awards are primarily used for financing capital. FA awards are made in the form of loans, grants, deposits, and equity investments to support the certified Native CDFIs’ financing activities, and require the Native CDFI to match the CDFI Fund's award dollar-for-dollar with funds from a non-Federal source. TA grants are generally used to acquire products or services including computer technology, staff training, and professional services, such as market analysis, and support for other general capacity- building activities. TA grants do not have a matching funds requirement. NACA awardees use their awards to increase their capacity to serve their target market and/or to create/become certified CDFIs.

The performance results reported by NACA Program awardees in FY 2014 show Native CDFIs originated loans or investments totaling $100.5 million based on their portfolio of activities in 2013.
In FY 2014, the CDFI Fund received 46 NACA eligible applications requesting more than $22 million for both FA and TA funding. The CDFI Fund awarded 33 organizations a total of $12.2 million for both FA and TA funding in FY 2014.

FY 2014 NACA Program FA Awards

In FY 2014, the CDFI Fund awarded 20 Native CDFIs approximately $10.4 million in NACA FA funds. Similar to the CDFI Program, the CDFI Fund invests in Native CDFIs that provide financing and related services to Native communities and populations lacking access to credit, capital, and financial services.

Applicants for FA funds under the NACA Program must demonstrate they have the financial and managerial capacity to make significant impact in the communities they serve. A successful applicant must: 1) be able to provide affordable and appropriate financial products and services; 2) be a viable financial institution; 3) be able to use NACA Program awards effectively; and 4) have the ability to leverage its awards with non-Federal funding.

The NACA Program makes FA awards in the form of equity investments, loans, deposits, and grants; the Native CDFI is required to match its FA award dollar-for-dollar with non-Federal funds of the same type as the award itself. This requirement enables Native CDFIs to leverage private capital to meet the demand for affordable financial products and services, including loans, investments, training, and basic financial services such as checking or savings accounts, in economically distressed Native communities.

NACA Program: Technical Assistance Grants

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

FY 2014 NACA Program TA Awards

In FY 2014, 13 organizations received TA awards totaling $1.8 million. Of those organizations, nine were loan funds, two were credit unions and two were sponsoring entities. Below is a chart of the NACA Program/TA use of funds categories.

FY 2014 NACA Program Technical Assistance Uses of Funds Categories

Category	Amount	Percent of Total
Personnel (Salary)	$1,079,999	58%
Personnel (Fringe Benefits)	$240,955	13%
Training	$53,058	3%
Travel	$119,001	7%
Professional Services	$285,016	15%
Equipment & Other Capital Expenditures	$70,668	4%
Total	**$1,848,697**	**100%**

Native Initiatives Training

Through the CBI, the CDFI Fund engaged a contractor to provide the resources for Native CDFI leaders to identify and address critical challenges of their organization. Please see *The Leadership Journey II: Continuing Native Growth and Excellence* in the Capacity Building section for more information.

Capacity Building Initiative

The Capacity Building Initiative is the CDFI Fund's primary means of developing the nation's CDFI industry. Through the Capacity Building Initiative, both certified CDFIs and emerging CDFIs nationwide are eligible to access targeted training and technical assistance. Industry-wide training targets key issues currently affecting CDFIs and the communities they serve, including affordable housing and business lending, portfolio management, risk assessment, foreclosure prevention, general business operations, and liquidity and capitalization challenges. Training is offered at locations where CDFIs work, and technical assistance is often provided on-site. Capacity building plans are designed around the specific needs of participating CDFIs. All CDFIs are able to take advantage of online resource banks hosted on the CDFI Fund website.

Specific training series launched or ongoing in FY 2014 include:

- The *Leadership Journey II: Continuing Native Growth and Excellence* series, provided by NeighborWorks® America. This series supports the continued growth and long-term sustainability of experienced Native CDFIs by providing the forum, tools, and resources for Native CDFI leaders to identify and address the critical challenges of their organizations. Since inception, 26 participants attended The Leadership Journey II training events, 21 participated in webinars, and 13 CDFIs received technical assistance.

- The *Strengthening Small and Emerging CDFI* series, provided by Opportunity Finance Network. The series expands the capacity of small and emerging CDFIs through a comprehensive training and technical assistance program. Since inception, 122 participants attended the Small and Emerging CDFI training events, 517 participated in webinars, and 29 CDFIs received technical assistance.

- The *Financing Community Health Center* series, provided by Opportunity Finance Network. The series provides advanced training and technical assistance, including one-on-one assistance, and an advanced forum for peer learning for CDFIs to establish and improve services that are critical to the needs of community health centers in an evolving environment. Since inception, 125 participants attended the Financing Community Health Center training events, 73 participated in webinars, and 9 CDFIs received technical assistance.

- The *Preserving and Expanding CDFI Minority Depository Institutions* series, provided by Deloitte Financial Advisory Services LLP. This series provides assistance to the unique challenges facing CDFI Minority Depository Institutions by providing advanced training and technical assistance. Since inception, 43 participants attend the Preserving and Expanding CDFI Minority Depository Institution training events, 92 participated in webinars, and three CDFIs received technical assistance.

- The *Expanding CDFI Investments in Underserved Areas* series, provided by Opportunity Finance

Network. The series will increase CDFI coverage in underserved communities by providing advanced training and technical assistance, including one-on-one assistance, peer cohort forums, and advanced implementation forums for CDFIs. The first training is scheduled to take place in early 2015.

- The *Building Native CDFIs' Sustainability and Impact* series, provided by NeighborWorks® America. The series will identify the needs of Native CDFIs and provide multifaceted training and technical assistance that will progressively build the capacity of each Native CDFI to build their sustainability and impact in Native communities. The first training is scheduled to take place in early 2015.

New Markets Tax Credit Program

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

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

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

The NMTC Program was authorized under the Community Renewal Tax Relief Act of 2000. The statute included $15 billion in allocation authority for seven years. Since the NMTC Program was enacted, it has been reauthorized four times; most recently, the Taxpayer Relief Act of 2012 extended the program through 2013. Additionally, the Hurricane Katrina Gulf Opportunity (GO) Zone Act of 2005 authorized an additional $1 billion in allocation authority toward the rebuilding and renewal of the GO Zone, and the American Recovery and Reinvestment Act (Recovery Act) provided an additional $3 billion in allocation authority to assist in the economic recovery. Combined, Congress has authorized the CDFI Fund to award $40 billion in NMTC authority through 2013.

Additionally, the Tax Relief and Health Care Act of 2006 required that Treasury prescribe regulations to ensure that non-metropolitan counties receive a proportional allocation of QEIs. The CDFI Fund's process for ensuring proportional non-metropolitan investment is described in the NMTC Program calendar year (CY) 2014 Notice of Allocation Availability (NOAA).

Results of the First Eleven NMTC Allocation Rounds

NMTC allocations are awarded annually through a competitive process. CY 2002 was the first year in which applications for NMTC allocation authority were submitted to the CDFI Fund. To date, the CDFI Fund has completed 11 allocation rounds and has made 836 awards totaling $40 billion in allocation authority. This amount includes the $3 billion of Recovery Act-authorized allocations ($1.5 billion through the CY 2008 NMTC allocation round and $1.5 billion through the CY 2009 NMTC allocation round).

Applications		
Round	Number	Amount (Billions)
1	345	$25.8
2	271	$30.4
3	208	$22.9
4	254	$28.3
5	258	$27.9
6	239	$21.3
7	249	$22.5
8	250	$23.5
9	314	$26.7
10	282	$21.9
11	310	$25.9
Totals	2980	$277.1

Allocations		
Round	Number	Amount (Billions)
1	66	$2.5
2	63	$3.5
3	41	$2.0
4	63	$4.1
5	61	$3.9
6	102	$5.0
7	99	$5.0
8	99	$3.5
9	70	$3.5[1]
10	85	$3.5
11	87	$3.5
Totals	836	$40

[1] The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provided $3.5 billion in allocation authority for the CY 2011 Round. In addition to the $3.5 billion, the NMTC Program allocated $122.9 million of unused, rescinded or surrendered allocation authority from prior rounds.

Demand for NMTC allocation authority has been high since the program's inception, as 2,980 applicants have requested tax credit authority supporting a total of more than $277 billion in equity investments – approximately seven times the amount of allocation authority available for awards by the CDFI Fund. Through the first 11 allocation rounds, only about 28 percent of applicants were selected to receive an award. The average NMTC authority award through the first 11 rounds was approximately $47.8 million.

CY 2013 NMTC Allocation Round

In June 2014, the CDFI Fund announced that 87 applicants were awarded $3.5 billion in the CY 2013 NMTC allocation round. The 87 applicants selected to receive awards are headquartered in 32 different states and the District Columbia.

