



Audit Report



OIG-26-009

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Year 2025

January 14, 2026

Office of Inspector General
Department of the Treasury

This Page Intentionally Left Blank



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 14, 2026

**MEMORANDUM FOR ALEXANDRIA SMITH, ACTING DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS
FUND**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Community Development Financial Institutions
Fund's Financial Statements for Fiscal Year 2025

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2025, and for the year then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin (OMB) No. 24-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the CDFI Fund, KPMG found

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

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not

Page 2

express, an opinion on CDFI Fund's financial statements or conclusions on the effectiveness of internal control or compliance with laws and regulations. KPMG is responsible for the attached auditors' report dated January 14, 2026, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 486-1415, or a member of your staff may contact Felicia Silver, Acting Manager, Financial Statement Audits, at (771) 210-6004.

Attachment



AGENCY FINANCIAL REPORT

FISCAL YEAR 2025

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

TABLE OF CONTENTS

MESSAGE FROM THE DIRECTOR	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	2
INDEPENDENT AUDITORS' REPORT	10
FINANCIAL STATEMENTS	
BALANCE SHEET	14
STATEMENT OF NET COST.....	15
STATEMENT OF CHANGES IN NET POSITION	16
STATEMENT OF BUDGETARY RESOURCES	17
NOTES TO FINANCIAL STATEMENTS.....	18
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED).....	42
OTHER INFORMATION (UNAUDITED).....	43
APPENDIX A: GLOSSARY OF ACRONYMS (UNAUDITED)	44

Notes:

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

Numerals with decimal units are shown to one decimal place and are rounded to the nearest tenth. For example, 1.24 million is rounded down to 1.2 million, and 1.25 is rounded up to 1.3 million.

MESSAGE FROM THE DIRECTOR

I am pleased to present the fiscal year 2025 Agency Financial Report for the United States Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

CDFI Fund award recipients successfully leverage billions in private sector investment to create jobs, build affordable housing, and invest in neighborhood revitalization initiatives—all in communities lacking access to traditional lending or banking institutions.

As for our financial performance, I am pleased to report that the CDFI Fund has received an unmodified audit opinion of its financial statements. Based on our internal evaluation, our financial and performance data have been validated as complete and reliable.

The CDFI Fund remains poised to implement its mission of expanding economic opportunity for underserved people and communities by supporting the growth and capacity of a network of community development lenders, investors, and financial service providers as Congress has authorized and supported with annual appropriations.



Alexandria Smith
Acting Director
Community Development Financial Institutions Fund
1/14/2026

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Community Development Financial Institutions Fund (CDFI Fund), a wholly owned government corporation, was created as a bipartisan initiative through the *Riegle Community Development and Regulatory Improvement Act of 1994* (Public Law (P.L.) 103-325) to perform a wide range of functions to fulfill its mission. The CDFI Fund was placed in the United States (U.S.) Department of the Treasury (Treasury) and began operations in July 1995.

The CDFI Fund has worked for more than a quarter of a century to generate economic opportunity where it is needed most. It accomplishes this through various programs it administers, all aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities.

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

The CDFI Fund envisions an America in which all people and communities have access to the investment capital and financial services they need to prosper.

Its mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

For additional information about the CDFI Fund please visit: <https://www.cdfifund.gov/>

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 United States Code § 3515(b). The statements are prepared from records of Federal entities in accordance with U.S. Generally Accepted Accounting Principles and the formats prescribed by Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

The CDFI Fund generates economic opportunity in underserved low-income communities by expanding access to credit, capital, and financial services. It accomplishes this by providing capital through the following active programs in fiscal year (FY) 2025:

Community Development Financial Institutions Program (CDFI Program) – Established in 1994 through the CDFI Fund's authorizing legislation, the *Riegle Community Development and Regulatory Improvement Act of 1994* (P.L. 103-325), the CDFI Program invests in and builds the capacity of Community Development Financial

Institutions (CDFIs), empowering them to grow, achieve organizational sustainability, and contribute to the revitalization of their communities. The purpose of the CDFI Program is to increase the capacity of CDFIs to serve low-income people and underserved communities. The program has two primary components:

- Financial Assistance (FA) awards – Grant, loan, and equity awards provided to support the financing activities of CDFIs.
- Technical Assistance (TA) awards – Grants provided to support the capacity-building activities of CDFIs.

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

The CDFI Program has a “*Fund Balance with Treasury*” of \$255.4 million (or 27.7 percent), resulting from appropriated funding yet to be disbursed and direct loan fund balance to be used to repay debt in FY 2026. Other than intra-governmental “*Loans Receivable, Net*” of \$48.0 million, (or 3.0 percent), represents loans issued by the CDFI Program to private sector borrowers. Other than intra-governmental “*Advances and Prepayments*” represents grant funding that has been disbursed to CDFI Fund recipients, but not yet recognized as expense, as the recipients have yet to use the award funding. The CDFI Program has “*Advances and Prepayments*” of \$119.5 million (or 17.7 percent). Debt is incurred when financing CDFI Program direct loans. The CDFI Program has \$47.7 million (or 3.0 percent) in “*Debt*” owed to Treasury.

Total Net Position represents the combined total of cumulative results of operations and unexpended appropriations at the end of the fiscal year. “*Net Change in Unexpended Appropriations*” represents the gross amount of appropriations received and used. In FY 2025, the CDFI Program received \$212.0 million (or 65.4 percent) in new appropriations and used \$306.2 million (or 42.6 percent) in total appropriations.

The CDFI Program incurred grant expense, as a result of recipients’ reported use of award funding, of \$305.8 million (or 32.8 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

In FY 2025, the CDFI Program obligated more than \$84.6 million in awards to 299 CDFIs, for portions of the 2024 and 2025 funding rounds. The CDFI Program also outlaid award funding of \$403.5 million to 609 CDFIs from the 2020, 2021, 2022, and 2024 funding rounds. Additionally, \$0.1 million was recaptured from one award found to be noncompliant.

During the FY 2025 funding round, the CDFI Fund received 502 FA Applications. Based on this volume, the program required 33 percent fewer external reviewers than projected for Step 3: Business Plan Review, resulting in a projected cost savings of \$123,200 compared to the contract ceiling. Staff streamlined each step of the review process,

reducing the amount of justification required without increasing risk. These changes are expected to save approximately two hours of CDFI Fund staff time per FA Application.

The CDFI Program is actively aligning its funding goals and priorities with Presidential administrative priorities to provide future FA and TA awards.

Native American CDFI Assistance Program (NACA Program) – Established in 1994 through the CDFI Fund’s authorizing legislation, the *Riegle Community Development and Regulatory Improvement Act of 1994* (P.L. 103-325), the Native Initiatives program was launched in 2001 to help Native communities — defined as Native American, Alaska Native, and Native Hawaiian communities — grow by increasing their access to credit, capital, and financial services. By building and strengthening Native CDFIs, the NACA Program helps these community-based organizations increase access to credit, capital, and financial services in their communities, which in turn creates jobs, develops affordable housing, and provides opportunities for Native American, Alaska Native, and Native Hawaiian people to obtain appropriate financial services and counseling.

The NACA Program has a “*Fund Balance with Treasury*” of \$40.2 million (or 4.4 percent), resulting from appropriated funding yet to be disbursed. Additionally, the NACA Program has “*Advances and Prepayments*” of \$13.2 million (or 2.0 percent).

In FY 2025, the NACA Program received \$28.0 million (or 8.6 percent) in new appropriations and used \$34.9 million (or 4.8 percent) in total appropriations.

The NACA Program incurred grant expense, as a result of recipients’ reported use of award funding, of \$34.9 million (or 3.7 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

The NACA Program obligated in FY 2025 more than \$5.7 million in TA awards to 20 CDFIs, to include portions of the 2024 and 2025 funding rounds. In FY 2025, the NACA Program outlaid award funding of \$46.0 million to 41 CDFIs from the 2021, 2022, and 2024 funding rounds.

For the FY 2025 funding round, staff identified and streamlined areas in each step of the review process, reducing the amount of justification required without increasing risk. The CDFI Fund anticipates the implemented changes will cut approximately two hours of CDFI Fund staff time per FA Application.

The NACA Program is actively aligning its funding goals and priorities with Presidential administrative priorities to provide future FA and TA awards.

Depository Institution Initiatives (DII) includes:

- **Bank Enterprise Award Program (BEA Program)** – Established in 1994 through the CDFI Fund’s authorizing legislation, the *Riegle Community Development and Regulatory Improvement Act of 1994* (P.L. 103-325), the BEA Program recognizes and

seeks to expand the important role that traditional banks and thrifts play in community development. The BEA Program provides monetary awards to federally-insured banks and thrifts that demonstrate increased lending, investment, and service activities in the most economically distressed communities and/or in Certified CDFIs. The BEA Program defines “the most economically distressed communities” as those where at least 30 percent of the residents have incomes below the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate. The program targets communities with the greatest needs and generates economic opportunity for those with the least access to financial products and services.

The BEA Program has a “*Fund Balance with Treasury*” of \$40.1 million (or 4.4 percent), resulting from appropriated funding yet to be disbursed.

In FY 2025, the BEA Program received \$40.0 million (or 12.3 percent) in new appropriations and used \$0.3 million (or 0.04 percent) in total appropriations.

The BEA Program outlaid award funding of \$40.1 million to 168 CDFIs from the 2024 funding round.

- **Small Dollar Loan Program (SDL Program)** – The SDL Program, authorized by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203), was enacted through the *Consolidated Appropriations Act, 2020* (P.L. 116-93). The SDL Program helps Certified CDFIs address the issue of expanding consumer access to mainstream financial institutions and provides alternatives to high-cost small dollar loans that are prevalent in low-income communities. The program provides Loan Loss Reserve and TA grants to help Certified CDFIs offer fair and affordable small dollar loan products in communities underserved by mainstream financial institutions.

