U.S. International Development Finance Corporation

Annual Management Report

Fiscal Year 2022

U.S. International Development Finance Corporation

dfc.gov

TABLE OF CONTENTS

Agency Head Letter	3
Management's Discussion & Analysis (unaudited)	
Background, Mission, and Organization	4
Performance Goals, Objectives, and Results	5
Analysis of Financial Statements, Financial Condition, Position, and Results	10
Analysis of Systems, Controls, and Legal Compliance	20
Forward-Looking Information	21
Inspector General's Transmittal Letter	22
Independent Auditor's Report	24
Financial Statements	
Consolidated Balance Sheets	30
Consolidated Statements of Net Cost	31
Consolidated Statements of Changes in Net Position	32
Combined Statements of Budgetary Resources	33
Notes to the Financial Statements	
Summary of Significant Accounting Policies	35
Note Disclosures Related to the Consolidated Balance Sheets	43
Note Disclosures Related to the Combined Statements of Budgetary Resources	59
Note Disclosure Related to the Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position	64
Required Supplementary Information	
Combining Statements of Budgetary Resources by Major Budget Account	67
Other Information (unaudited)	
Summary of Financial Statement Audit and Management Assurances	69
Report on the Payment Integrity Information Act	69
Climate-Related Financial Risk	69
Appendix (unaudited)	
Acronym Listing	72

November 15, 2022

On behalf of the United States (U.S.) International Development Finance Corporation (DFC), it is my pleasure to provide you with the Corporation's Annual Management Report and Financial Statements, which provide important information about DFC's year-end financial results. The report reflects DFC's successful financial management and stewardship of taxpayer funds, as well as a steadfast commitment to accountability and transparency in all our programs and operations. Our financial strength and positioning on the global stage allow DFC to be a leader and innovator in addressing international development challenges, while furthering the foreign policy priorities of the United States.

I'm now in the middle of my first year, and we have recently launched a strategic planning exercise to update our agency-wide priorities and strategic objectives to continue DFC's transformation in line with Congressional intent. We expect preliminary results of that work in early 2023. In the meantime, please note that the strategic goals included in this report reflect strategic objectives that were drafted prior to my tenure.

DFC has again successfully received an unmodified audit opinion which underscores our prudent management of exposure through sound underwriting and effective governance. Additionally, as required by OMB Circular A-136, I am pleased to confirm with reasonable assurance the completeness and reliability of the data presented in the FY 2022 Annual Management Report. In FY 2022, DFC had combined total projected exposure of $35.7 billion, and DFC maintained corporate reserves of $6.2 billion in Treasury securities. DFC achieved these excellent financial results by adding new commitments of $7.4 billion in development financing, equity commitments, technical assistance, and political risk insurance to its diverse portfolio. These achievements are a testament to the value DFC brings to U.S. taxpayers by engaging the private sector to help solve the world's most pressing development challenges.