These 87 allocatees have committed to achieving results above and beyond minimal program requirements:

All 87 allocatees indicated that 100 percent of their investment dollars would be made either in the form of equity, equity equivalent financing, or debt that is at least 50 percent below market and/or is characterized by at least five concessionary features. Such features include, among other things, subordinated debt, reduced origination fees, higher than standard loan-to-value ratios, lower than standard debt service coverage ratios, non-traditional collateral, and longer than standard amortization periods.

All 87 allocatees committed to providing at least 75 percent of their investments to areas of higher economic distress (and/or areas targeted for development by other government programs) than are minimally required under the NMTC Program.

Internal Revenue Service regulations for the NMTC Program require that at least 85 percent of QEI dollars be invested in Qualified Low-Income Community Investments (QLICIs). All 87 of the allocatees indicated that they would invest at least 95 percent of QEI dollars in QLICIs. In real dollars, this means that at least $456 million above and beyond what is minimally required by the NMTC Program will be invested in low-income communities.

As detailed in the CY 2013 NOAA, the CDFI Fund sought to ensure that (1) an appropriate proportion of awards were provided to "Rural CDEs" and (2) that at least 20 percent of all dollars invested by allocatees under the CY 2013 allocation round are invested in non-metropolitan counties. With respect to the first objective, 12 allocatees, receiving allocations totaling $540 million, met the criteria for "Rural CDE" designation. In total, 38 of the 87 allocatees are required to deploy some or all of their investments in non-metropolitan counties. This ensures that approximately $684 million will be deployed in non-metropolitan counties after removing costs for CDE administrative expenses.

CY 2014 NMTC Allocation Round

In August 2014, the CDFI Fund published a Notice of Allocation Authority, subject to Congressional authorization, for the CY 2014 NMTC allocation round.

NMTC Activities to Date

Allocation agreements have been executed with each of the 836 allocatees from the first 11 rounds. As of September 30, 2013, allocatees had reported raising QEIs totaling more than $31.9 billion. This figure represents almost 87 percent of the $40.0 billion in allocation authority issued to CDEs to date. In fiscal year 2013, over $3.0 billion in QEIs were raised.

Allocatees report QEI and QLICI activity to the CDFI Fund through the Allocation Tracking System (ATS) and Community Investment Impact System (CIIS). Allocatees that have raised QEIs are required to report these investments within 60 days via ATS. Within six months of the end of their fiscal year end, CDEs must complete an annual Institution Level Report (ILR) via CIIS. Allocatees that have made QLICIs are also required to submit an annual Transaction Level Report (TLR) in CIIS. An allocatee's ILR, TLR, and audited financial statements are due 180 days after the end of its fiscal year.

All results in the chart below represent the allocatees' CIIS data reported for fiscal year 2014 (program year 2013). As shown in the table below, for this program year allocatees reported making nearly $4 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs). In FY 2014, allocatees reported that these funds will create 6,515 jobs and funded construction-related jobs totaling 38,896. In FY 2014, 47.2 percent of the dollars invested were invested in "real estate QALICBs" (i.e., businesses that develop or lease real property for use by others). In addition, 52 percent 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. Allocatees reported providing $1.7 million in financial counseling and other services to businesses in low-income communities. Adding together all QLICIs yields a grand total of $35.3 billion of cumulative investments was reported in CIIS since 2003.

Annual Performance of NMTC Program Allocatees for FY 2014
(Based on Program Activities Reported in 2013)

	Amount
Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICIs)	**$3,988,451,932**
Number of QLICIs	1,128
Real Estate Activity (Investments in QALICBs[2])	**$1,881,846,641**
Number of QLICIs	534
Non-Real Estate Activity (Investments in QALICBs)	**$2,074,372,122**
Number of QLICIs	583
Loans/Investments Made to Other Community Development Entities (CDEs)	**$32,233,169**
Number of QLICIs	11
Percent of Loans/Investments in Severely Distressed Communities[3]	**73.76%**
Jobs at Reporting Period End	**6,515**
Projected Construction Jobs	**38,896**
Affordable Housing Units Financed	**1,081**
Rental Units	911
Owner Units	170
Square Feet of Commercial Real Estate	**15,575,446**
Manufacturing	4,765,234
Office	5,965,122
Retail	4,845,090
Businesses Financed	**402**
Financial Counseling and Other Services	
Total Investments	$1,672,76
Number of Businesses Served	5,630

[2] Qualified Active Low-Income Community Businesses

[3] "Severely distressed" communities include Census tracts with poverty rates above 30 percent; or median family incomes below 60 percent of the metropolitan or state median; or unemployment rates greater than 1.5 times the national average.

Cumulative Performance of NMTC Program Allocatees[1]
(Based on Program Activities Reported in 2003-2013)

	Amount
Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICIs)	**$35,327,556,853**
Number of QLICIs	9,224
Real Estate Activity (Investments in QALICBs)	**$18,968,941,400**
Number of QLICIs	4,448
Non-Real Estate Activity (Investments in QALICBs)	**$15,610,726,287**
Number of QLICIs	4,566
Loans/Investments Made to Other Community Development Entities (CDEs)	**$747,889,166**
Number of QLICIs	210
Percent of Loans/Investments in Severely Distressed Communities	**73.00%**
Jobs at Reporting Period End	**213,724**
Projected Construction Jobs	**383,100**
Affordable Housing Units Financed	**13,095**
Rental Units	7,462
Owner Units	5,633
Square Feet of Commercial Real Estate	**163,685,452**
Manufacturing	28,246,148
Office	75,436,524
Retail	60,002,780
Businesses Financed[2]	**4,722**
Financial Counseling and Other Services	
Total Investments	$31,232,345
Number of Businesses Served	38,503

Bank Enterprise Award Program

The Bank Enterprise Award Program (BEA Program) recognizes the key role that traditional financial institutions play in community development lending, investing, and service-related activities. Through the BEA Program, the CDFI Fund provides monetary awards to regulated financial institutions for increasing their investments in CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance, and for increasing their lending, investment, and service activities in economically distressed communities where at least 30 percent of residents have incomes less than the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate. The size of the award is a percentage of the increase in activities from one annual reporting period to the next.

[1] Numbers of Qualified Low-Income Community Investments (QLICIs) refer to the number of transactions, not the number of New Markets Tax Credit projects
[2] The cumulative estimate of businesses financed nets out those businesses that have reported in multiple years as part of the same project.

Providing monetary awards for reinvestment in distressed communities leverages the CDFI Fund's dollars and puts more capital to work in distressed communities throughout the nation. The BEA Program is targeted to the most highly distressed areas with larger populations. Of the 66,434 total census tracts under the 2000 decennial census data, only 2,651 were considered fully qualified and only 12,020 were considered partially qualified as distressed communities under BEA Program eligibility criteria. Of the 74,002 total census tracts under the 2006-2010 American Community Survey data, only 2,167 census tracts were fully qualified and only 17,014 were considered partially qualified as distressed communities under BEA Program eligibility criteria.

BEA Program awards are based on the increase in the amount of Qualified Activities from a Baseline Period to a later Assessment Period (the corresponding time in the following year). Qualified Activities consist of financial or technical assistance provided to certified CDFIs, direct investment in the form of loans made by financial institutions in distressed communities (e.g., affordable home mortgages, affordable housing loans, small business loans, education loans, and commercial real estate loans), and financial services provided in distressed communities (e.g., access to automated teller machines, financial education workshops, individual development accounts, and savings accounts).

Promoting CDFI Investments through the BEA Program

The BEA Program prioritizes three types of activities. The first priority is to increase the financial support provided by FDIC-insured depository intuitions to CDFIs in order to build CDFI self-sufficiency and capacity (referred to as CDFI-Related Activities). The second and third priorities are to encourage FDIC-insured depository institutions to expand their community development lending and investments in severely underserved areas (referred to as Distressed Community Financing Activities and Service Activities, respectively).

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

Eligibility

All FDIC-insured depository institutions are eligible to apply for a BEA Program award. As stated above, the BEA Program awards actual increases in the dollar volume of Qualified Activities from a Baseline Period to a later Assessment Period. Qualified Activities for each of the three main types of activities include:

1) CDFI-Related Activities: Equity investments (grants, stock purchases, purchases of partnership interests, limited liability company membership interests, or equity-like loans); and CDFI support activities (loans, deposits or technical assistance) to certified CDFIs (referred to as CDFI Partners).

2) Distressed Community Financing Activities: Direct financing in the form of loans and investments to businesses and/or residents of distressed communities for affordable housing, affordable housing development, home improvement, education, small businesses, and commercial real estate development.

3) Service Activities: Deposits, financial services (such as check-cashing, money orders, certified checks, new bank branches, youth accounts), targeted retail savings/investment products (such as electronic transfer accounts - ETAs), targeted financial services (such as individual development accounts - IDAs), or community services provided to low- to moderate-income individuals or the institutions serving them (such as financial education seminars).