The SDL Program has a “*Fund Balance with Treasury*” of \$9.8 million (or 1.1 percent), resulting from appropriated funding yet to be disbursed. Additionally, the SDL Program has “*Advances and Prepayments*” of \$4.4 million (or 0.6 percent).

In FY 2025, the SDL Program received \$9.0 million (or 2.8 percent) in new appropriations and used \$7.9 million (or 1.1 percent) in total appropriations.

The SDL Program incurred grant expense, as a result of recipients’ reported use of award funding, of \$7.9 million (or 0.8 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

The SDL Program outlaid award funding of \$0.2 million to 11 CDFIs from the 2024 funding round.

The DII has enhanced and streamlined the BEA Program and the SDL Program applications and review processes in the CDFI Fund’s Awards Management Information System, improving data validations, accuracy, and user experience, resulting in reduced burden for applicants and CDFI Fund staff.

The DII is actively aligning its funding goals and priorities with Presidential administrative priorities to provide future awards.

Capital Magnet Fund (CMF) – Enacted through the *Housing and Economic Recovery of 2008* (P.L. 110-289), the CMF was created to spur investment in affordable housing and related economic development initiatives that serve low-income families and low-income communities across the nation. The CMF provides awards to Certified CDFIs and nonprofit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities. CMF award recipients are required to finance and/or support 10 times the grant amount in eligible project costs.

The CMF has a “*Fund Balance with Treasury*” of \$291.0 million (or 31.6 percent), resulting from restricted funds from the Government Sponsored Enterprises (GSE) funding yet to be disbursed. Additionally, the CMF has “*Advances and Prepayments*” of \$360.1 million (or 53.3 percent).

The CMF does not receive congressionally appropriated funding; however, restricted funds received from the GSEs in FY 2025 were recognized for \$116.5 million as “*Appropriations*” on the Statement of Budgetary Resources.

The CMF incurred grant expense, as a result of recipients’ reported use of award funding, of \$251.1 million (or 27.0 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

The CMF obligated \$246.4 million in awards to 48 organizations through the 2024 funding round for the development of affordable housing and community facilities serving low-income individuals, families, and communities. In FY 2025, the CMF outlaid award funding of \$247.9 million to 50 CDFIs from the 2023 and 2024 funding rounds.

In FY 2025, the CDFI Fund invested in building out the CMF program application, as well as compliance and reporting functions. These improvements reduced the cost and impact on external stakeholders and internal CMF program and compliance staff for managing all application, compliance, and amendment requests, as the number of CMF awards under management grows. Additionally, the CMF’s reassessment of the environmental review regulations and related guidance confirmed that it is highly unlikely that CMF projects will trigger federal environmental review requirements and associated costs, which are budgeted at a cost of up to \$150,000 per year.

The CMF is actively aligning its funding goals and priorities with Presidential administrative priorities to provide future awards.

CDFI Bond Guarantee Program (CDFI BGP) – Enacted through the *Small Business Jobs Act of 2010* (P.L. 111-240), the CDFI BGP responds to the critical market demand for long-term, low-cost capital that can be used to spur economic growth in low-income communities. The CDFI BGP accelerates the economic revitalization of low-income

communities by giving CDFIs access to a significant source of long-term capital. Unlike other CDFI Fund programs, the CDFI BGP does not offer grants. Instead, it is a federal credit program designed to function at no cost to taxpayers. The bonds are debt instruments that must be repaid.

The CDFI BGP has a “*Fund Balance with Treasury*” of \$10.7 million (or 1.2 percent), resulting from direct loan fund balance to be used to repay debt in FY 2026. Other than intra-governmental “*Loans Receivable, Net*” of \$1.6 billion (or 97.0 percent), represents loans issued by the CDFI BGP to private sector borrowers. Debt is incurred when financing CDFI BGP direct loans. The CDFI BGP has \$1.6 billion (or 97.0 percent) in “Debt” owed to Federal Financing Bank and Treasury.

In FY 2025, the CDFI BGP obligated \$100.0 million to one CDFI and outlaid award funding of \$215.7 million to 11 CDFIs from the 2019 through 2024 funding rounds.

The CDFI BGP is structured as a negative subsidy program which will generate revenue over the life of the program for Treasury rather than a cost.

New Markets Tax Credit Program (NMTC Program) – Enacted through the *Community Renewal Tax Relief Act of 2000* (P.L. 106-554), the NMTC Program was established to attract private investment to underserved communities by offering a tax credit to investors. One of the most significant obstacles to economic development in low-income communities is the lack of access to private investment capital. The NMTC Program is designed to attract new private investment to qualifying businesses located in low-income communities (generally defined as population Census Tracts with at least 20 percent poverty or 80 percent or less of the median family income) or businesses that are owned by, employ, or serve low-income targeted populations. The NMTC Program attracts private investment by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making Qualified Equity Investments in specialized financial intermediaries called Certified Community Development Entities.

In FY 2025, the *One Big Beautiful Bill Act* (P.L. 119-21) permanently authorized the NMTC Program.

Emergency Support Programs includes:

- **CDFI Equitable Recovery Program (CDFI ERP)** – The *Consolidated Appropriations Act, 2021* (P.L. 116-260) provided \$1.8 billion to the CDFI Fund to award CDFIs grants to respond to the economic impacts of the Coronavirus Disease of 2019 (COVID-19) pandemic. Awards provided to CDFIs are meant to expand lending, grant making, and investment activity in low- or moderate-income communities and to borrowers that have significant unmet capital or financial services needs and were disproportionately impacted by the COVID-19 pandemic; awards also enable CDFIs to build organizational capacity and acquire technology, staff, and other tools necessary to accomplish these activities. The only application round of the CDFI ERP was awarded in FY 2023.

The CDFI ERP has a “*Fund Balance with Treasury*” of \$57.6 million (or 6.3 percent), resulting from appropriated funding yet to be disbursed. Additionally, the CDFI ERP has “*Advances and Prepayments*” of \$178.4 million (or 26.4 percent).

In FY 2025, the CDFI ERP used \$334.1 million (or 46.4 percent) in appropriations.

The CDFI ERP incurred grant expense, as a result of recipients’ reported use of award funding, of \$328.5 million (or 35.3 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

The CDFI ERP outlaid award funding of \$141.9 million to 139 CDFIs and recaptured \$0.8 million from two awards found to be noncompliant.

- **CDFI Rapid Response Program (CDFI RRP)** – The *Consolidated Appropriations Act, 2021* (P.L. 116-260) provided \$1.3 billion for the CDFI Fund to provide grants to enable Certified CDFIs to support, prepare for, and respond to the economic impact of COVID-19. Unlike the CDFI Fund’s competitive funding programs, the CDFI RRP was a formula-based grant program designed to provide awards to all eligible applicants. The only application round of the CDFI RRP was conducted in FY 2021. The CDFI RRP is winding down and anticipates recognizing the remainder of recipients’ uses of award funding on the Statement of Net Cost and Statement of Changes in Net Position in FY 2026.

The CDFI RRP has a “*Fund Balance with Treasury*” of \$2.8 million (or 0.3 percent), resulting from appropriated funding awarded to grantees then subsequently recaptured or de-obligated. The fund balance will be returned to Treasury’s General Fund in FY 2026. Additionally, the CDFI RRP has “*Advances and Prepayments*” of \$0.2 million (or 0.02 percent).

In FY 2025, the CDFI RRP used \$3.3 million (or 0.5 percent) in appropriations.

The CDFI RRP incurred grant expense, as a result of recipients’ reported use of award funding, of \$3.3 million (or 0.4 percent) which is represented as a part of “*Gross Costs*” on the Statement of Net Cost.

The CDFI Fund’s Annual Performance Report will be issued by March 1, 2026. The report will be available online at <https://www.cdfifund.gov/news-events>

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

CDFI Fund management is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of the *Federal Managers’ Financial Integrity Act* (FMFIA) and the *Federal Financial Management Improvement Act* (FFMIA). The CDFI Fund conducted its assessment of risk and control in accordance with OMB Circular A-123 (OMB A-123), *Management’s Responsibility for Enterprise Risk Management and Internal Control*, which includes a comprehensive risk-based internal control evaluation plan. This plan includes a methodology that identifies and documents key controls and provides

for the assessment and testing of those controls to obtain reasonable assurance that the controls are designed, implemented, and operating effectively.

The CDFI Fund uses centralized financial management and budget formulation hosting services provided by the Bureau of the Fiscal Service Administrative Resource Center (FS-ARC). The shared service approach enables the CDFI Fund to have access to core financial systems without having to maintain separate technical and system architectures. Using shared services reduces the need for the CDFI Fund to maintain duplicative financial management systems, thereby promoting efficiency and cost saving measures, while enhancing the quality, timeliness, and accuracy of financial management processes. The FFMIA requires federal agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. As a component of Treasury, the CDFI Fund assesses its financial management systems annually for conformance, in accordance with OMB A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. The CDFI Fund uses FS-ARC's financial management system as part of a shared service arrangement and relies on FS-ARC's Service Organization Control 1-Type 2 report and the FS-ARC FFMIA Assessment to conduct its review.

Based on the results of the assessments of internal controls and financial management systems referred to above, the CDFI Fund can provide reasonable assurance that, in accordance with Section 2 of the FMFIA, the CDFI Fund's internal control over operations, reporting, and compliance with laws and regulations was operating effectively as of September 30, 2025. In addition, the CDFI Fund can provide reasonable assurance that, as of September 30, 2025, the CDFI Fund's financial management systems are in substantial conformance with the federal financial management systems requirements of Section 4 of the FMFIA.