Sincerely,

Scott A. Nathan
Chief Executive Officer

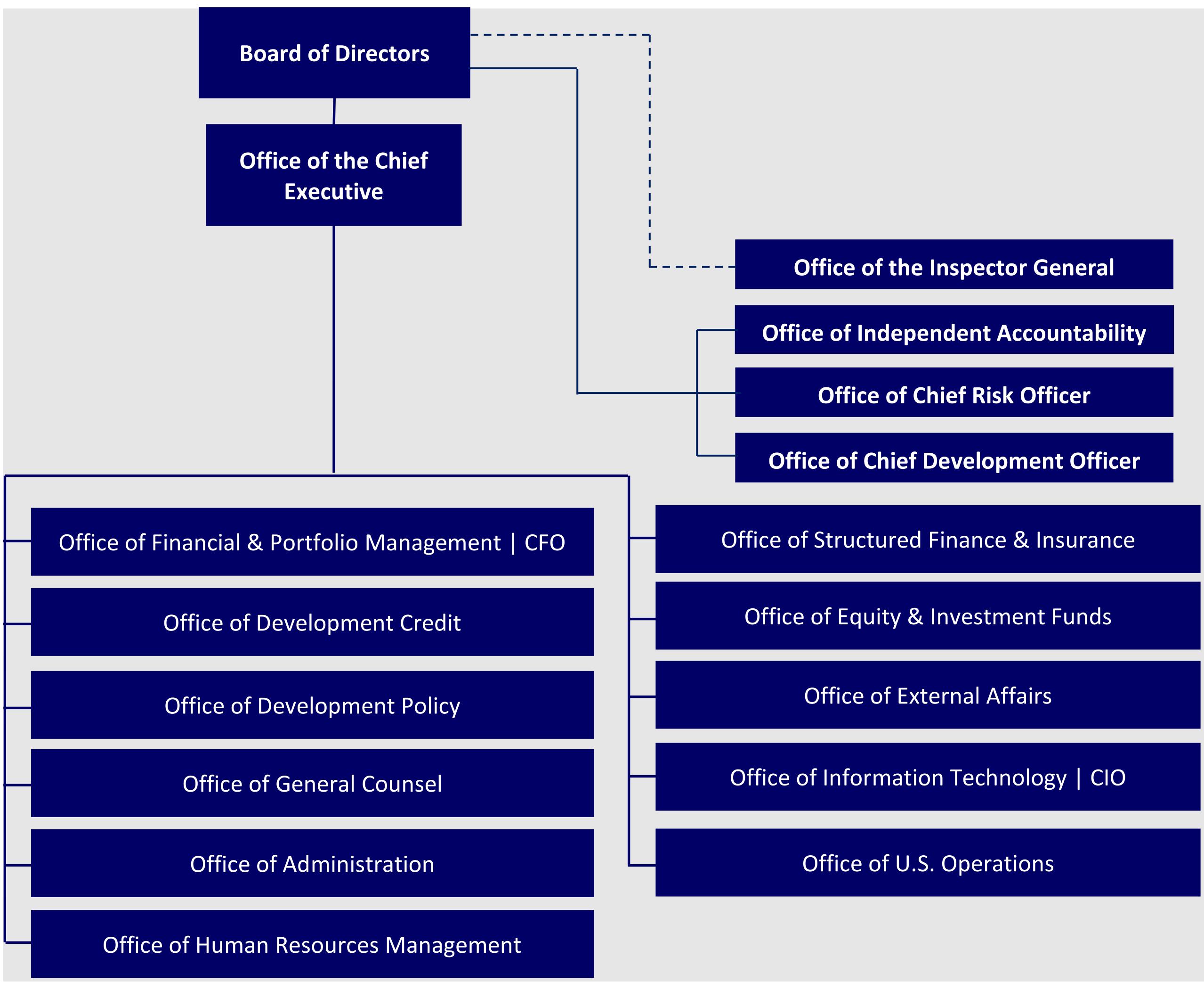
BACKGROUND, MISSION, AND ORGANIZATION

The U.S. International Development Finance Corporation (DFC or Corporation) is America's development finance institution. DFC is the newest U.S. government agency, launched in December 2019 with a mandate to partner with the private sector to finance solutions to the most critical challenges facing the developing world while advancing America's foreign policy goals abroad. DFC's transactions in developing markets directly further America's interest in working towards a prosperous, more equal world. Partnering with the private sector in these efforts is critical to marshalling the resources needed to expand access to finance, reliable energy, digital connectivity, lifesaving healthcare, and other critical infrastructure and services. To learn more about our mission, organization, and background visit https://www.dfc.gov/who-we-are/overview.

DFC is led by its Chief Executive Officer, with governance from its Board of Directors, and oversight from its Office of Accountability and Office of Inspector General.

DFC ORGANIZATIONAL STRUCTURE

The organizational chart below is as of September 30, 2022.



PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

OVERVIEW

The Better Utilization of Investments Leading to Development (BUILD) Act (Public Law 115-254, Division F) provides DFC the authority to issue insurance or reinsurance, make loans and guaranties, and invest equity in investment funds and individual enterprises. In addition to these core programs, the BUILD Act provides the authority to offer a variety of technical assistance to potential projects.

DFC's program funding is deployed in coordination with the Executive Branch agencies charged with implementing the private sector-focused foreign assistance programs of the United States and is targeted to support developmental projects in less developed countries. During fiscal year (FY) 2022, DFC published its first Strategic Plan for the FYs 2022-2026.

DFC is developing the infrastructure and key performance indicators to track progress against goals and objectives. DFC is also undergoing a strategic planning process to re-evaluate these goals to optimize our impact across all sectors.

STRATEGIC GOALS

In order to effectively increase DFC's reach and impact, the Corporation is aligning its priorities and processes to ensure it can successfully provide the organization with a solid foundation on which to grow. There are four key goals that will drive the next chapter of DFC's growth.