FY 2013 BEA Program Awards

In October 2013, the CDFI Fund announced awards totaling approximately $17 million to 85 FDIC-insured depository institutions through the FY 2013 funding round of the BEA Program. In the FY 2013 funding round, awardees provided $643.1 million in qualified loans or investments in distressed communities, $16.0 million in equity, equity-like loans, and grants to CDFIs, $73.6 million in qualified loans, deposits and technical assistance to CDFIs, and $64.9 million in qualified financial services in distressed communities.

FY 2014 BEA Program Awards

In September 2014, the CDFI Fund announced awards totaling nearly $17.9 million to 69 FDIC-insured depository institutions through the FY 2014 funding round of the program. Collectively, these 69 depository institutions provided $843.8 million in qualified loans or investments in distressed communities; $44.6 million in loans, deposits, and technical assistance to CDFIs; $4.7 million in equity, equity-like loans and grants to CDFIs; and $50.9 million in qualified financial services in distressed communities.

FY 2014 BEA Community Impact

FY 2014 BEA Program awardees increased their qualified community development activities by $571.5 million over the prior year:

- $472.1 million increase in loans and investments in distressed communities;
- $48.5 million increase in equity, equity-equivalent loans, deposits, and technical assistance to CDFIs; and
- $50.9 million increase in the provision of financial services in distressed communities

The distribution of FY 2014 BEA Program award dollars by identifiers associated with the underlying depository institutions is shown in the Distribution of BEA Program Awards table below.

FY 2014 Distribution of BEA Program Awards

Category	Number of Awardees	Award Amount	Percentage of Award Dollars
Certified-CDFIs	48	$15.4 million	86%
Minority Depository Institutions	21	$6.5 million	30%
Small Banks (assets of less than $300 million as of 12/31/2013)	35	$9.9 million	55%
Intermediate Banks (assets of at least $300 million but less than $1.202 billion as of 12/31/2013)	24	$6.8 million	38%
Large Banks (assets of $1.202 billion or greater as of 12/31/2013)	10	$1.2 billion	7%

Capital Magnet Fund

The Capital Magnet Fund (CMF) was authorized by Congress through the Housing and Economic Recovery Act of 2008, which called for recurrent funding through assessment on securities of the Government- Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. GSE funding for CMF was suspended after enactment of the legislation, but Congress appropriated $80 million for an initial funding round in FY 2010.

From the 2010 funding round, the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards have been used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities, including community services facilities. No CMF funding has been appropriated since FY 2010.

Awardees received their Assistance Agreements in July 2011 and disbursements of grant funding later that year. As required by the Assistance Agreement, funds were committed to projects within two years of the agreement (July 2013) and disbursed within three years of the agreement (July 2014). All projects must be completed within five years of agreement (July 2016). Awardees committed to leveraging the CMF award by at least 10 times with other sources of capital, as well as committed to projects that meet percentages of targeted incomes and geographies.

Awardee reports available through September 30, 2014 indicate the following updates on CMF-financed affordable housing and community development activities, through the end of the awardees' FY 13:

Total number of affordable homes under development with CMF financing include: 8,758 (net addition of 1,955);

- Affordable rental homes financed: 7,913 (net addition of 1,612);
- Affordable homeowner-occupied homes financed: 845 (net addition of 343); includes assistance to 214 income-eligible first-time homebuyers;
- Average CMF award investment in each unit of affordable housing developed: $11,200 and an
- Average total cost of each unit of affordable housing developed: $179,500

CDFI Bond Guarantee Program

The CDFI Bond Guarantee Program was enacted by the Small Business Jobs Act of 2010. Through the program, the Secretary of the Treasury provides a 100 percent guarantee of bonds (including principal, interest, and call premiums) issued by Qualified Issuers. Bonds issued through the program support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Qualified Issuers use bond proceeds to finance loans to CDFIs for eligible community and economic development purposes. In July and August, 2014, the CDFI Fund closed four bond transactions and the Secretary issued the corresponding four guarantees under the FY 2013 application round of the CDFI Bond Guarantee Program, totaling $325 million, with initial disbursements beginning immediately thereafter. In addition, in May, 2014, the CDFI Fund published a Notice of Guarantee Availability (NOGA) for the FY 2014 application round – making available up to $750 million in guarantee authority -- and received three applications seeking a total of $415 million in guarantees. In September, 2014, the CDFI Fund closed four additional bond transactions and the Secretary issued the corresponding four guarantees, in the total amount of $200 million. The CDFI Bond Guarantee Program terminated on September 30, 2014, pursuant to its authorizing legislation.

Status of Financial Management

This section includes the assurance statement required under the Federal Managers' Financial Integrity Act, a summary of the results of the FY 2014 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2014, and a discussion of the CDFI Fund's financial position and results of operations during the past fiscal year.

Management Assurances

The Acting Director, Community Development Financial Institutions (CDFI) Fund, is responsible for establishing and maintaining effective internal control over financial reporting and has made a conscientious effort to meet the internal control requirements of the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Office of Management and Budget (OMB) Circular A-123, and the Reports Consolidation Act of 2000. The CDFI Fund is operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management control for the CDFI Fund organizations under my purview are designed to ensure that:

(a) Programs achieve their intended results;
(b) Resources are used consistent with overall mission;
(c) Programs and resources are free from waste, fraud, and mismanagement;
(d) Laws and regulations are followed;
(e) Controls are sufficient to minimize any improper or erroneous payments;
(f) Performance information is reliable;
(g) System security is in substantial compliance with all relevant requirements;
(h) Continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels;
(i) Financial management systems are in compliance with federal financial systems standards, i.e., FMFIA Section 4 and FFMIA;
(j) Complete and accurate data is reported on USAspending.gov; and
(k) Controls and policies are in place to prevent fraud and inappropriate use of government charge cards.

For all CDFI Fund responsibilities, we provide herein *unqualified assurance* that the above listed management control objectives, taken as a whole were achieved by our office during FY 2014. Specifically, this assurance is provided relative to Sections 2 and 4 of the FMFIA. I further assure that the CDFI Funds' financial management systems are in substantial compliance with requirements imposed by FFMIA.

The CDFI Fund management is responsible for establishing and maintaining adequate internal control over financial reporting, which includes safeguarding of assets and compliance with laws and regulations. We conducted the required Treasury evaluation of the effectiveness of the CDFI Fund internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, we can provide *unqualified assurance* that internal control over financial reporting as of September 30, 2014, is operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The analytical basis for this Assurance Statement is the overall results from testing and assessment of internal controls over financial reporting which resulted from completion of the ‘Department of the Treasury, Final Methodology and Implementation Plan, Office of Management and Budget (OMB) Circular A-123, *Management’s Responsibility for Internal Control*, Appendix A, *Internal Control Over Financial Reporting* (March 10, 2014).’

Acting Director, CDFI Fund

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services through a franchise agreement with the Bureau of Fiscal Service (BFS) in Parkersburg, West Virginia. While the BFS 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 BFS 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 resource 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 2014 Financial Statement Audit

The FY 2014 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2014 Financial Management Initiatives

In FY 2014, financial management focus was on continued efforts to fully implement the requirements of OMB's SuperCircular.

Community Investment Impact System (CIIS)

CIIS is a Web-based system designed to collect an Institution Level Report (ILR) and Transaction Level Report (TLR) from CDFIs and CDEs. The CIIS data collected from CDFIs include each organization's profile, financial position, portfolio, community impacts, development services, other products and services, and compliance measures. The CIIS data collected from CDEs include each organization's profile, QEI distribution, portfolio, loan purchases, and financial counseling and other services.

Cumulatively through FY 2014, 728 CDFIs reported an ILR, of which 370 reported 351,710 transactions, and 286 CDEs reported 9,224 transactions.

In April 2014, the CDFI Fund released ten years of data provided by Community Development Financial Institutions (CDFIs) through its data collection system, known as the Community Investment Impact System (CIIS). The data collected covers fiscal years (FY) 2003 through 2012.
The release contains Institution Level Report (ILR) data on 592 CDFIs that have reported to CIIS. In general, these CDFIs have provided information on their operation, financial status, and impact in their communities. A previous data release in 2011 consisted of ILR data on 534 CDFIs that had reported to CIIS from FY 2004 through 2010.

Additionally, Transaction Level Report (TLR) data was also released to the public detailing how CDFIs provide loans or investments in low-income communities. The data file includes the features and location of over 300,000 individual loans and investments totaling more than $19 billion made by 339 CDFIs. A previous data release in 2011 consisted of TLR data on 239 CDFIs that had reported to CIIS from FY 2004 through 2010.