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

Independent Auditors' Report

Deputy Inspector General, U.S. Department of the Treasury
Acting Director, Community Development Financial Institutions Fund:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the balance sheet as of September 30, 2025, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CDFI Fund as of September 30, 2025, and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDFI Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CDFI Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the CDFI Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Message from the Director, Table of Contents, Other Information - Summary of



Financial Statement Audit and Management Assurances, and Appendix A: Glossary of Acronyms but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2025, we considered the CDFI Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements as of and for the year ended September 30, 2025 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control or compliance. This communication is an integral part of an audit performed in



accordance with *Government Auditing Standards* in considering the CDFI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
January 14, 2026

Balance Sheet

(in thousands)	As of September 30, 2025
ASSETS	
Intra-Governmental:	
Fund Balance with Treasury (Note 2)	\$ 920,581
Total Intra-Governmental	<u>920,581</u>
Other than Intra-Governmental:	
Accounts Receivable, Net (Note 3)	89,005
Loans Receivable, Net (Note 4)	1,600,829
Advances and Prepayments (Note 5)	675,725
Investments, Net (Note 6)	35,977
Property, Plant & Equipment, Net	14,653
Total Other than Intra-Governmental	<u>2,416,189</u>
Total Assets	<u><u>\$ 3,336,770</u></u>
LIABILITIES	
Intra-Governmental:	
Debt (Note 7)	\$ 1,599,557
Other Liabilities:	
Due to the General Fund	17,862
Other Liabilities (Note 8)	4,313
Total Intra-Governmental	<u>1,621,732</u>
Other than Intra-Governmental:	
Other Liabilities (Note 8)	1,905
Total Other than Intra-Governmental	<u>1,905</u>
Total Liabilities	<u><u>\$ 1,623,637</u></u>
Commitments (Note 9)	
NET POSITION	
Unexpended Appropriations:	
Funds from Other than Dedicated Collections	\$ 738,021
Total Unexpended Appropriations (Consolidated)	<u>738,021</u>
Cumulative Results of Operations:	
Funds from Dedicated Collections (Note 10)	742,976
Funds from Other than Dedicated Collections	232,136
Total Cumulative Results of Operations (Consolidated)	<u>975,112</u>
Total Net Position	<u><u>\$ 1,713,133</u></u>
Total Liabilities and Net Position	<u><u>\$ 3,336,770</u></u>

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

Statement of Net Cost

(in thousands)	For the Fiscal Year Ended September 30, 2025
CDFI Program	
Gross Costs	\$ 309,630
Less: Earned Revenue	(2,043)
Net Program Cost	<u>307,587</u>
NACA Program	
Gross Costs	35,091
Less: Earned Revenue	-
Net Program Cost	<u>35,091</u>
Depository Institutions Initiative (BEA Program and SDL Program)	
Gross Costs	8,746
Less: Earned Revenue	-
Net Program Cost	<u>8,746</u>
CMF	
Gross Costs	252,947
Less: Earned Revenue	-
Net Program Cost	<u>252,947</u>
CDFI BGP	
Gross Costs	23,669
Less: Earned Revenue	(40,276)
Net Program Revenue	<u>(16,607)</u>
Emergency Support Programs (CDFI RRP and CDFI ERP)	
Gross Costs	337,344
Less: Earned Revenue	-
Net Program Cost	<u>337,344</u>
NMTC Program	
Gross Costs	2,110
Less: Earned Revenue	-
Net Program Cost	<u>2,110</u>
Costs not Assigned to Programs	
Gross Costs	30,057
Less: Earned Revenue	-
Net Program Cost	<u>30,057</u>
Total Gross Costs	999,594
Less: Total Earned Revenue	(42,319)
Total Net Cost of Operations	<u>\$ 957,275</u>

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 2025					
	Funds from Dedicated Collections (Consolidated Totals) (in thousands)	\$	Funds from Other than Dedicated Collections (Consolidated Totals)	\$	Consolidated Total
UNEXPENDED APPROPRIATIONS					
Beginning Balance		\$ -	\$ 1,136,456	\$ -	\$ 1,136,456
Appropriations Received		\$ -	\$ 324,000	\$ -	\$ 324,000
Appropriations Transferred In/Out		\$ -	\$ (1,100)	\$ -	\$ (1,100)
Other Adjustments		\$ -	\$ (1,867)	\$ -	\$ (1,867)
Appropriations Used		\$ -	\$ (719,468)	\$ -	\$ (719,468)
Net Change in Unexpended Appropriations		\$ -	\$ (398,435)	\$ -	\$ (398,435)
Total Unexpended Appropriations		\$ -	\$ 738,021	\$ -	\$ 738,021
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance		871,900	96,432	968,332	
Appropriations Used		\$ -	\$ 719,468	\$ -	\$ 719,468
GSE Fees and Other Non-Exchange Revenue		124,023	\$ -	124,023	
Transfers In/Out) Without Reimbursement		\$ -	\$ 138,993	\$ -	\$ 138,993
Imputed Financing Sources		\$ -	\$ 2,211	\$ -	\$ 2,211
Transfers to the General Fund		\$ -	\$ (20,640)	\$ -	\$ (20,640)
Total Net Cost of Operations		(252,947)	(704,328)	(957,275)	
Net Change in Cumulative Results of Operations		(128,924)	135,704	6,780	
Total Cumulative Results of Operations		742,976	232,136	975,112	
NET POSITION		\$ 742,976	\$ 970,157	\$ 1,713,133	

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

Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 2025

(in thousands)	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources			
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 11)	\$ 577,878	\$ 15	\$ 577,893
Appropriations (Discretionary and Mandatory)	438,793	-	438,793
Borrowing Authority (Discretionary and Mandatory)	-	109,047	109,047
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	135,928	51,255	187,183
Total Budgetary Resources	\$ 1,152,599	\$ 160,317	\$ 1,312,916
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Total)	\$ 372,984	\$ 149,468	\$ 522,452
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	359,486	10,849	370,335
Unapportioned, Unexpired Accounts	405,809	-	405,809
Unexpired Unobligated Balance, End of Year	765,295	10,849	776,144
Expired Unobligated Balance, End of Year	14,320	-	14,320
Unobligated Balance, End of Year (Total)	779,615	10,849	790,464
Total Budgetary Resources	\$ 1,152,599	\$ 160,317	\$ 1,312,916
Outlays, Net and Disbursements, Net			
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 774,108	\$ -	\$ 774,108
Distributed Offsetting Receipts	(126,410)	-	(126,410)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 647,698	\$ -	\$ 647,698
Disbursements, Net (Total) (Mandatory)		\$ 160,042	\$ 160,042

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

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Community Development Financial Institutions Fund (CDFI Fund or the Fund), a government corporation, was created as a bipartisan initiative in the *Riegle Community Development and Regulatory Improvement Act of 1994* (Public Law (P.L.) 103-325). The CDFI Fund was placed within the United States (U.S.) Department of the Treasury (Treasury) and began operations in July 1995.

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

The major programs operated by the CDFI Fund are the:

- Community Development Financial Institutions Program (CDFI Program)
- Native American CDFI Assistance Program (NACA Program)
- Bank Enterprise Award Program (BEA Program)
- Small Dollar Loan Program (SDL Program)
- Capital Magnet Fund (CMF)
- CDFI Bond Guarantee Program (CDFI BGP)
- New Markets Tax Credit Program (NMTC Program)
- CDFI Rapid Response Program (CDFI RRP)
- CDFI Equitable Recovery Program (CDFI ERP)

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

The NACA Program provides grants to help create CDFIs and to build the capacity of Native CDFIs that serve primarily Native American, Native Alaskan, and Native Hawaiian communities.

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

The SDL Program, authorized by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203), was enacted through the *Consolidated Appropriations Act, 2020* (P.L. 116-93). The

purpose of the SDL Program is to provide grants for loan loss reserves and TA to enable Certified CDFIs to establish and maintain small dollar loan programs.

The CMF, enacted through the *Housing and Economic Recovery Act of 2008* (P.L. 110-289), provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients can utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk sharing loans, and loan guarantees. Organizations that receive the CMF awards are required to finance housing and community development investments costing at least ten times the award amount.

The CDFI BGP was enacted through the *Small Business Jobs Act of 2010* (P.L. 111-240). The CDFI Fund administers the program and the Secretary of the Treasury (Secretary) issues direct loans 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.

The NMTC Program, enacted through the *Community Renewal Tax Relief Act of 2000* (P.L. 106-554), provides tax credit allocation authority to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the CDFI Fund's grant programs and the CDFI BGP, the tax credit allocation authority to CDEs has no effect on the financial statements of the CDFI Fund.

The CDFI RRP was enacted through the *Consolidated Appropriations Act, 2021* (P.L. 116-260). The program was designed to quickly deploy capital, through grants, to Certified CDFIs to support, prepare for, and respond to the economic impact of the Coronavirus Disease of 2019 (COVID-19) pandemic.

The CDFI ERP was also enacted through P.L. 116-260. The program was designed to provide grants to CDFIs to expand lending, grant making and investment activities in low- or moderate-income communities and borrowers that have experienced disproportionate economic impacts from the COVID-19 pandemic.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared from the CDFI Fund's accounting records in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as revised. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB as the official accounting standards-setting body for the U.S. government. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

These financial statements consist of the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Statement of Budgetary Resources. The statements and the related notes are prepared in a single-year format to present fiscal year (FY) 2025 information. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity.

Intra-governmental assets and liabilities are those due from or to other federal entities. Intra-governmental earned revenues are collections or accruals of revenue from other federal entities, and intra-governmental costs are payments or accruals of expenditures to other federal entities.