GOAL 1: ENGAGE AND MOBILIZE THE PRIVATE SECTOR

Through DFC, the U.S. Government accelerates the flow of private capital to less developed countries by supporting private sector investments that cannot obtain viable financing from other sources. DFC's targeted outcome for this strategic goal is to mobilize private capital in support of sustainable, broad-based economic growth, and poverty reduction that advances development and U.S. foreign policy interests.

GOAL 2: DRIVE DEVELOPMENT IMPACT ACROSS SECTORS AND REGIONS

DFC invests across a range of sectors, geographies, and themes to achieve its mission. The targeted outcomes of this strategic goal include:

- Increasing development outcomes in each of the development sectors.
- Crafting a well-balanced portfolio across regions that aligns with the U.S. Government development and national security priorities.
- Increasing exposure to investments that help combat the effects of climate change, increase financial inclusion in developing markets and increase equity and inclusion.

GOAL 3: IMPROVE IMPACT MANAGEMENT MONITORING, MEASUREMENT AND LEARNING

DFC is strengthening its ability to monitor, analyze, and manage the development impact of its portfolio on an ongoing basis, compare objectives and targets to actual results, suggest adjustments where needed, and identify learnings that help improve new and existing projects.

GOAL 4: SCALE THE CORPORATION SUSTAINABLY

The launch of DFC in 2019 brought together the tools of the Overseas Private Investment Corporation (OPIC) and United States Agency for International Development's (USAID) financing arm, the Development Credit Authority (DCA), and provided expanded and modernized tools to build on a long U.S. tradition of mobilizing investment in developing countries. Additionally, DFC was launched with strong bipartisan support through the BUILD Act, which more than doubled OPIC's investment capacity to $60 billion, and authorized new tools like equity authority to enable the Corporation to expand impact in developing countries. The increase in tools, capacity, and complexity requires supporting people and processes to grow its ability to fulfill BUILD Act mandates, prudently manage its portfolio, and efficiently execute on new project activity.

STRATEGIC GOAL 1: ENGAGE AND MOBILIZE THE PRIVATE SECTOR

1.1 DFC TOOLS

DFC's strategic goals are the guiding principles that drive decision-making when choosing projects to invest in, finance, or insure. The tools available to DFC to support their goals are detailed below and correspond with the breakout of gross cost and revenue on DFC's Statements of Net Cost. Each available tool aligns to DFC's goals.

- **Insurance** – DFC offers political risk insurance coverage against losses due to currency inconvertibility, expropriation, and political violence including war and terrorism. DFC also offers reinsurance to increase underwriting capacity.
- **Financing** – DFC meets the long-term capital investment financing needs of any size business in a wide variety of industries such as critical infrastructure, power generation, telecommunications, housing, agribusiness, financial services, and in projects that can achieve a positive impact in the host country.
- **Equity –** DFC provides direct equity into projects in the developing world which will have developmental impact or advance U.S. foreign policy. Equity investments can be highly developmental because of their ability to support early and growth-stage companies that would otherwise not be able to take on debt, especially companies in low and lower-middle income countries. As a financial tool, direct equity provides DFC with greater flexibility to invest in early and growth-stage companies, partner with other financial institutions, and enable investees to scale operations more efficiently to create greater development impact.
- **Technical Assistance and Feasibility Studies –** DFC's feasibility studies and technical assistance program funds accelerate project identification and preparation to better attract and support private investment in development. In most cases, grants will be designed to increase the developmental impact or improve the commercial sustainability of a project that has received, or may receive, DFC financing or insurance support. DFC determines the technical assistance, feasibility study, or training work to be provided, and the grant recipient selects an entity with relevant expertise and experience that will perform that work. In addition, the program provides technical assistance for certain development credit activities requested by other agencies by utilizing a competitively selected pool of contractors.

1.2 EXPAND AND DIVERSIFY THE CLIENT BASE

DFC intends to strategically expand its client base by executing new approaches to identify transactions and attract a wider net of local and regional clients. Additionally, DFC will seek out relationships with local companies in less developed countries, highly developmental partners with innovative product offerings and business models, and foreign companies that align with DFC's development priorities. DFC is also targeting non-traditional partners from diverse backgrounds to ensure our ultimate beneficiaries include members of marginalized communities who need DFC support the most.

Expanding and Diversifying DFC's Client Base

71 new clients added in FY 2022

1.3 COLLABORATE WITH PARTNERS

DFC is creating valuable partnerships with other U.S. Federal agencies, development finance institutions, non-government organizations, think tanks, and the private sector to maximize development impact. DFC recognizes that nongovernment stakeholders play a critical advisory and partnership role. DFC and many foundations share a common mission but bring different resources and tools to the table.