In July 2014 the CDFI Fund released a report and transactional and project level data on the New Markets Tax Credits (NMTC) Program for the 2002-2012 reporting years. The report details how $31.1 billion in tax credits have been invested in revitalizing low-income communities throughout the nation. NMTCs were utilized in over 3,210 businesses and 4,670 real estate investments across the country. NMTCs have been invested in every state and in both urban and rural communities—20.5 percent of the investments have been made in non-metropolitan areas—leading to new growth for areas of the country that have been lagging in the economic recovery. Of the Qualified Low-Income Community Investments (QLICIs) made, the cumulative distribution is as follows:

- 4,670 (58.1 percent of total) QLICIs totaling $20,315,818,262 (65.3 percent of total), were made in real estate development and leasing activities.
- 3,210 (40.0 percent of total) QLICIs totaling $10,223,841,611 (32.8 percent of total) were made in operating businesses.
- 156 (1.9 percent of total) QLICIs t totaling $577,698,894 (1.9 percent of total) were investments in other CDEs.

To maintain its practice of agency transparency, the CDFI Fund released a breakdown of all NMTC investments reported to the CDFI Fund through fiscal year (FY) 2012. The data release is available for use by academics, researchers, and the general public.

In order to comply with the Privacy Act, any personal information identifying borrowers as well as their race, gender, etc. has been suppressed. In addition, in order to ensure the anonymity of borrowers and investors all location information has been limited to city, state, and five-digit zip code. Additional safeguards are also in place.

Use of Grants.gov for Paperless Processing of Grant Applications

The Federal Financial Assistance Management Improvement Act (FFAMIA) requires all Federal grant-making agencies to migrate 100 percent of their electronic grant program applications to the Grants.gov system administered by the Department of Health and Human Services. In FY 2014, the CDFI Fund achieved 100 percent compliance with the FFAMIA. The CDFI Fund received 473 award applications, and all applications were received through Grants.gov. The CDFI Fund intends to continue working with Grants.gov for the receipt of all future award applications.

Migration to an Award Management Information System for Internal Application Processing

The FFAMIA requires that Federal grant-making agencies migrate their electronic grant processing systems to one of three Centers of Excellence (CoE). This initiative is known as the “Grants Management Line of Business” (GMLoB).

In July 2010, the CDFI Fund requested a waiver from compliance with GMLoB requirements. The Office of Management and Budget (OMB) approved the request, noting that the CDFI Fund’s fit-gap analysis demonstrated that none of the approved consortia aligned well with the CDFI Fund’s business processes. OMB also approved the CDFI Fund’s request to acquire a new commercial off-the-shelf product to replace its legacy business systems. This product, the Awards Management Information System (AMIS), will be an enterprise business system to meet the CDFI Fund's award and tax credit allocation management requirements.

The CDFI Fund awarded the AMIS contract to a small business in July 2014 with implementation beginning August 2014 and being completed in FY 2016. With the deployment of AMIS, the CDFI Fund expects to be able to handle larger volumes of grants, tax credits, and loan portfolios while achieving more transparency and better data quality, and providing better service to customers.

Federal Funding Accountability and Transparency Act and the Digital Accountability and Transparency Act (DATA Act)

Effective October 2010, the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and its 2008 amendments require that all Federal grant-making agencies report on their grant activities on a publicly viewable website, USASpending.gov. This creates a new obligation for awardees under the CDFI Fund's award programs to maintain active accounts in the System for Award Management (SAM), to identify their locations, the places where most of their activities are concentrated, provide information about any first-tier subawards and about the compensation of the five most highly paid people within the organizations (subject to certain thresholds). In order to comply with this requirement, the CDFI Fund includes the standard award terms as stipulated by FFATA in its assistance agreements and monitors the data quality of the information provided to the USASpending.gov through the Federal Assistance Award Database System Plus. In addition, the CDFI Fund has developed complementary guidance and highlights FFATA reporting requirements during post-award web- seminars for all of the grant programs at the CDFI Fund to include the CDFI Program, the NACA Program, the FEC Pilot Program, the CMF, and other programs that Congress may authorize and appropriate for the CDFI Fund to administer. In May 2014, the DATA Act was signed into law, amending the FFATA, to establish government-wide financial data standards and increase the availability, accuracy, and usefulness of Federal spending information, requiring full disclosure of Federal agency expenditures to be published online.

Improper Payments Elimination and Recovery Act of 2010 (IPERA)

During fiscal year (FY) 2010, President Obama placed renewed emphasis on the reduction of improper payments beginning with Executive Order 13520, Reducing Improper Payments, issued on November 20, 2009. On July 22, 2010, President Obama signed into law the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. 111-204). IPERA amended IPIA, generally repealing the Recovery Audits Act (31 U.S.C. §§ 3561-3567, within the Defense Authorization Act of FY 2002), and significantly increasing agency payment recapture efforts by expanding the types of payments that are in scope for review and lowering the threshold of annual outlays that requires agencies to conduct payment recapture audit programs.

In the spring of FY 2011, OMB issued Memorandum M-11-16, Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, dated April 14, 2011, and Part III (which was issued in March 2010 as OMB Memorandum M-10-13) are modified. These amendments are incorporated within this guidance in Section A, Improper Payments Elimination and Recovery, of OMB M-11-16; and the revisions to the repealed Recovery Audits Act are found in Section B, Payment Recapture Audits.

On January 10, 2013, the President signed into law the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). These laws revise portions of the Improper Payment Elimination and Recovery Act of 2010 and were effective starting in FY2014.

The CDFI Fund works with the Bureau of Fiscal Service and Departmental Offices to prevent and recapture improper payments.

Management Responsibilities

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

Limitations of the Financial Statements

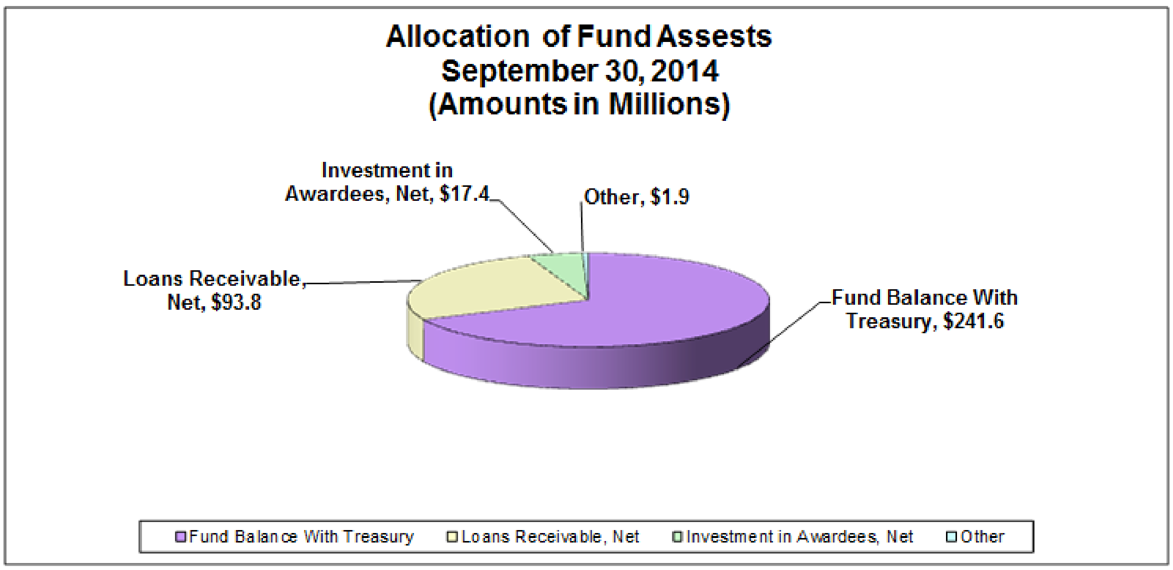
The financial statements report the financial position, results of operations, changes in net position, and cash flows of the CDFI Fund as of and for the fiscal years ending on September 30, 2014 and 2013, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(Amounts in Millions)

	FY 2014	FY 2013	Increase / (Decrease)
Assets	$354.7	$297.3	$57.4
Liabilities	$114.0	$41.4	$72.6
Net Position	$240.7	$255.9	($15.2)
Revenue and Financing Sources	$234.2	$181.6	$52.6
Expenses	$236.4	$180.7	$55.7
Excess (Shortage) of Revenue and Financing Net Gain (Net Loss)	($2.2)	$0.9	($3.1)

Allocation of Fund Assets September 30, 2014



Assets

Assets increased by $57.4 million during FY 2014, consisting of a $10.6 million increase in the Fund Balance with Treasury which includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments. Loans receivable also increased $48.7 million due to new loans issued in FY 2014under the Bond Guarantee Program and the CDFI FA Program.

Fund Balance with Treasury

The Fund Balance with Treasury reflected a $10.6 million increase from the prior year, due to differences in the timing of when appropriation revenue is received versus when expenses are paid.