There are numerous acronyms used throughout the notes herein as well as other sections of this Agency Financial Report. Refer to the “*Glossary of Acronyms (Unaudited)*” located in the Appendix of this report for a complete listing of these acronyms and their definitions.

C. Fund Balance with Treasury

Fund Balance with Treasury is composed of appropriated and borrowed funds (financing accounts) that are available to pay liabilities and finance authorized awards and purchase commitments. Also included are restricted funds from the Government Sponsored Enterprises (GSE) used to finance activities for the CMF and investment proceeds transferred from Treasury’s Emergency Capital Investment Program (ECIP). The Fund Balance with Treasury amounts represent commitments by the U.S. government to provide resources for particular programs, but do not represent assets to the government as a whole. The CDFI Fund does not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements.

D. Loans Receivable, Net

The CDFI Fund makes direct loans to certain CDFI Program and CDFI BGP awardees. The CDFI Fund accounts for the direct loans under the provisions of credit reform accounting pursuant to the Federal Credit Reform Act of 1990 (FCRA).

To account for the credit program receivables, the CDFI Fund applies the accounting provisions of Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees*, as amended. SFFAS 2 requires measurement of the asset or liability at the net present value of the estimated future cash flows. The cash flow estimates for each credit program transaction reflect the actual structure of the instruments. For each of these instruments, the CDFI Fund estimates cash inflows and outflows related to the program over the estimated term of the instrument. Further, each cash flow estimate reflects the specific terms and conditions of the program, technical assumptions regarding the underlying assets, risk of default or other losses, and other factors as appropriate. The measurement of assets within these programs is primarily derived from inputs, which generally represent market data and, when such data is not available, management’s best estimate of how a market participant would assess the asset’s inherent risk.

The primary purpose of the FCRA is to measure the cost of federal credit programs, and to place the cost of such credit programs on a basis equivalent to other federal spending. The FCRA requires that the ultimate costs of a credit program be calculated, and the budgetary resources be obtained before incurring the direct loan obligations. The CDFI Fund calculates all direct loan subsidy estimates and re-estimates in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 185, *Federal Credit* (OMB A-11, Section 185).

In FY 2025, the CDFI Fund was unable to secure apportioned authority from OMB to fully account for the President’s Budget re-estimates for its CDFI Program and CDFI BGP direct loans. As a result, the CDFI Fund requested and was granted approval from OMB to forego re-estimating the subsidy cost of the CDFI Program and CDFI BGP direct loans. This decision is consistent with OMB Circular A-11, Section 185 which states, “Technical re-estimates of the subsidy cost of a cohort of

direct loans or loan guarantees must be made after the close of each fiscal year as long as the loans are outstanding, unless a different plan is approved by the OMB representative with primary budget responsibility for the credit account.” The CDFI Fund’s unrecorded President’s Budget re-estimates would have a net impact of \$4.0 million on the Balance Sheet, \$6.7 million on the Statement of Changes in Net Position, and \$2.7 million on the Statement of Net Cost as of September 30, 2025.

The CDFI Fund first predicts or estimates the future performance of direct loans when preparing the annual budget. The CDFI Fund subsequently re-estimates the data used for these budgetary estimates at September 30 to reflect changes in actual loan performance and actual interest rates in effect when the loans were issued. The re-estimated data reflects adjustments for market risks, asset performance, and other key variables and economic factors. The CDFI Fund uses the re-estimated data to report the adjustment to the cost of the direct loans disbursed and recognizes it within the “*Net Program Cost*” lines of the CDFI Program and CDFI BGP, respectively, on the Statement of Net Cost.

Cash flows associated with the CDFI Fund’s credit programs generally include disbursements, repayments, repurchases, fees, recoveries, interest, borrowings from Treasury and the Federal Financing Bank (FFB), negative subsidy, and the subsidy cost received from the program accounts. The CDFI Fund draws loan-level data and assumptions used as the basis for cash flow model forecasts and program performance from widely available market sources, as well as information published by direct loan recipients. Key inputs and assumptions to the cash flow forecasts include, but are not limited to:

- Security characteristics such as unpaid principal balance, coupon rate, weighted-average loan age, credit rating, maturity date, principal and interest payment schedules, and performance of underlying collateral;
- Discount rate;
- CDFI Fund actions, as well as changes in legislation;
- Forecast principal and interest payments, late payments, prepayment rates and default rates;
- Historical pre-payments; and
- Default and recovery reports that Moody’s and Standard and Poor’s publish.

The recorded subsidy cost associated with the credit programs represents the difference between disbursed amounts and the net present value of future cash flows the CDFI Fund anticipates receiving. The subsidy allowance, as initially established by the subsidy cost, takes into consideration projected repayments and defaults, and the projected cost of borrowings. The CDFI Fund amortizes the allowance to reflect the difference between projected and actual financing costs. The liability associated with the accrued downward subsidy re-estimates is recognized within the “*Due to the General Fund*” line of the Balance Sheet.

CDFI Fund’s actions, as well as changes in legislation, may impact estimated future cash flows and related subsidy costs. The CDFI Fund recognizes the cost or cost savings of a modification in subsidy costs when the terms of a program are modified. Workouts are actions taken to maximize repayments of existing credit programs, and the expected effects on cash flows are included in the original estimate and re-estimates of the subsidy cost. Subsidy costs are also impacted by re-estimates, which may occur as a result of updates to the original program subsidy cost estimates to reflect the actual cash flow, as well as changes in forecasts of estimated future cash flows associated with the credit

program. These direct loans are presented on the Balance Sheet within the “*Loans Receivable, Net*” line. See Note 4, “*Loans Receivable, Net*,” for more information.

E. Property, Plant, & Equipment, Net

The CDFI Fund’s Property, Plant & Equipment (PP&E), Net, assets comprise of internal-use software. The CDFI Fund follows the standards set forth in SFFAS 10, *Accounting for Internal Use Software*, in capitalizing costs incurred during the development stage (i.e., design of software configuration, coding, hardware installation, parallel processing testing), after management authorizes and commits to the software development projects. The CDFI Fund accumulates costs for developing internal-use software in work-in-development until the project is placed into service and the CDFI Fund successfully completes testing and final acceptances. Once completed, the CDFI Fund transfers the costs to depreciable property. The Fund amortizes the cost of internal-use software using the straight-line method over the estimated useful life, ranging from seven to ten years.

Pursuant to Treasury’s guidance on the capitalization threshold range, the CDFI Fund established the capitalization threshold of \$125,000 for internal-use software and \$50,000 for other PP&E, as permitted by SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 10. The Fund management concluded that these thresholds are set at appropriate levels and do not materially distort the financial statements or affect their comparability from year to year.

As of September 30, 2025, the net book value for the CDFI Fund’s internal-use software was \$14.7 million and comprised of \$41.8 million in costs, net of \$27.1 million of accumulated amortization. The CDFI Fund recorded \$3.5 million of amortization expense for the fiscal year ended (FY) September 30, 2025.

F. Advances and Prepayments

The CDFI Fund’s distribution of grant awards may be used by the awardees to cover a part, or all, of anticipated qualified expenses. The CDFI Fund initially recognizes such disbursed amounts as advances, as the benefits of the cash outflow extend beyond the FY during which the program funding was appropriated and disbursed. The Fund subsequently reduces the advances by the reported and estimated amount of qualified expenses incurred by the grant award recipients during the FY. The outstanding balance of the advances, net of adjustments for the incurred grant expenses, at the FYE is reported within the “*Advances and Prepayments*” line on the Balance Sheet. The recipients’ incurred expenses are reported on the Statement of Net Cost within “*Gross Costs*” line of the respective programs. Refer to the accounting policy entitled “*Risks, Uncertainties, and Use of Estimates*” and Note 5, “*Advances and Prepayments*” for additional discussion related to the estimation of advances and grant award expenses.

G. Investments, Net

The CDFI Fund assists certain for-profit CDFI Program awardees by purchasing capital investments. Pursuant to P.L. 103-325, the CDFI Fund is restricted from owning more than 50 percent of the equity in any awardees and from controlling their operations. These investments represent holdings in the form of non-voting equity securities and limited partnership interests.

Non-voting equity securities are reported at fair value with realized and unrealized holding gains or losses reported on the Statement of Net Cost depending on the net results. Investments with a readily determinable fair value are recorded at such fair value (see discussion below on “*Fair Value*”

Measurement"). Investments without readily determinable fair values are recorded using the measurement alternative at cost minus impairment, plus or minus subsequent adjustments for observable prices in orderly transactions for the identical or similar investment of the same issuer.

Limited partnership interests are carried in accordance with the equity method of accounting by recognizing the pro-rata share of investee's profit/loss through the Statement of Net Cost. A decline in the fair value of any investment below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value.

To determine if an impairment is other-than-temporary, the CDFI Fund considers whether: (1) it has the ability and intent to hold the investment until a market price recovery; and (2) evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the industry in which the investee operates. The impairment is charged to net cost and a new cost basis for the investment is established.

The CDFI Fund recognized no other-than-temporary impairment expense on these investments for the FYE September 30, 2025.

H. Debt

Debt represents the CDFI Fund's borrowings payable to Treasury and the FFB that were incurred to fund direct loans made by the CDFI Fund and other aspects of permissible borrowing authority. The borrowings payable to Treasury are related to the unsubsidized portion of direct loans. Subsidies are costs incurred by the government over the entire life of the loan. Debt repayments to Treasury are made based on the collections of loans receivable and/or upward re-estimates. The borrowings payable related to the FFB represent the principal loan balances disbursed under the CDFI BGP. Principal repayments to the FFB are made quarterly and semi-annually as collections are received by loan borrowers. Interest costs accrue as an expense when incurred and are reported as the "Net Program Cost" of the CDFI Program and CDFI BGP on the Statement of Net Cost. See Note 7, "Debt," for more information and disclosures related to debt.