We also collaborate closely with the USAID, the Department of State, and other U.S. government agencies to amplify our impact. DFC's Mission Transaction Unit works with USAID to identify access to finance challenges in developing countries and partner with local, regional and international financial institutions and businesses to mobilize private investment to advance DFC's and USAID's development objectives. DFC also hosts a Foreign Service Development Finance Fellows program, in coordination with USAID and the Department of State. The one to three-year fellowship enables USAID and State Foreign Service Officers develop deal origination skills. Once complete, fellows will be effective liaisons between DFC, State, and USAID in posts around the world.

The BUILD Act charges DFC with increased coordination and collaboration among U.S. development agencies, including USAID and the Millennium Challenge Corporation (MCC). MCC and DFC have collaborated in the past, but opportunities were constrained by significant limitations on investment timing and alignment of business models. In an effort to overcome these limitations, MCC and DFC developed a new MCC-funded blended finance mechanism to provide strategic grants that DFC will use in support of catalytic investments called the American Catalyst Facility for Development (ACFD), which works within both agencies' existing authorities and country portfolios. ACFD is designed to leverage the strengths of both agencies to enable coordinated investments aimed at crowding-in the private sector and maximizing the overall impact of the U.S. government development efforts and furthering American strategic interests abroad.

Over the course of DFC's first two years in operation, the Corporation established formal relationships, routine high-level interagency briefings, blended finance mechanisms, and training modules on DFC's products for the interagency to strengthen institutional linkages and to ensure greater cross-fertilization on development. Furthermore, in June 2020, DFC launched the Development Finance Coordination Group to bring working-level officials from the interagency together on a regular basis to identify ways to strengthen and operationalize better interagency collaboration. This collaboration has resulted in a new initiative with the U.S. African Development Foundation, the African Small Business Catalyst which will provide a combination of loans and grants to early-stage companies. The initiative will help companies develop business models, build up management skills, expand market reach, and support African entrepreneurs in low-income and lower-middle income countries whose projects advance or deploy innovative technology. DFC is also a critical partner of Prosper Africa, Power Africa, and Asia Enhancing Development and Growth through Clean Energy (EDGE) initiatives, among other programs, with DFC's Chief Executive Officer serving as the Executive Chairman of Prosper Africa. USAID is funding Power Africa, Prosper Africa and Food Security deals teams at DFC that are advancing the agencies' mutual trade and development goals. For example, DFC's Prosper Africa Deal unit is underwriting and executing transactions that will advance Prosper Africa, an all-of-government initiative to increase investment between the U.S. and Africa. The deal teams complement DFC's team of regional investment advisors in Africa and Managing Directors in Singapore, Indonesia, India, and Thailand, which are all supported by funding from the Department of State and USAID.

STRATEGIC GOAL 2: DRIVE DEVELOPMENT IMPACT ACROSS SECTORS AND REGIONS

2.1 GEOGRAPHIES

DFC's investment portfolio demonstrates the agency's commitment to the underserved regions where DFC can maximize development impact and advance U.S. foreign policy objectives. In FY 2022, DFC committed support to 183 new projects in 56 countries and six regions, across the globe. Of those new investments, 131 expect to invest in low- or lower-middle income countries. A link to an interactive map of DFC's investments by country and type of investment can be found here. DFC's obligations by year, country, and category can also be found here.

2.2 PARTNERSHIP FOR GLOBAL INFRASTRUCTURE AND INVESTMENT (PGII)

The Partnership for Global Infrastructure and Investment (PGII) is a collaborative effort by the Group of Seven (seven nations consisting of the United States, Canada, France, Germany, Italy, the United Kingdom, and Japan) to invest in infrastructure projects in developing nations. The PGII is values-driven, high-impact, and transparent effort to meet the enormous infrastructure needs of low- and middle-income countries. Its investments are focused on four priority pillars, including hard infrastructure, that support their impacts. These priorities include: (1) climate and energy security, (2) digital connectivity, (3) gender equality and equity, and (4) health and health security. Following the Presidential Memorandum issued on June 26, 2022, *"Memorandum on the Partnership for Global Infrastructure and Investment*", DFC has prioritized these sectors where our innovative financing tools can drive development impact across geographies.