Loans Receivable

Loans receivable are increased when loan awards (under the CDFI, NACA and Bond Guarantee programs) are disbursed by the CDFI Fund and decreased for loan repayments and loan write-offs. During FY 2014, net loans increased by $48.7 million resulting, in part, from new loans of $52.0 million and loan repayments of $3.5 million.

Investments

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

- Non-voting equity securities - $13.6 million
- Convertible subordinated debt - $0.5 million
- Limited partnerships - $1.2 million
- Secondary Capital - $2.1 million

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

Liabilities

The increase in liabilities during the year of $72.6 million consisted primarily of an increase in awards payable of $19.4 million and an increase in debt of $53.5 million.

Awards Payable

Awards payable consists primarily of BEA Program awards of $17.8 million. Awards payable increased by $19.4 million in FY 2014 as the 2014 BEA Program awards were announced prior to year-end; the FY13 BEA Program awards were announced after year-end thus were not included in awards payable at September 30, 2013.

Debt

During FY 2014, the CDFI Fund borrowed $48.0 million for new loans, $8.9 million due to a downward subsidy re-estimate and $0.4 million to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories. The CDFI Fund borrowing was partly offset by the repayments of amounts borrowed from Treasury totaling $3.5 million. Principal repayments collected from awardee loans during the year are used to repay the

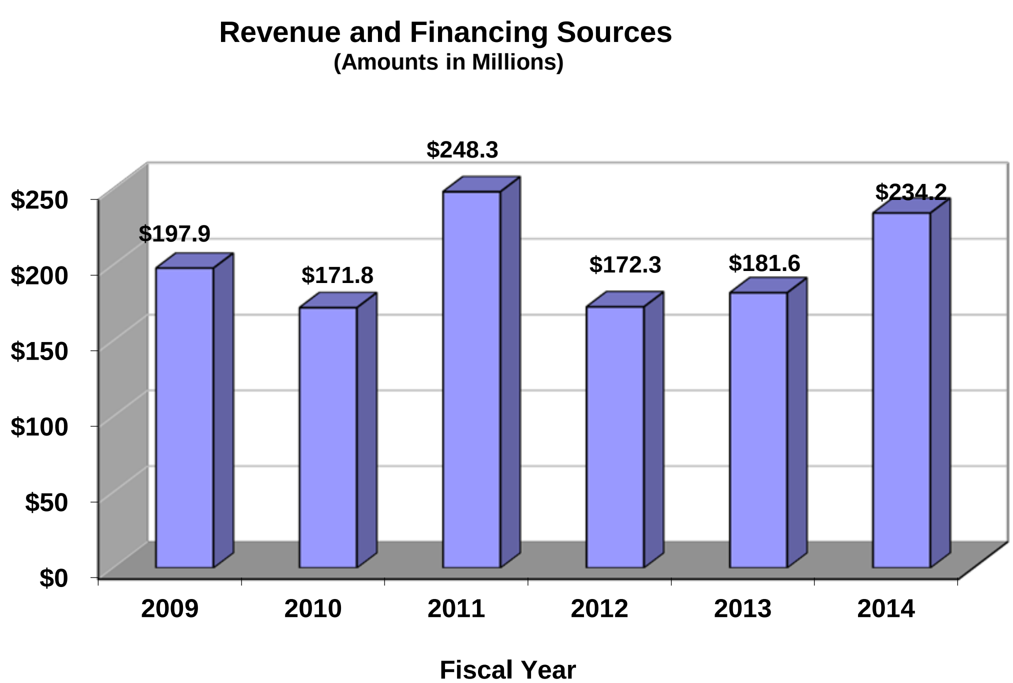
Treasury borrowings, and therefore amounts collected and repaid to Treasury each year will vary from year to year, as they are a function of awardee loan terms.

Net Position

Net position decreased during the year by $15.2 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; 2) any adjustment of the CDFI Fund's subsidy re-estimate; and 3) the excess (shortage) of revenue and financing sources over (under) expenses. During FY 2014, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) were $217.2 million, and appropriated capital used was $230.2 million resulting in a decrease in net position of $13.0 million. This decrease in net position was further decreased by the $2.2 million loss recorded by the CDFI Fund in FY 2014.

Revenue and Financing Sources

The primary source of revenue and financing sources for the CDFI Fund is the annual appropriation used to fund expenses ("appropriated capital used" as reflected in the statement of operations). Pursuant to Federal grant accounting requirements, the amount of appropriated funds recognized as revenue is, with certain adjustments, equal to the amount of operating expenses for the year. Operating expenses for the year, excluding those paid by others, were $232.2 million.



Expenses

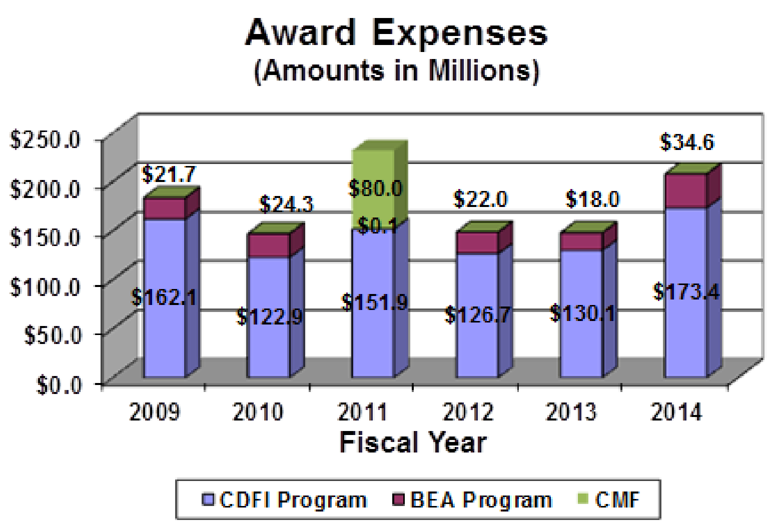
The change in the CDFI Fund's operating expenses, excluding administrative expenses paid by others during FY 2014 consisted of the following:

Comparison of Operating Expenses Excluding Administrative Expenses Paid by Others
Fiscal Years 2014 and 2013
(Amounts in Millions)

	FY 2014	FY 2013	Difference
Award Expenses	$207.9	$148.1	$59.8
Administrative Expenses	$24.4	$27.6	($3.2)
Bad Debt Expense	($0.1)	$2.5	($2.6)
Total Operating Expenses	$232.2	$178.2	$54.0

Award Expenses

Award expenses during the year increased $59.8 million. CDFI Program award expenses increased $43.3 million and BEA award expenses increased $16.5 million due to the timing of the awards; both FY 2013 and FY 2014 BEA award rounds were announced in FY 2014.



Administrative Expenses

Administrative expenses decreased by $3.2 million during FY 2014. This decrease was primarily due to a $3.6 million decrease in Bond Guarantee Program (BGP) expenses; FY 2013 BGP expenses were higher due to initial expenses to stand up the program.

Bad Debt Expense

Bad debt expense is a function of the impairment related to loans receivable at year-end including the impact of certain loan restructurings made during the year. The CDFI Fund performs an analysis process that includes an individual review of all loans using an asset to liability ratio from the awardees' most recent financial statements. Bad debt expense decreased during FY 2014 by $0.1 million due to a decrease in delinquent and impaired loans.

Net (Loss)

As stated above, the amount of appropriated capital used (the largest component of the CDFI Fund's revenue) is, with certain adjustments, equal to the amount of operating expenses for the year. Accordingly, the excess (shortage) of revenue and other financing sources over expenses (net gain/loss) will consist of the amount by which revenue and financial sources other than appropriated capital used exceeds expenses not covered by budgetary resources. For FY 2014, expenses not covered by budgetary resources totaled $3.4 million, consisting of interest expense on Treasury borrowings. Interest and dividend income totaled $3.0 million.

Independent Auditors’ Report

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

Independent Auditors' Report

Inspector General
U.S. Department of the Treasury

Acting Director
Community Development Financial Institutions Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2014 and 2013, 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund as of September 30, 2014 and 2013, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Community Development Financial Institutions Fund Overview, Program Discussion and Analysis, and Status of Financial Management sections is presented for purposes of additional analysis and is 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*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 on our consideration of the CDFI Fund's internal control over financial reporting and our report dated November 12, 2014 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CDFI Fund's internal control over financial reporting and compliance.

KPMG LLP

November 12, 2014

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

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
U.S Department of Treasury

Acting Director
Community Development Financial Institutions Fund

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements,* the financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2014 and 2013, 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, and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2014, we considered the CDFI Fund's internal control over financial reporting (internal control) to determine the 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.