I. Contingencies

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, the CDFI Fund recognizes material contingent liabilities meeting the following criteria:

- A past event or exchange transaction has occurred;
- A future cash outflow is probable; and
- A future cash outflow is measurable.

The estimated liability recorded is either a specific amount or within a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the CDFI Fund recognizes the minimum amount in the range and discloses the range and a description of the nature of the contingency. 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.

If one or more, but not all, of the above criteria for recognition are met, and there is a reasonable possibility of loss, the CDFI Fund will disclose, if material, the nature of the contingent liability, along with a range of possible loss, if estimable, and a description of the nature of the contingency. The CDFI Fund did not recognize any contingent liabilities as of September 30, 2025.

J. Revenues and Other Financing Sources

The CDFI Fund activities are primarily financed from the appropriations and GSE fee revenue. The appropriations used are recognized as a financing source on the Statement of Changes in Net Position at the time when the CDFI Fund: (i) determines that the grant recipient has met the requirements to be allowed to use the grant award amounts; (ii) accrues liabilities related to administrative expenses and internal-use software costs incurred; (iii) acquires an investment; or (iv) finances a direct loan, in part, with an initial direct loan subsidy.

The CDFI Fund receives fees from the GSEs, under the *Housing and Economic Recovery Act of 2008* (P.L. 110-289). Per statute, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. The CMF receives 35 percent of these allocations. The fees are recorded on an accrual basis, at their net realizable value, as they are considered recognizable and estimable. The reported accrual amounts are expected to be collected within one year and reported within the “*Accounts Receivable, Net*” line on the Balance Sheet. The GSE fees represent non-exchange revenue reported within “*GSE Fees and Other Non-Exchange Revenue*” on the Statement of Changes in Net Position.

In FY 2024, the CDFI Fund began receiving transfers of funds from Treasury’s ECIP, per P.L. 116-260. As set out in the statute, Treasury is required to transfer all cash proceeds received in connection with these investments, including dividend and interest payments, and proceeds from the sale of investments to the CDFI Fund to be used to provide FA and TA. The ECIP cash transfers from Treasury represent a one-way flow of resources to the CDFI Fund. The CDFI Fund recognizes these transfers as a financing source in the amount equal to the cash proceeds received and reports them within the “*Transfers In/(Out) Without Reimbursement*” line on the Statement of Changes in Net Position.

As a component entity of Treasury, the CDFI Fund receives goods and services from other federal entities or other component entities within Treasury at no cost or at a cost less than the full cost. The costs of other entities that are not fully reimbursed by the CDFI Fund are reported within the “*Costs not Assigned to Programs*” line on the Statement of Net Cost and are offset by the “*Imputed Financing Sources*” line on the Statement of Changes in Net Position.

The CDFI Fund also receives fees from the eligible CDFIs of the CDFI BGP, per the *Small Business Jobs Act of 2010* (P.L. 211-240). Per the statute, the fees are payable monthly to the CDFI Fund based on the amount of the unpaid principal balance of the bond issue. The collected fees are used to reimburse Treasury for any administrative costs incurred by the CDFI BGP. These collected fees represent exchange revenue and are recorded within the “*Less: Earned Revenue*” line of the program on the Statement of Net Cost, while costs associated with the revenue collected are recorded within the “*Gross Costs*” line.

Additional revenue is earned from interest income on direct loans and undisbursed borrowings of funds held by Treasury. Interest income is recognized when earned and determined to be collectible and is recorded within the “*Less: Earned Revenue*” line of the associated program on the Statement of Net Cost.

Occasionally, the CDFI Fund receives dividends on its equity investments and may use those funds for operating expenses. Dividends are recognized when earned, which is usually when declared, and are recorded within the “*Less: Earned Revenue*” line of the CDFI Program on the Statement of Net Cost.

K. Custodial Revenue

The CDFI Fund custodial collections represent non-entity revenue and include cash collected primarily from recovered improper payments and other revenue. All amounts collected are transferred to the General Fund for operating purposes of the U.S. government. The CDFI Fund recognizes the custodial revenue in the period of collection and disposes of it in the same reporting period. The custodial activity in FYE September 30, 2025 was immaterial.

L. Net Cost

Net cost consists of gross costs less earned revenue. The CDFI Fund presents its gross costs (CDFI's use of award funding and administrative expenses), earned revenue and net costs by major program categories. Administrative and imputed costs that cannot be reasonably allocated to a specific program are reported within the “*Costs not Assigned to Programs*” line on the Statement of Net Cost.

M. Retirement Plans

The 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 the *Federal Employees' Retirement System Act of 1986* (P.L. 99-335). Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983.

Employees hired prior to January 1, 1984, were provided an opportunity to join both FERS and Social Security or remain in the CSRS. The CDFI Fund recognized the cost for FERS and Social Security contributions in the amount of \$2.3 million for the FYE September 30, 2025.

In addition, CDFI Fund employees participating in CSRS have 7 percent of their base salary withheld which is contributed into a Retirement Fund. The CDFI Fund contributes the same amount into the Retirement Fund. The CDFI Fund recognized cost for CSRS contributions in the amount of \$13.0 thousand.

For all employees, a Thrift Savings Plan (TSP) account is automatically established, and the employee can elect to withhold a predetermined maximum amount from their base salary for deposit into their TSP account. The CDFI Fund makes matching contributions of up to four percent for FERS employees who contribute to their TSP account. Additionally, a one percent contribution is automatically made to TSP by the CDFI Fund for each employee. The CDFI Fund recognized cost for TSP contributions in the amount of \$0.6 million for the FYE September 30, 2025.

The CDFI Fund reports the costs associated with retirement plans within the “*Gross Costs*” line of their respective programs on the Statement of Net Cost. When these costs cannot be reasonably allocated to a particular program, the CDFI Fund reports these costs within the “*Costs not Assigned to Programs*” line on the Statement of Net Cost.

N. Accrued Annual Leave

Annual leave and compensatory leave are 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 and reported within the “*Gross Costs*” line of their respective programs on the Statement of Net Cost. When these costs cannot be reasonably allocated to a particular program, the CDFI Fund reports the costs associated with accrued annual leave within the “*Costs not Assigned to Programs*” line on the Statement of Net Cost. See Note 8, “*Other Liabilities*,” for more information.

O. Net Position

Unexpended Appropriations

Unexpended Appropriations represents the amount of spending authorized, as of September 30, that is unliquidated or unobligated and has not lapsed, been rescinded, or withdrawn. Appropriations remain available for upward or downward adjustment of obligations until canceled. The CDFI Fund reports adjustments related to unexpended appropriations, such as cancelations of expired funds or rescissions, on the Statement of Changes in Net Position.

Cumulative Results of Operations

Cumulative Results of Operations represents the net results of the CDFI Fund’s operations not funded by appropriations, non-exchange revenues, and other financing sources, since inception through the end of the fiscal year. Also included as a reduction in Cumulative Results of Operations are accruals for which the related expenses require funding from future appropriations, revenues, and assessments. These future funding requirements include, among others, credit reform cost re-estimates, and expenses for contingent liabilities, if applicable.

P. Funds from Dedicated Collections

The CDFI Fund accounts for revenues and other financing sources for Funds from Dedicated Collections separately from other funds within CDFI Fund’s financial statements. Funds collected under the CMF, the only CDFI Fund program financed by funds from dedicated collections, are composed entirely of restricted funds from the collection of GSE fees. Under the federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the CMF. Administrative expenses are covered by the GSE fees collected, and, as per the federal statute, amounts in the CMF are made available to the Secretary to carry out a competitive grant program. See Note 10, “*Funds from Dedicated Collections*,” for more information.

Q. Appropriations and Other Budgetary Activity

The CDFI Fund receives funding through appropriations from the U.S. Congress, collections of GSE fees and transfers of the ECIP cash proceeds from Treasury. The CDFI Fund receives appropriations to be used for FA awards, within statutory limits, and annual appropriations for operating expenses. Incurred obligations of appropriations are recorded when the CDFI Fund takes actions that require

the CDFI Fund to make payments to the public or another federal entity. Based on the statute, case law and relevant guidance, congressionally appropriated funds used for administrative matters, such as employment or service contracts, become obligated when the CDFI Fund enters into a written agreement with a third party. Appropriated funds that support direct loan and equity awards become obligated when the relevant parties enter into a fully executed agreement that includes the amount, terms of repayment, and other key aspects of the arrangement. Appropriated funds, GSE fees collected, and ECIP cash proceeds that support the CDFI Fund competitive grant awards become obligated when the CDFI Fund issues a Notice of Award. All CDFI Fund liabilities are covered by budgetary resources except for amounts related to unfunded leave. See Note 8, “*Other Liabilities*,” for more information.

R. Tax-Exempt Status

As a component of Treasury, which is an agency of the U.S. government, the CDFI Fund is exempt from all income taxes imposed by any governing body, whether it is a federal, state, commonwealth, local, or foreign government. Accordingly, no provision for income taxes is recorded.

S. Fair Value Measurement

Fair value is a market-based measurement. For some investments, observable market transactions or market information may be available. For other investments, observable market transactions and market information may not be available. However, the objective of a fair value measurement in both cases is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability between market participants at the measurement date occurs under current market conditions. The CDFI Fund applies the provisions for fair value measurements of investments that are recognized or disclosed at fair value in the financial statements. The fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized 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.

The inputs or methodology used for valuing assets and liabilities are not necessarily indicative of the risks associated with those assets and liabilities.

See Note 6, “*Investments, Net*,” for more information about these financial assets and related fair value measurements.