- **Climate and Energy Security.** DFC financing supports energy and infrastructure investments, with a strong preference for projects that are climate focused. Building an impactful portfolio of climate-smart investments is key to furthering DFC's commitment to development, and to providing a values-driven, sustainable investment alongside like-minded partners and allies. Over the past year, DFC has announced hundreds of millions in climate investments, focused on supporting economic mobility, jobs, and tools to build prosperous clean energy economies in developing countries.
- **Digital Connectivity.** Affordable, reliable, and trusted technology is a powerful engine of prosperity and stability, yet many developing countries face a substantial digital divide due to the high costs of services and devices. DFC is committed to supporting private sector investment in internet and mobile service operators, telecommunications towers, and data centers as well as projects that are leveraging technology to support other functions such as fin-tech, online education, among others.
- **Gender Equality and Equity.** DFC is committed to supporting economic growth in underserved communities, investing in small business, with a focus on support for women. DFC's 2X Women's Initiative is committed to addressing the unique challenges women face globally and unlocking the multi-trillion-dollar opportunity they represent. DFC applies a gender lens to every project, helping make sure that women will benefit. In doing so, DFC prioritizes those areas that are proven to have an outsized positive impact on women: climate change, water, infrastructure, technology, healthcare, food security, and small and medium-sized women-owned businesses.
- **Health and Health Security.** People in developing countries face many barriers to accessing hospitals, doctors, and basic medical services. This is due to limited healthcare infrastructure and other obstacles, preventing them from reaching their full potential. DFC is committed to creating a healthier world by investing in projects that improve pandemic preparedness and health system resilience, including investments in health services and infrastructure, health commodity manufacturing and supply chain, and digital health.

Commitment	*Committed (Dollars in Thousands)*	*Percent of Total*	*Number of projects Committed*
PGII Commitments for all sectors, excluding Transportation*	$ 5,126,989	69%	86
Non-PGII Commitments	2,292,274	31%	97
Total Commitments	**$ 7,419,263**	**100%**	**183**
PGII Commitments by Sector*			
Climate and Energy Security	$ 2,360,495	32%	50
Digital Connectivity	442,950	6%	10
Gender Equality and Equity	1,613,594	22%	29
Health and Health Security	1,351,780	18%	17

* DFC commitments may fall into more than one PGII sector; commitments spanning multiple PGII sectors are counted once in the total PGII commitments.

STRATEGIC GOAL 3:
IMPACT MANAGEMENT MONITORING, MEASUREMENT, AND LEARNING

3.1 EMPHASIS ON DEVELOPMENT IMPACT

Strengthening DFC's abilities to monitor, analyze and manage development impact will give DFC enhanced capabilities to assess and improve its contribution to achieving positive development impacts and deliver on this strategic goal. Targeted outcomes include:

1. Ensuring that each transaction DFC approves and executes has measurable development outcomes and monitor the development results of DFC investments to inform future transactions;

2. Conducting assessments of whether and how the Corporation's support contributes to its strategic impact targets and identify where adjustments in investment strategy are needed to enhance impact; and
3. Becoming a leader in generating impact through its rigorous approach to impact management that is aligned to globally accepted principles, disseminating impact management practices more broadly, and openly sharing its impact management methodologies.

DFC gathers data from clients to monitor and assess their development impact from self-monitoring tools and document review, such as the Impact Quotient and Development Outcome Surveys (008s). DFC also conducts site monitoring and third-party assessments and evaluations to assess performance and compliance with DFC conditions and to monitor their development impact.

Of DFC's committed projects in FY 2022, 105 were categorized as Highly Developmental and 15 were categorized as Developmental. For More information on DFC's Impact Quotient and Development Outcome Surveys, visit DFC's Impact Quotient (IQ) informational page.

DFC's performance assessment and evaluation activities involve deeper and holistic analyses of project impacts that help inform DFC decision-making, programming, and strategy, as well as build evidence to support DFC's role in mobilizing private capital to solve some of today's most pressing global development challenges. These activities provide a critical feedback loop that is a key component of a best-in-class impact management framework.

STRATEGIC GOAL 4:
SCALE THE CORPORATION SUSTAINABLY

4.1 GROWTH AT DFC

The launch of DFC in 2019 brought together the tools of OPIC and USAID's financing arm, the DCA, and provided expanded and modernized tools to build on a long U.S. tradition of mobilizing investment in developing countries. Additionally, DFC was launched with strong bipartisan support through the BUILD Act, which more than doubled OPIC's investment capacity to $60 billion, and authorized new tools like equity authority to enable the new Corporation to expand impact in developing countries. The increase in tools, capacity, and complexity requires supporting people and processes to grow its ability to fulfill BUILD Act mandates, prudently manage its portfolio, and efficiently execute on new project activity.