KPMG

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDFI Fund's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 12, 2014

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

Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of the Treasury

Acting Director
Community Development Financial Institutions Fund

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2014 and 2013, 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, and have issued our report thereon dated November 12, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements 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 determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the CDFI Fund's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDFI Fund's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 12, 2014

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2014 and 2013

		2014	2013
Assets			
Fund balance with Treasury (Note 4)	$	241,627,621	231,037,336
Advances and prepayments		748	258,897
Loans receivable, net of allowance for bad debts of $9,256,986 in 2014 and $9,404,359 in 2013 (Note 5)		93,787,237	45,073,805
Investments, amortized cost (Note 6)		2,651,527	2,608,290
Investments, cost method (Note 8)		13,554,770	13,554,770
Investments, equity method (Note 9)		1,154,662	1,671,258
Interest and other receivable		477,057	1,857,719
Internal-use software, net of accumulated amortization of $4,806,633 in 2014 and $4,617,539 in 2013		1,043,774	276,016
Internal-use software in development		431,706	956,851
Total assets	$	354,729,102	297,294,942
Liabilities and Net Position			
Accounts payable	$	2,010,655	2,119,430
Awards payable (Note 12)		19,939,952	548,915
Accrued payroll		263,109	429,840
Accrued annual leave		564,021	626,673
Due to the General Fund (Note 10)		16,620	24,737
Debt (Note 11)		91,198,888	37,650,048
Total liabilities		113,993,245	41,399,643
Commitments (Note 12)			
Unexpended appropriations (Note 13)		225,408,376	238,370,980
Cumulative results of operations		15,327,481	17,524,319
Total net position		240,735,857	255,895,299
Total liabilities and net position	$	354,729,102	297,294,942

The accompanying notes are an integral part of these statements.

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
Years Ended September 30, 2014 and 2013

		2014	2013
Revenue and financing sources:			
Appropriations	$	230,244,204	179,535,267
Imputed other income - expenses paid by others (Note 14)		886,482	845,641
Interest, non-federal		2,751,287	983,038
Interest, federal		176,937	145,676
Dividends		75,655	92,188
Other		105,089	156,573
Equity in income (loss) of associates, net		1,329	(160,208)
Total revenue and financing sources		234,240,983	181,598,175
Expenses:			
CDFI grants (Note 15)		173,384,476	130,090,223
BEA grants		34,552,772	17,969,543
Administrative expenses (Note 16)		24,374,470	27,611,488
Increase in (reduction of) bad debt expense		(147,373)	2,532,738
Administrative expenses paid by others (Note 14)		886,482	845,641
Total operating expenses		233,050,827	179,049,633
Interest expense, federal		3,386,994	1,686,040
Total expenses		236,437,821	180,735,673
Net (loss) income	$	(2,196,838)	862,502
Cumulative results of operations, beginning of year	$	17,524,319	16,661,817
Net (loss) income		(2,196,838)	862,502
Cumulative results of operations, end of year	$	15,327,481	17,524,319

The accompanying notes are an integral part of these statements.

Community Development Financial Institutions Fund
Statements of Cash Flows
Years Ended September 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Net income (loss)	$	(2,196,838)	862,502
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:			
Impairment losses		-	-
Discount on investments		-	-
Equity in loss (income) of associates		(1,329)	160,208
Amortization expense		189,094	158,995
Accretion of discount		(68,237)	(71,430)
Increase (decrease) in bad debt expense		(147,373)	2,532,738
Change in assets and liabilities:			
Decrease (increase) in advances and prepayments		258,149	(102,977)
Decrease (increase) in interest and other receivable		1,380,662	(1,366,293)
Increase (decrease) in accounts payable, accrued payroll & due		-	-
to general fund		(283,623)	927,654
Increase (decrease) in awards payable		19,391,037	(22,233,706)
Increase (decrease) in accrued annual leave		(62,652)	43,917
Net cash provided by (used in) operating activities		18,458,890	(19,088,392)
Cash flows from investing activities:			
Proceeds from redemption of investments		25,000	2,100,000
Proceeds from distribution from investments		517,925	573,906
Internal-use software in development		(431,707)	(748,506)
Recovery of loan written off in prior year		-	49,129
Loans disbursed		(52,024,060)	(14,160,895)
Collection of loan principal		3,458,001	4,625,102
Net cash used in investing activities		(48,454,841)	(7,561,264)
Cash flows from financing activities:			
(Decrease) increase in unexpended appropriations, net		(12,962,604)	29,478,575
Borrowings from Treasury		57,313,318	9,818,731
Borrowing re-payments to Treasury		(3,764,478)	(5,349,046)
Net cash provided by financing activities		40,586,236	33,948,260
Net change in Fund Balance with Treasury		10,590,285	7,298,604
Fund Balance with Treasury, beginning of year		231,037,336	223,738,732
Fund Balance with Treasury, end of year	$	241,627,621	231,037,336

The accompanying notes are an integral part of these statements.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2014 and 2013

(1) Description of Reporting Entity

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

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund's mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

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

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

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

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

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

The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. 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. In July and August, 2014, the CDFI Fund closed four bonds and the Secretary issued the corresponding four guarantees under the FY 2013 application round of the new CDFI Bond Guarantee Program, totaling $325 million, with initial disbursements beginning immediately thereafter. The disbursements are treated as direct loans. In addition, in May, 2014, the CDFI Fund published a Notice of Guarantee Availability (NOGA) for the FY 2014 application round - making available up to $750 million in guarantee authority - and received three applications seeking a total of $415 million in guarantees. In September, 2014, the CDFI Fund closed four bonds and the Secretary issued the corresponding four guarantees, in the total amount of $200 million. The CDFI Bond Guarantee Program terminated on September 30, 2014, pursuant to its authorizing legislation.

(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, 2014 and 2013, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(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. Significant items subject to such estimates include allowance for bad debts and the identification and valuation of investment impairments.

(c) Fund Balance with Treasury

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

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

Loans receivable relate to direct loans made to certain CDFI Program awardees and CDFI Bond Guarantee 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. Amounts collected on loans receivable are included in cash flows from investing activities in the statements of cash flows.

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, 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. In order to calculate the impairment amount for each loan, the borrower asset to liability ratio 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 2014 and 2013, the CDFI Fund received requests from a number of awardees requesting an extension of their maturity dates. The requests were processed in collaboration with the Department of the Treasury Office of the Deputy Chief Financial Officer (DCFO). A restructuring of a loan constitutes a troubled debt restructuring for purposes of FASB ASC-310-40 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) Interest and Other Receivable

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.

(f) Investments

The CDFI Fund provides assistance to certain for-profit CDFI program awardees by purchasing various investments described below. The CDFI Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. Held-to-maturity debt securities are those debt securities in which the CDFI Fund has the ability and intent to hold the security until maturity. None of the investments meet the criteria for Variable Interest Entity Accounting.

- Non-voting Equity Securities: These investments are carried at original cost subject to other-than-temporary impairments.

- Secondary Capital Interests: These interests are held-to-maturity and carried at amortized cost, net of applicable discounts, subject to other-than-temporary impairments.

- Convertible Subordinated Debt: This instrument exhibits sufficient characteristics of an equity security as the CDFI Fund is entitled to any dividends in the non-voting common stock as if the CDFI Fund had converted the debentures into such stock prior to the declaration of the dividend. This investment is held-to-maturity and carried at amortized cost, net of applicable discounts, subject to other-than-temporary impairments.

- Limited Partnership Interests: These interests are carried in accordance with the equity method of accounting by recognizing the pro-rata share of investee profit/loss through the statement of operations. Investments are further subject to assessment of any other-than-temporary impairments as discussed below.

Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization of premiums or discounts. Premiums and discounts are amortized over the life of any related held-to-maturity security as an adjustment to yield using the straight-line method.

For non-voting equity securities and limited partnerships, a decline in the fair value of any security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine if an impairment is other-than-temporary, the CDFI Fund considers whether (1) it has the ability and intent to hold the investment until a market price recovery and (2) evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the industry in which the investee operates.

(g) Internal-Use Software

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

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, 2014 and 2013 was $189,094 and $158,995, respectively.

(h) Internal-Use Software in Development

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

(i) Leases

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

(j) Awards Payable

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

(k) Retirement Plans

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

Employees hired prior to January 1, 1984, were provided an opportunity to join either FERS and Social Security or remain in CSRS. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2014 and 2013 was $858,037 and $799,653, respectively.

For all employees, a Thrift Savings Plan (TSP) account is automatically established, and the employee can have up to a predetermined maximum amount withheld from their base salary, which is deposited into their TSP account. For FERS employees only, the CDFI Fund makes matching contributions ranging from 1% to 4% for employees who contribute to their TSP account (there is no matching contribution for CSRS employees). The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2014 and 2013 was $335,410 and $307,336, respectively.