T. Risks, Uncertainties, and Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Items subject to such estimates include investments recorded at fair value, allowance for subsidy related to the FCRA, accruals of grant award expenses, and accruals of revenues for fees

from GSEs, comprised of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

The CDFI Fund faces certain risks and uncertainties as a result of its direct loan programs. Credit risk is the potential, no matter how remote, for financial loss from a failure of a borrower or counterparty to perform in accordance with underlying contractual obligations. The CDFI Fund takes on possible credit risk when it makes direct loans to non-federal entities under the CDFI Program and CDFI BGP, as well as undisbursed direct loans and funding commitments related to these programs.

The CDFI Fund derives credit program receivables using credit reform modeling, which is subject to the use of estimates and forecasts that have inherent uncertainty. Refer to the accounting policy entitled “*Loans Receivable, Net*” and Note 4, “*Loans Receivable, Net*,” for additional information.

At each quarter-end, the CDFI Fund records a GSE fee revenue accrual based on the fees estimated from the GSEs’ Form 10-Q and Form 10-K disclosures. The receivable is subsequently reduced when the GSE fee proceeds are received. Refer to the accounting policy entitled “*Revenues and Other Financing Sources*” and Note 3, “*Accounts Receivable, Net*,” for discussion related to the GSE fee revenue accruals.

Amounts based on estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty. Therefore, accounting estimates and assumptions may change over time and actual results could differ materially from those estimates.

U. Disclosure Entities and Related Parties

SFFAS 47, *Reporting Entity*, requires that the financial statements reflect the balances and activities of consolidation entities, including Treasury component entities, meeting the following “principles for inclusion” when considered as a whole: (i) *the entity is included in the Budget of the U.S. (also known as the President’s Budget)*, (ii) *the U.S. government holds “majority ownership interest,”* (iii) *the U.S. government has “control with risk of loss or expectation of benefit,”* or (iv) *it would be misleading to exclude such entity*. SFFAS 47 also provides guidance for assessing whether an organization meeting the inclusion principles is reported as a disclosure entity or related party.

Disclosure entities and related parties are not considered components of the CDFI Fund reporting entity and, thus, are only disclosed in the notes to the CDFI Fund financial statements, as applicable. Using the principles prescribed in SFFAS 47, no entities were deemed disclosure entities or related parties as of September 30, 2025.

2 - Fund Balance with Treasury

Fund Balance with Treasury is increased: (i) by receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; (ii) when transfers and reimbursements from other federal agencies are received, including transfers of investment proceeds from Treasury’s ECIP; and (iii) by collection of GSE fees which represent restricted funds and are used to finance the CMF. Fund Balance with Treasury can also be increased by amounts collected and credited to appropriation or fund accounts.

Fund Balance with Treasury is reduced when: (i) disbursements are made to pay liabilities, purchase assets, goods, and services or finance authorized financial award and purchase

commitments; (ii) expired appropriations are canceled, or the CDFI Fund makes transfers and reimbursements to other federal entities, non-federal entities, or to the General Fund; and (iii) sequestration or rescission of appropriations.

As of September 30, 2025, the status of the Fund Balance with Treasury consisted of the following:

(in thousands)	2025
Unobligated Balance	\$ 790,464
<u>Obligated Balance Not Yet Disbursed</u>	<u>1,131,723</u>
Subtotal	1,922,187
Adjustment for Borrowing Authority	(1,016,252)
<u>Other Adjustments</u>	<u>14,646</u>
Total Fund Balance with Treasury	\$ 920,581

The use of unobligated balances is restricted based on annual legislation requirements or enabling authorities. Funds are presumed to be available for only one FY unless otherwise noted in the annual appropriation language.

The *Unobligated Balance*, as shown on the Statement of Budgetary Resources, represents amounts that have been appropriated by Congress but haven't been committed to a specific purpose or obligation. Portions of the *Unobligated Balance* include amounts appropriated in prior fiscal years that have expired and are not available to fund new obligations, as well as unapportioned amounts still requiring budget authority in order to become available to fund new obligations.

The *Obligated Balance not yet Disbursed* represents amounts designated for payment of goods and services the CDFI Fund has ordered but has not received, or goods and services the Fund received but for which payment has not yet been made. In those situations, the restricted funding will be temporarily unavailable until the reasons for the restriction have been satisfied or legislation has been enacted to remove the restriction.

Since the following line items are either a component of Fund Balance with Treasury or post to budgetary status accounts, adjustments are required to reconcile the budgetary status to the non-budgetary Fund Balance with Treasury as reported on the Balance Sheet:

- Adjustment for Borrowing Authority – Borrowing authority is in budgetary status reported on the Statement of Budgetary Resources, but not in the Fund Balance with Treasury because the CDFI Fund credit programs use borrowing authority to finance loans. Refer to Note 11, “*Statement of Budgetary Resources*,” for additional information.
- Other Adjustments – Other adjustments represent a temporary reduction of the new budget authority related to transfers of the ECIP cash proceeds, GSE fees, and CDFI BGP administrative fees subject to sequestration.

3 - Accounts Receivable, Net

Accounts Receivable, Net primarily represents the GSE fees that the CDFI Fund accrued but had not yet collected. The reported accrued receivable is expected to be collected within one year. The CDFI Fund has not established an allowance balance for uncollectible amounts as it determined that the risk of not collecting the estimated GSE fees is remote.

During the FY 2025, the CDFI Fund collected \$116.5 million in GSE fees and reported the accrued GSE fee receivable balance of \$89.0 million within line “*Accounts Receivable, Net*” on the Balance Sheet as of September 30, 2025.

4 - Loans Receivable, Net

The CDFI Fund administers two credit programs, the CDFI BGP and the CDFI Program, designed to provide funding and assistance to CDFIs through direct loans. The related net direct loan receivables, including loan principal repayments, interest, and fees are treated as exchange transactions. Net loans receivable or the value of assets related to direct loans is not the same as expected proceeds from selling the loans. Net loans receivable represents the present value of their estimated net cash inflows discounted at the average rate of marketable Treasury securities of similar maturity. Expected sale proceeds reflect their estimated fair value. Refer to Note 1, “*Summary of Significant Accounting Policies*,” accounting policy entitled “*Loans Receivable, Net*” for additional information. The CDFI Fund did not disburse any direct loans prior to the FCRA enactment. The CDFI Fund accrues interest on nonperforming loans until the date of default, at which time the CDFI Fund requests remittance of all outstanding principal and interest owed. A nonperforming loan is defined as any delinquent loan where an award recipient has not made any attempt to pay off the balance owed to the CDFI Fund or any loan referred to collections.

The CDFI Fund presents the direct loans on the Balance Sheet within the line item, “*Loans Receivable, Net*.” The balances of these direct loan programs, along with their subsidies, as of September 30, 2025, consisted of the following:

	Loans Receivable, Gross (in thousands)	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	2025 Direct Loans, Net
CDFI BGP	\$ 1,482,397	\$ 6,099	\$ 64,291	\$ 1,552,787
CDFI Program	53,150	515	(5,623)	48,042
Total	\$ 1,535,547	\$ 6,614	\$ 58,668	\$ 1,600,829

The negative or positive allowance for subsidy costs as of September 30, 2025 reflects the CDFI Fund’s projection, as of that date, that these programs would result in a net revenue or net cost, respectively, after accounting for principal loan repayments, interest, and fees.

The total direct loans disbursements for the FYE September 30, 2025 consisted of the following:

(in thousands)	2025 Total
CDFI BGP	\$ 215,657
CDFI Program	4,682
Total	\$ 220,339

The subsidy cost by component for new direct loans disbursed under these programs, for the FYE September 30, 2025, consisted of the following:

(in thousands)	Interest Differential	Defaults	2025 Total
CDFI BGP	\$ (10,289)	\$ 404	\$ (9,885)
CDFI Program	61	333	394
Total	\$ (10,228)	\$ 737	\$ (9,491)

The CDFI Fund performed an annual financial statement re-estimate of its credit program's cost as of September 30, 2025. These re-estimates resulted in a net downward re-estimate, or a decrease in the costs of the programs, which consisted of the following:

(in thousands)	Interest Rate Re-estimate	Technical Re-estimate	2025 Total
CDFI BGP	\$ (60)	\$ (11,634)	\$ (11,694)
CDFI Program	-	(428)	(428)
Total	\$ (60)	\$ (12,062)	\$ (12,122)

The CDFI BGP's total downward re-estimates in FY 2025 were driven by changes in performance assumptions, actual performance to date, and actual program funding cost. Performance assumptions anticipated an overall revenue to the program due to lower default projections in future years' cash flows. Consistent with the guidance in OMB A-11, Section 185, the CDFI Fund refined its methodology for calculating the interest rate component of the subsidy cost re-estimate. The FY 2025 interest rate re-estimate was calculated using a modified version of cash flows projected during the budget formulation to account for differences in the benchmark Treasury rate between the budget formulation and loan disbursement.

The CDFI Program's downward re-estimate in FY 2025 were primarily due to improvements in the actual loan performance and borrower financial position as well as expectations of lower default rates.

The total subsidy expense for direct loans, including the interest differential, defaults, and re-estimates for the FYE September 30, 2025, consisted of the following:

(in thousands)	2025 Total
CDFI BGP	\$ (21,579)
CDFI Program	(34)
Total	\$ (21,613)

The total of each program's subsidy is calculated into a percentage, or subsidy rate. The subsidy of the direct loans obligated in a cohort for the FYE September 30, 2025, consisted of the following:

	Interest Differential	Defaults	2025 Total
CDFI BGP	(4.28%)	0.13%	(4.15%)
CDFI Program	1.31%	7.08%	8.39%

The CDFI BGP subsidy rates are calculated based on the evaluation of actual direct loan terms and subject to the OMB review. The CDFI Program's subsidy rates are consistent with those published in the Federal Credit Supplement to the current year's budget.