In addition, CDFI Fund employees participating in CSRS have 7% of their base salary withheld which is contributed into a Retirement Fund. The CDFI Fund contributes the same amount into the Retirement Fund. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2014 and 2013 was $38,788 and $62,422, respectively.

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

(l) Annual, Sick, and Other Leave

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

(m) Debt

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

(n) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the obligation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The CDFI Fund currently has no contingent liabilities meeting the disclosure or recognition thresholds.

(o) Revenue and Other Income

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

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

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

(p) Tax Status

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

(q) Fair Value Measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the CDFI Fund has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

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

(4) Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2014 and 2013 consisted of the following components:

	2014	2013
Available	$ 15,515,342	$ 33,044,466
Obligated	215,335,049	187,727,236
Expired	10,777,230	10,265,634
	$ 241,627,621	$ 231,037,336

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

(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. Asset-backed loans represent loans issued in conjunction with the 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 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 Company's loan portfolio as of September 30, 2014 and 2013, delineated by delinquency category is as follows:

As of September 30, 2014

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Financing Receivables
General Recourse	$95,461	$ -	$736,870	$64,478,310	$65,310,641
Asset-backed	-	-	-	37,733,582	37,733,582
	$95,461	$ -	$736,870	$102,211,892	$103,044,223

As of September 30, 2013

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Financing Receivables
General Recourse	$ -	$ -	$486,870	$53,991,294	$54,478,164
Asset-backed	-	-	-	-	-
	$ -	$ -	$486,870	$53,991,294	$54,478,164

The loans receivable in nonaccrual status as of September 30, 2014 and 2013 are $829,331 and $236,870, respectively.

The activity in the allowance for bad debt by loan type in fiscal years 2014 and 2013 is as follows:

As of September 30, 2014

	Beginning Balance	Write-offs	Recoveries	Provision	Ending Balance
General Recourse	$9,404,359	$ -	$ -	$ (147,373)	$9,256,986
Asset-backed	-	-	-	-	-
	$9,404,359	$ -	$ -	$ (147,373)	$9,256,986

As of September 30, 2013

	Beginning Balance	Write-offs	Recoveries	Provision	Ending Balance
General Recourse	$7,822,492	$(1,000,000)	$49,129	$2,532,738	$9,404,359
Asset-backed	-	-	-	-	-
	$7,822,492	$(1,000,000)	$49,129	$2,532,738	$9,404,359

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2014 and 2013 is as follows:

As of September 30, 2014

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
Direct Loans	$65,310,641	$ -	$9,256,986	$ -	$9,256,986
Asset-backed	37,733,582	-	-	-	-
	$103,044,223	$ -	$9,256,986	$ -	$9,256,986

As of September 30, 2013

	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	$7,573,338	$46,904,826	$3,139,370	$6,264,989	$9,404,359
Asset-backed	-	-	-	-	-
	$7,573,338	$46,904,826	$3,139,370	$6,264,989	$9,404,359

At September 30, 2014 and 2013 impaired loans with and without a related allowance are as follows:

As of September 30, 2014

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse	$3,982,331	$3,982,331	$2,545,931	$3,982,331	$34,939
Asset-backed	-	-	-	-	-
	$3,982,331	$3,982,331	$2,545,931	$3,982,331	$34,939

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

As of September 30, 2013

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse	$4,519,370	$4,519,370	$3,139,370	$4,156,870	$81,978
Asset-backed	-	-	-	-	-
	$4,519,370	$4,519,370	$3,139,370	$4,156,870	$81,978

Impaired Loans for which there is not a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse	$400,000	$400,000	$ -	$400,000	$6,000
Asset-backed	-	-	-	-	-
	$400,000	$400,000	$ -	$400,000	$6,000

During the years ended September 30, 2014 and 2013 the CDFI Fund recognized interest income related to impaired loans of $34,939 and $87,978, respectively. The CDFI Fund recognizes interest income on impaired loans as earned in accordance with loan agreements.

A loan is considered impaired when, based on current information and events, it is probable that the CDFI Fund will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans and loans with asset to liability ratio, excluding restricted assets, below 100%. 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.

As of September 30, 2014 the CDFI Fund had a total recorded investment in impaired loans from Direct Loan TDRs of $995,461 of which $995,461 had a related allowance for bad debt of $813,061. As of September 30, 2013 the CDFI Fund had a total recorded investment in impaired loans from Direct Loan TDRs of $4,182,500 of which $3,782,500 had a related allowance for bad debt of $2,402,500. There were no CDFI Bond Guarantee Program TDRs as of September 30, 2014 or 2013.

For the years ended September 30, 2014 and 2013, grants in the amount of $10,202,335 and $2,907,612 respectively, were disbursed to debtors owing receivables whose terms have been modified in TDRs. As of September 30, 2014 and 2013, there were commitments in the amount of $8,380,000 and $4,711,920 respectively to disburse grants to debtors owing receivables whose terms have been modified in TDRs.

The CDFI Fund utilizes a rating system to classify loans according to credit worthiness and risk. Each loan is categorized as pass, likely, doubtful or loss.

A description of each category (credit quality indicator), 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, 2014 and 2013 were as follows:

As of September 30, 2014

	Pass	Likely	Doubtful	Loss	Total
General Recourse	$29,522,015	$31,806,295	$3,150,000	$832,331	$65,310,641
Asset-backed	37,733,582	-	-	-	37,733,582
	$67,255,597	$31,806,295	$3,150,000	$832,331	$103,044,223

As of September 30, 2013

	Pass	Doubtful	Loss	Total
General Recourse	$49,958,794	$2,219,370	$832,331	$65,310,641
Asset-backed	-	-	-	37,733,582
	$49,958,794	$2,219,370	$832,331	$103,044,223

(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, 2014 and 2013 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2014:			
Convertible debt securities	$ 544,618	$ -	$ 544,618
Secondary capital securities	$ 2,106,909		$ 2,106,909
Total	$ 2,651,527	$ -	$ 2,651,527

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2013:			
Convertible debt securities	$ 500,515	$ -	$ 500,515
Secondary capital securities	$ 2,107,775		$ 2,107,775
Total	$ 2,608,290	$ -	$ 2,608,290

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2014:

	Fair Value	Net Carrying Amount
Held-to-Maturity:		
Due after five through ten years	$ 2,106,909	$ 2,106,909
Due after ten years	$ 544,618	$ 544,618
Total	$ 2,106,909	$ 2,106,909

The CDFI Fund evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Significant factors considered include investee audit opinions, regulatory findings and trends in various financial criteria. Based on this evaluation, the CDFI Fund recognized no other-than-temporary impairment losses of these investments in 2014 or 2013.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2014 and 2013, this category consists of one debenture of $2 million notional amount (amortized cost of $544,618 and $500,515 as of September 30, 2014 and 2013, respectively) which matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price.

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

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the CDFI Fund's financial instruments at September 30, 2014 and 2013. The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2014		2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Fund Balance with Treasury	$ 241,627,621	$ 241,628,000	$ 231,037,336	$ 231,037,000
Loans Receivable	93,787,237	65,576,000	45,073,805	34,017,000
Investments, amortized costs	2,651,527	265,200	2,608,290	2,608,000
Investments, cost method	13,554,770	24,162,000	13,554,770	24,284,000
Interest and other receivable	447,057	477,000	1,857,719	1,858,000
Financial liabilities:				
Awards payable	19,939,952	19,940,000	548,915	549,000
Debt	91,198,888	58,575,000	37,650,048	26,203,000

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Fund Balance with Treasury, interest and other receivable and awards payable: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Loans receivable, debt and investments, amortized cost: The fair value is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The discount rates approximate rates currently offered by local lending institutions for loans of similar terms to companies with comparable risk. The fair value of nonperforming loans is determined as the present value of expected future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The expected cash flows were estimated based on the awardee's financial condition and the long-term potential of the business in relation to the maturity date of the loan.

Investments, cost method: The CDFI Fund records these equity investments under the cost method of accounting. The CDFI Fund considers qualitative assessments of the viability of the investee, fundamental financial analysis and evaluation of the financial statements of the investee and prospects for its future.

(b) Fair Value Hierarchy

The CDFI Fund does not record investments or loans at fair value on a recurring basis. However, from time-to-time, the CDFI Fund records nonrecurring fair value adjustments to reflect partial write-downs that are based on current financial indicators of the awardees. The CDFI Fund uses qualitative assessments of the viability of the awardee, evaluation of the financial statements of the awardee and prospects for its future. Financial statement disclosures and audit opinions were reviewed for the most recent five years for indications of going concern or operational issues. Calculations of pro-rata equity, financial performance ratios, total cash and other trend analysis were performed to determine fair value.

There were no assets measured at fair value on a nonrecurring basis in 2014 or 2013 that were still on the balance sheet at year end.