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes re-estimates.

The reconciliation of the subsidy cost allowance for the FYE September 30, 2025, consisted of the following:

(in thousands)	CDFI BGP	Program	2025 Total
Beginning Balance	\$ (57,048)	\$ 5,603	\$ (51,445)
Subsidy Cost for Disbursements	(9,885)	394	(9,491)
Adjustment for Subsidy Allowance Amortization	14,336	54	14,390
Balance, Ending, Before Re-estimates	(52,597)	6,051	(46,546)
Subsidy Re-estimates	(11,694)	(428)	(12,122)
Balance, End of Period	\$ (64,291)	\$ 5,623	\$ (58,668)

The CDFI Fund's direct loan program administrative expenses recognized for the FYE September 30, 2025, consisted of the following:

(in thousands)	2025 Total
CDFI BGP	\$ 3,881
CDFI Program	300
Total	\$ 4,181

5 - Advances and Prepayments

For all grant programs administered by the CDFI Fund, with the exception of the BEA Program, which is structured as a reimbursement program, the CDFI Fund makes grant award payments for anticipated qualified expenses and recognizes them as advances. To adjust the advances for eligible expenses that grantees have incurred as of the reporting date, the CDFI Fund relies upon the actual use of award reported by grantees in their Standard Form 425: Federal Financial Report (SF-425). For the FYE September 30, 2025, the CDFI Fund leveraged the SF-425 reports to determine adjustments to advances for eligible grant expenses incurred for the CDFI Program, NACA Program, CDFI RRP, CDFI ERP, SDL Program, and the CMF.

The reconciliation of the CDFI Fund's grant award advance balances based on the grant disbursements and incurred grant expenses as reported by program for the FYE September 30, 2025, consisted of the following:

(in thousands)	Beginning Balance	Grant Disbursements	Grant Expenses Incurred	2025 Grant Award Advances
CDFI Program	\$ 26,590	\$ 398,734	\$ (305,831)	\$ 119,493
NACA Program	2,047	46,023	(34,876)	13,194
SDL Program	12,033	206	(7,857)	4,382
CMF	363,386	247,885	(251,143)	360,128
CDFI RRP	3,478	-	(3,323)	155
CDFI ERP	365,761	141,100	(328,488)	178,373
Total	\$ 773,295	\$ 833,948	\$ (931,518)	\$ 675,725

6 - Investments, Net

Investments, Net includes non-federal, non-voting common stock investment holdings in for-profit CDFI Program awardees, as well as the CDFI Fund's limited partnership interests.

The table below presents the fair value measurements hierarchy classification by investment type as of September 30, 2025:

(in thousands)	Level 1	Level 2	Level 3	2025 Total
Non-Voting Equity Securities	\$ 33,063	\$ -	\$ 2,800	\$ 35,863
Limited Partnership Interests	-	-	114	114
Total Fair Value Measurements	\$ 33,063	\$ -	\$ 2,914	\$ 35,977

7 - Debt

The CDFI Fund borrows from the FFB and Treasury to fund the disbursement of new direct loans and related subsidy re-estimates associated with the CDFI BGP and CDFI Program, respectively. Outstanding debt at September 30, 2025 had effective interest rates that ranged from 1.33 percent to 5.50 percent. Maturity dates ranged from September 30, 2030 to September 30, 2058, for outstanding debt at September 30, 2025.

The debt of the CDFI Fund, as of September 30, 2025, consisted of the following:

(in thousands)	Beginning Balance	Borrowings	Repayments	2025 Ending Balance
Debt Owed to the Federal Financing Bank	\$ 1,324,236	\$ 215,657	\$ (57,496)	\$ 1,482,397
Debt Owed to Treasury other than the FFB	110,295	14,355	(7,490)	117,160
Total Debt	\$ 1,434,531	\$ 230,012	\$ (64,986)	\$ 1,599,557

The increase in the outstanding debt balance of \$165.0 million was driven by the increase in the CDFI BGP related borrowings, net of repayments, of \$162.4 million and increase in the CDFI Program related borrowings, net of repayments, of \$2.6 million.

The CDFI Fund accrues interest expense on the outstanding debt and pays it annually on September 30. For the FYE September 30, 2025, the CDFI Fund recorded interest expense in the total amount of \$40.2 million related to this debt.

All debt and related interest costs are intra-governmental and covered by budgetary resources. See additional details on borrowing authority in Note 11, *“Statement of Budgetary Resources.”*

8 - Other Liabilities

The “*Other Liabilities*” line item on the Balance Sheet consists of liabilities that are covered by and not requiring budgetary resources. All the CDFI Fund’s “*Other Liabilities*” as of September 30, 2025 represent current liabilities and consisted of the following:

(in thousands)	2025
Intra-Governmental	
Accounts Payable	\$ 4,075
Other Accrued Liabilities	238
Total Intra-Governmental	\$ 4,313
 Other Than Intra-Governmental	
Accounts Payable	\$ 471
Federal Employee Benefits Payable	16
Unfunded Leave ⁽¹⁾	994
Accrued Funded Payroll and Leave	424
Total Other Than Intra-Governmental	\$ 1,905

⁽¹⁾ *Unfunded Leave represents the only liability not covered by budgetary resources.*

As of September 30, 2025, the CDFI Fund did not have any outstanding non-current other liabilities.

9 - Commitments

Grant Award Commitments

The CDFI Fund’s grant award commitments represent unpaid and prepaid grant award amounts that were obligated by the CDFI Fund management. Unpaid grant award commitments are not considered liabilities at year-end due to awardees not meeting the conditions required for payments as of September 30 (refer to Note 8, “*Other Liabilities*,” for additional information). Unpaid and pre-paid grant award commitments totaled \$773.2 million as of September 30, 2025. Refer to Note 11, “*Statement of Budgetary Resources*,” for additional information.

CDFI BGP Commitments

CDFI BGP commitments are related to undisbursed direct loan amounts. These commitments totaled \$972.0 million as of September 30, 2025. Actual disbursements are subject to borrowers satisfying certain conditions. Funding for such loans is covered by the CDFI Fund’s established borrowing authority. Refer to Note 11, “*Statement of Budgetary Resources*,” for additional information.

Direct Loan Subsidy Commitments

Direct loan subsidy commitments of \$43.8 million as of September 30, 2025, relate to the financing account subsidy for undisbursed direct loans under the CDFI BGP and CDFI programs.

Purchase Commitments

Purchase commitments of \$12.2 million as of September 30, 2025, relate to the remaining obligated portion of contracts, and purchase orders related to goods and services not yet received.

Economic Mobility Corps (EMC) Commitments

Commitments of \$1.9 million as of September 30, 2025, were related to the EMC. Funding for the EMC was enacted through P.L. 116-260 to be operated in conjunction with the Corporation for National and Community Service. The EMC places national service members at Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in distressed and underserved areas.

10 - Funds from Dedicated Collections

The CMF is the only CDFI Fund program financed by funds from dedicated collections to support the CDFI Fund's core community development program activities. The total assets, total liabilities, net position, and net cost of operations related to the CMF activities as of and for the FYE September 30, 2025, consisted of the following:

(in thousands)	2025
BALANCE SHEET	
ASSETS	
Intra-Governmental:	
Fund Balance with Treasury	\$ 291,009
Total Intra-Governmental	291,009
Other than Intra-Governmental:	
Accounts Receivable, Net	89,000
Property, Plant & Equipment, Net	2,933
Advances and Prepayments	360,128
Total Other than Intra-Governmental	452,061
Total Assets	\$ 743,070
LIABILITIES	
Intra-Governmental:	
Other Liabilities	\$ 36
Total Intra-Governmental	36
Other than Intra-Governmental:	
Other Liabilities	58
Total Other than Intra-Governmental	58
Total Liabilities	\$ 94
NET POSITION	
Cumulative Results of Operations:	
Cumulative Results of Operations	742,976
Total Cumulative Results of Operations	742,976
Total Net Position	742,976
Total Liabilities and Net Position	\$ 743,070
STATEMENT OF NET COST	
Gross Costs	\$ 252,947
Less: Earned Revenue	-
Net Cost of Operations	\$ 252,947

All amounts on the Statement of Changes in Net Position - Funds from Dedicated Collections column represents the CMF activities.

11 - Statement of Budgetary Resources

The Statement of Budgetary Resources presents information about the total budgetary resources available to the CDFI Fund and the status of those resources.

Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net adjustments to unobligated balance, brought forward, October 1 as of September 30, 2025, consisted of the following:

(in thousands)	2025
Unobligated Balance, Brought Forward from Prior Year	\$ 573,726
Adjustments to Budgetary Resources Made During Current Year:	
Downward Adjustments of Prior Year Undelivered Orders	11,120
Downward Adjustments of Prior Year Delivered Orders	765
Other Adjustments	(7,718)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 577,893

Undelivered Orders

Undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which the CDFI Fund has paid in advance, but for which delivery or performance has not yet occurred. Undelivered orders as of September 30, 2025 consisted of the following:

(in thousands)	Federal	Non-Federal	2025 Total
Unpaid	\$ 5,191	\$ 1,122,012	\$ 1,127,203
Paid	-	675,724	675,724
Total	\$ 5,191	\$ 1,797,736	\$ 1,802,927

Terms of Borrowing Authority

The CDFI Fund has permanent indefinite borrowing authority with the FFB to subsidize direct loans under the CDFI BGP. The unsubsidized portions of the CDFI Program direct loans and the negative subsidy portions of the CDFI BGP represent borrowings payable to Treasury. OMB A-11, Section 185 defines repayment requirements. Interest expense due is calculated based on the beginning balance of borrowings outstanding and the borrowings/repayments activity that occurred during the fiscal year. Undisbursed borrowings earn interest at the same rate as the financing account pays on debt owed to Treasury and the FFB. In the event that principal and interest collections exceed the interest expense due, the CDFI Fund receives the excess payment. If principal and interest do not exceed the interest expense due, the CDFI Fund will borrow the

difference. The CDFI Fund makes periodic principal repayments based on the analysis of cash balances and future disbursement needs. Refer to Note 7, “*Debt*,” for additional information.