(8) Cost Method Investments

Investments accounted for under the cost method consist of non-voting common stock held in for-profit CDFI Program awardees and preferred non-voting stock held in two awardees. The aggregate amount of these investments is $13,554,770 at September 30, 2014 and 2013. All securities were evaluated for impairment. No investments were written off during fiscal year 2014 or 2013.

(9) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in Sustainable Jobs Fund, LP (12%), an interest in Pacific Community Ventures Investment Partners II (10%) and a non-voting redeemable transferable interest in BCLF Ventures II, LLC (18%). Equity method investments totaled $1,154,662 and $1,671,258 at September 30, 2014 and 2013, respectively.

(10) Due to the General Fund

The General Fund consists of assets and liabilities used to finance the daily and long-term operations of the U.S. Government, as a whole. It also includes accounts used in the management of the Budget of the U.S. Government.

Due to the General Fund represents a liability to reflect assets owed by the CDFI Fund to the General Fund. These liabilities are separately reported on the Balance Sheet, with a corresponding amount reported in Interest and other receivable. The General Fund liabilities include penalty and late fees due to delinquent loans totaling $16,620 and $24,737 at September 30, 2014 and 2013, respectively.

(11) Debt and Other Borrowings

Debt consists of amounts borrowed from the Treasury Department and included the following activity for the years ended September 30, 2014 and 2013:

		2014		2013
Beginning Balance	$	37,650,048	$	33,180,363
New Borrowings		57,313,318		9,818,731
Repayments		(3,764,478)		(5,349,046)
Ending Balance	$	91,198,888		37,650,048

Payments to the Treasury Department are due on September 30 of each year of maturity. Principal payments that include direct loans and total principal payments for the bond guarantees on this debt as of September 30, 2014 are as follows:

Fiscal Year		Principal Payments
2015	$	8,617,880
2016		5,988,690
2017		6,376,515
2018		9,838,696
2019		14,267,096
Later years, through 2045		46,110,013
	$	91,198,890

During fiscal year 2014, the CDFI Fund borrowed $48,025,870 for new loans, which included $38,000,000 for BGP loans, $8,133,861 due to downward subsidy reestimate for the direct loans, $766,600 for BGP downward subsidy reestimate, and $386,987 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories.

During fiscal year 2013, the CDFI Fund borrowed $8,459,720 for new loans, $997,230 due to downward subsidy reestimate and $361,781 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.78% to 6.48%, depending on maturity dates or risk categories.

Interest paid in cash for the years ended September 30, 2014 and 2013 was $3,386,994 and $1,685,900 respectively.

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

The CDFI Fund has permanent indefinite borrowing authority of $211,288,998 to fund instruments issued under the Bond Guarantee Program.

(12) Commitments

(a) Operating Leases

The CDFI Fund leases office space and equipment in Washington, D.C. under the terms of an implicit operating lease between the General Services Administration and Eleven Eighteen Limited Partnership which expires in March, 2019. The total operating lease expense was $914,218 and $932,804 for the years ended September 30, 2014 and 2013, respectively.

Future minimum payments due under these operating leases as of September 30, 2014 were as follows:

Fiscal Year	Minimum Lease Payments
2015	$ 912,528
2016	912,528
2017	912,528
2018	912,528
2019	912,528
	$ 4,562,640

(b) Award, Purchase and Bond Guarantee Program Commitments

As of September 30, 2014 and 2013, unfilled award commitments amounted to $195,452,980 and $185,840,022 respectively. Award commitments relate to CDFI Program and NACA Program awards which were approved by CDFI Fund management but not disbursed as of the end of the year. These award commitments are not considered liabilities at year-end because the awardees have not met the conditions required for payment. Award commitments pertaining to the BEA Program of $17,941,818 and $0 as of September 30, 2014 and 2013, respectively, represent expenditures incurred by awardees for which the CDFI Fund will reimburse 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. Award commitments pertaining to CDFI Program of $1,998,134 and $548,915 as of September 30, 2014 and 2013, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $10,930,197 and $7,849,306 as of September 30, 2014 and 2013, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

As of September 30, 2014 and 2013, Bond Guarantee Program commitments for related direct loan disbursements amounted to $487,000,000 and $325,000,000 respectively. Actual disbursement is subject to borrowers satisfying certain conditions.

(13) Unexpended Appropriations

Unexpended appropriations for the years ended September 30, 2014 and 2013 were as follows:

	2014	**2013**
Beginning unexpended appropriations	$ 238,370,980	$ 208,892,405
Appropriations received	226,000,000	221,000,000
Appropriations for Subsidy Reestimate	582,870	853,092
Appropriations cancelled	(400,809)	(282,394)
Appropriations recission	-	(11,559,626)
Appropriations expended	(230,244,461)	(179,535,267)
Downward Subsidy Reestimate Adjustment	(8,900,461)	(997,230)
Change in unexpended appropriations	(12,962,604)	29,478,575
Ending unexpended appropriations	$ 225,408,376	$ 238,370,980

(14) 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, 2014 and 2013 were $886,482 and $845,641 respectively.

(15) CDFI Program Grant Expense

The CDFI Fund had CDFI Program grant expense of $173,384,476 and $130,090,223 as of September 30, 2014 and 2013, respectively.

(16) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2014 and 2013:

		2014		2013
Personnel compensation and benefits	$	9,620,158	$	9,440,198
Bond Guarantee Program expenses		2,386,373		6,029,946
Travel		17,347		46,089
Rent, communication, utilities and miscellaneous charges		1,458,503		1,083,094
Contractual services with other agencies		5,233,316		5,682,239
Contractual services with external parties		5,351,931		4,982,270
Information technology systems maintenance		25,048		16,915
Amortization		189,094		158,995
Supplies and printing		89,708		160,410
Other		2,992		11,332
Total	$	24,374,470	$	27,611,488

(17) Related Party Transactions

The CDFI Fund has Interagency agreements with the Treasury Department. As of September 30, 2014 and 2013, these related party expenses amounted to $6,487,773 and $8,363,591, respectively. As of September 30, 2014 and 2013 related party receivables were $0 and $258,897 respectively.

Expenses were recorded as follows for fiscal years 2014 and 2013: Interagency Agreements with Departmental Offices (DO) for financial management services, conference and events, postage, human resources services, and Working Capital Fund shared IT servicesfor the amount of $2,490,262 and $3,891,762 for fiscal years 2014 and 2013, respectively. An Interagency Agreement with the BFS for accounting services, e-Travel and Prism for the amount of $1,702,805 and $1,077,810 for fiscal years 2014 and 2013, respectively. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services for the amount of $2,185,713 and $3,295,196 for fiscal years 2014 and 2013, respectively. An Interagency Agreement with Office of Financial Stability (OFS) for personnel for the amount of $109,713 and $98,823 for fiscal years 2014 and 2013, respectively.

Receivables were recorded as follows as of September 30, 2014 and 2013: Interagency receivables with DO for IT shared services for $0 and $258,897 respectively.

(18) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 12, 2014, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix A: Glossary of Acronyms

A
AFR – Agency Financial Report
AMIS – Awards Management Information System
ARC – Administrative Resource Center
ARRA – American Reinvestment and Recovery Act of 2009
ATS – Allocation Tracking System

B
BEA – Bank Enterprise Award
BGP – Bond Guarantee Program

C
CCME – Certification, Compliance Monitoring and Evaluation
CDCI – Community Development Capital Initiative
CDE – Community Development Entity
CDFI – Community Development Financial Institution
CDFI Fund – Community Development Financial Institutions Fund
CIIS – Community Investment Impact System
CMF – Capital Magnet Fund
CoE – Centers of Excellence
COTS – Commercial Off-The-Shelf

E
ETA – Electronic Transfer Accounts

F
FA – Financial Assistance
FDIC – Federal Deposit Insurance Corporation
FEC – Financial Education and Counseling Pilot Program
FFAMIA – Federal Financial Assistance Management Improvement Act
FFATA – Federal Funding Accountability and Transparency Act
FFMIA – Federal Financial Management Improvement Act of 1996
FMFIA – Federal Managers' Financial Integrity Act

G
GMLoB – Grants Management Line of Business

H
HFFI-FA – Healthy Food Financing Initiative – Financial Assistance Program

I
IDA – Individual Development Accounts
ILR – Institution Level Report
IPERA – Improper Payments Elimination and Recovery Act

IPIA – Improper Payments Information Act of 2002

N

NACA Program – Native American CDFI Assistance Program
NMTC – New Markets Tax Credit
NOFA – Notice of Funding Availability

O

OCFO – Office of the Chief Financial Officer
OFM – Office of Financial Management
OIG – Office of Inspector General
OMB – U.S. Office of Management and Budget

P

PAR – Performance and Accountability Report

Q

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

S

SECA – Small and Emerging CDFI Assistance

T

TA – Technical Assistance
TLR – Transaction Level Report