The CDFI Fund’s available borrowing authority and related changes in available borrowing authority as of September 30, 2025, consisted of the following:

(in thousands)	2025
Beginning Balance	\$ 1,137,217
Current Authority	109,047
Borrowing Authority Converted to Cash	(230,012)
Ending Balance	\$ 1,016,252

Reconciliation of the President’s Budget

The Budget of the U.S. (also known as the President’s Budget), with actual numbers for FY 2025, was not published at the time that these financial statements were issued. The FY 2027 President’s Budget is expected to be published by OMB in late February 2026 and will be available from the U.S. Government Publishing Office. The FY 2026 President’s Budget was reconciled to the CDFI Fund’s Statement of Budgetary Resources amounts reported for FY 2024. The only differences between the two documents were due to rounding.

Legal Arrangements Affecting Use of Unobligated Balances

The use of unobligated balances is restricted based on annual legislation requirements or enabling authorities. Funds are presumed to be available for only one FY unless otherwise noted in the annual appropriation language. Unobligated balances in unexpired CDFI Fund account fund symbols are available in the next FY for new obligations unless some restrictions have been placed on those funds by law. In those situations, the restricted funding will be temporarily unavailable until the reasons for the restriction have been satisfied or legislation has been enacted to remove the restriction.

Amounts in expired CDFI Fund account fund symbols are not available for new obligations, but may be used to make adjustments to reflect, and make disbursements to liquidate, obligations that were created before the budgetary authority expired.

12 - Reconciliation of Net Cost of Operations to Budgetary Outlays, Net

The Reconciliation of Net Cost of Operations to Budgetary Outlays, Net (referred to as “Net Outlays” for purposes of this note) depicts the difference between proprietary information and budgetary accounting information for the CDFI Fund. Proprietary financial accounting information is intended to depict the U.S. government’s financial operations and financial position presented on an accrual basis in accordance with GAAP, which includes the recognition of assets and liabilities for which collections and payment, respectively, have or have not been made. In contrast, budgetary accounting information is used for planning and control purposes and includes net outlays that reflect both the receipt and use of cash, as well as reporting of the federal deficit. The reconciliation of Net Cost (presented on an accrual basis) and Net Outlays (presented on a budgetary basis) reflects the relationship between proprietary accounting and budgetary information. The reconciliation serves not only to identify costs paid in the past and those that will be paid in the future, but also to assure integrity between financial and budgetary accounting.

For the FYE September 30, 2025, the Reconciliation of Net Cost of the CDFI Fund’s Operations to CDFI Fund’s Outlays, Net consisted of the following:

(in thousands)	Intra-Governmental	Other Than Intra-Governmental	2025 Total
Total Net Cost of CDFI Fund Operations	\$ 17,596	\$ 939,679	\$ 957,275
Components of Net Operating Cost Not Part of Budgetary Outlays:			
Internal-Use Software Amortization Expenses (Note 1.E)			
	-	(3,478)	(3,478)
Year-end Credit Reform Subsidy Accrual Re-Estimates	-	12,121	12,121
Adjustments to Prior Year Credit Reform Re-Estimates Accrual	-	4,297	4,297
Negative Subsidy	-	9,885	9,885
Unrealized Valuation and/or Disposition Gain/(Loss) on Investments (Note 6)	-	513	513
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	10,755	6,739	17,494
Advances and Prepayments (Note 5)	-	(97,570)	(97,570)
(Increase)/Decrease in Liabilities:			
Other Liabilities (Note 8)	(3,590)	39,829	36,239
Other Financing Sources:			
Imputed Costs	(2,211)	-	(2,211)
Total Components of Net Operating Cost Not Part of Budgetary Outlays	4,954	(27,664)	(22,710)
Components of Budgetary Outlays That Are Not Part of Net Cost:			
Effect of Prior Year Credit Reform Subsidy Re-Estimates	-	(7,102)	(7,102)
Acquisition of Internal-Use Software	-	3,890	3,890
Transfers (In)/Out Without Reimbursement	(159,633)	-	(159,633)
Total Components of Budgetary Outlays That Are Not Part of Net Cost	(159,633)	(3,212)	(162,845)
Other Reconciling Items			
Distributed Offsetting Receipts	(9,885)	(116,525)	(126,410)
Custodial/Non-Exchange Revenue	7	(124,030)	(124,023)
Non-Entity Activity	9,885	-	9,885
Appropriated Receipts for Trust/Special Funds	-	116,523	116,523
Prior Year Correction of Subsidy Amortization	-	3	3
Total Other Reconciling Items	7	(124,029)	(124,022)
Agency Outlays, Net			\$ 647,698

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Combining Statement of Budgetary Resources by Major Budget Account

The Statement of Budgetary Resources for the FYE September 30, 2025, disaggregated by each major budget account within the CDFI Fund, consisted of the following:

Fiscal Year Ended September 30, 2025 (in thousands)		Budgetary Accounts	Non- Budgetary Financing Accounts	Capital Magnet Fund Budgetary Account	COVID-19 Budgetary Accounts	Total
Budgetary Resources:						
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 144,027	\$ 15	\$ 414,052	\$ 19,799	\$ 577,893	
Appropriations (Discretionary and Mandatory)	322,900	-	115,893	-		438,793
Borrowing Authority (Discretionary and Mandatory)	-	109,047	-	-		109,047
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	135,277	51,255	-	651		187,183
Total Budgetary Resources	\$ 602,204	\$ 160,317	\$ 529,945	\$ 20,450	\$ 1,312,916	
Status Budgetary Resources:						
New Obligations and Upward Adjustments (Total)	\$ 121,488	\$ 149,468	\$ 248,846	\$ 2,650	\$ 522,452	
Unobligated Balance, End of Year:						
Apportioned, Unexpired Accounts	178,811	10,849	171,073	9,602		370,335
Unapportioned, Unexpired Accounts	290,349	-	110,026	5,434		405,809
Unexpired Unobligated Balance, End of Year	469,160	10,849	281,099	15,036		776,144
Expired Unobligated Balance, End of Year	11,556	-	-	2,764		14,320
Unobligated Balance, End of Year (Total)	480,716	10,849	281,099	17,800		790,464
Total Budgetary Resources	\$ 602,204	\$ 160,317	\$ 529,945	\$ 20,450	\$ 1,312,916	
Outlays, Net, and Disbursements, Net:						
Outlay, Net (Total) (Discretionary and Mandatory)	\$ 376,505	\$ -	\$ 250,496	\$ 147,107	\$ 774,108	
Distributed Offsetting Receipts	(9,887)	-	(116,523)	-		(126,410)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 366,618	\$ -	\$ 133,973	\$ 147,107	\$ 647,698	
Disbursements, Net (Total) (Mandatory)	\$ -	\$ 160,042	\$ -	\$ -	\$ 160,042	

OTHER INFORMATION (UNAUDITED)

Summary of Financial Statement Audit and Management Assurances

The following tables summarize the results of the CDFI Fund's financial statement audit.

Table 1. Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems Conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of substantial compliance noted			No lack of substantial compliance noted		
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted			No lack of substantial compliance noted		
3. USSGL at Transaction Level	No lack of substantial compliance noted			No lack of substantial compliance noted		

APPENDIX A: GLOSSARY OF ACRONYMS (UNAUDITED)

B

BEA Program – Bank Enterprise Award Program

C

CDE – Community Development Entity

CDFIs – Community Development Financial Institutions

CDFI BGP – CDFI Bond Guarantee Program

CDFI ERP – CDFI Equitable Recovery Program

CDFI Fund – Community Development Financial Institutions Fund

CDFI Program – Community Development Financial Institutions Program

CDFI RRP – CDFI Rapid Response Program

CMF – Capital Magnet Fund

COVID-19 – Coronavirus Disease of 2019

CSRS – Civil Service Retirement System

D

DII – Depository Institution Initiatives

E

ECIP – Emergency Capital Investment Program

EMC – Economic Mobility Corps

F

FA – Financial Assistance

FASAB – Federal Accounting Standards Advisory Board

FCRA – Federal Credit Reform Act of 1990

FERS – Federal Employees’ Retirement System

FFB – Federal Financing Bank

FFMIA – Federal Financial Management Improvement Act

FMFIA – Federal Managers’ Financial Integrity Act

FS-ARC – Bureau of the Fiscal Service Administrative Resource Center

FY – Fiscal Year

FYE – Fiscal Year Ended

G

GAAP – U.S. Generally Accepted Accounting Principles

GSE – Government Sponsored Enterprises

H

HFFI – Healthy Food Financing Initiative

N

NACA Program – Native American CDFI Assistance Program

NMTC Program – New Markets Tax Credit Program

O

OMB – Office of Management and Budget

P

P.L. – Public Law

PP&E – Property, Plant, & Equipment

S

SDL Program – Small Dollar Loan Program

SF-425 – Standard Form 425: Federal Financial Report

SFFAS – Statements of Federal Financial Accounting Standards

T

TSP – Thrift Savings Plan

TA – Technical Assistance

U

U.S. – United States

This Page Intentionally Left Blank



REPORT WASTE, FRAUD, AND ABUSE

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: <https://oig.treasury.gov/report-fraud-waste-and-abuse>

TREASURY OIG WEBSITE

Access Treasury OIG reports and other information online: <https://oig.treasury.gov/>