DFC must continue to build important capabilities, which are needed to advance the Corporation's prudent management of the project workload and the related functions that must be performed, once the debt, equity and insurance projects have been committed, documented, and disbursed. DFC must also grow its development impact monitoring and evaluation function and expand its foreign policy team to maximize impact for development and foreign policy priorities.

DFC has increased its administrative budget expenses and project-specific transaction costs to support increased staffing and other support costs needed to advance the goals of the Administration across regions and sectors. DFC plans to use the administrative budget to implement innovative and effective programs and partnerships, to foster an effective and efficient organization, and to maintain a fiscally responsible agency both now and for the future. DFC is committed to all efforts to foster an effective, efficient, and inclusive organization. DFC seeks to empower staff to create a productive and positive work environment, and the organization is committed to attracting and retaining the skilled and diverse personnel needed to achieve DFC's development and foreign policy objectives.

4.2 EFFICIENCIES GAINED

DFC leadership and staff have used existing resources to expand impact, both by growing the portfolio and making use of new tools such as foreign currency and equity, mindful of the need to manage the flow of transactions and the resulting portfolio prudently and effectively. For example, when DFC identified long lead times on Know Your Client (KYC) analysis as an internal bottleneck, DFC acquired access to a new system that consolidates data from multiple sources and eliminates hours of manual work. In the case of climate expertise, DFC has brought on experts who can work alongside the deal teams to identify and help prioritize those with greater potential and then quickly identify ways to validate the technical merits. DFC is also updating its data management tools to improve access to real-time pipeline and portfolio data and working to develop standard operating procedures for the organization. Nevertheless, DFC still faces numerous constraints to maximize its impact and meet the President's PGII and climate goals.

ANALYSIS OF FINANCIAL STATEMENTS, FINANCIAL CONDITION, POSITION, AND RESULTS

FINANCIAL POSITION

SUMMARY OF FINANCIAL POSITION AS OF SEPTEMBER 30,
(Dollars in Thousands)

Balance Sheets	2022	2021	$ Change	% Change
Assets				
Fund Balance with Treasury	$ 2,631,003	$ 2,208,571	$ 422,432	19%
Investments, Net	6,380,979	6,251,805	129,174	2%
Loans Receivable, Net	7,523,771	6,730,788	792,983	12%
Other	214,532	112,037	102,495	91%
Total Assets	$ 16,750,285	$ 15,303,201	$ 1,447,084	9%
Liabilities				
Debt	$ 8,964,971	$ 7,723,761	$ 1,241,210	16%
Liabilities to the General Fund of the US Government	392,542	1,071,893	(679,351)	-63%
Other	219,349	419,978	(200,629)	-48%
Total Liabilities	9,576,862	9,215,632	361,230	4%
Total Net Position	7,173,423	6,087,569	1,085,854	18%
Total Liabilities and Net Position	$ 16,750,285	$ 15,303,201	$ 1,447,084	9%
Net Position	**2022**	**2021**	**$ Change**	**% Change**
Total Unexpended Appropriations	$ 400,785	$ 171,177	$ 229,608	134%
Cumulative Results of Operations	6,772,638	5,916,392	856,246	14%
Net Position	$ 7,173,423	$ 6,087,569	$ 1,085,854	18%
Net Cost	**2022**	**2021**	**$ Change**	**% Change**
Gross Costs	$ 465,399	$ 223,166	$ 242,233	109%
Less: Earned Revenue	(448,924)	(384,832)	(64,092)	17%
Net Cost of Operations	$ 16,475	$ (161,666)	$ 178,141	-110%
Budgetary Resources	**2022**	**2021**	**$ Change**	**% Change**
Unobligated Balance from Prior Year Budget Authority	$ 7,363,322	$ 6,780,352	$ 582,970	9%
Appropriations	928,884	594,494	334,390	56%
Borrowing Authority	5,521,406	4,409,313	1,112,093	25%
Spending Authority from Offsetting Collections	1,401,002	1,282,522	118,480	9%
Total Budgetary Resources	$ 15,214,614	$ 13,066,681	$ 2,147,933	16%

CONSOLIDATED BALANCE SHEETS

The Consolidated Balance Sheets represent DFC's financial condition at the end of the fiscal year. The Consolidated Balance Sheets show:

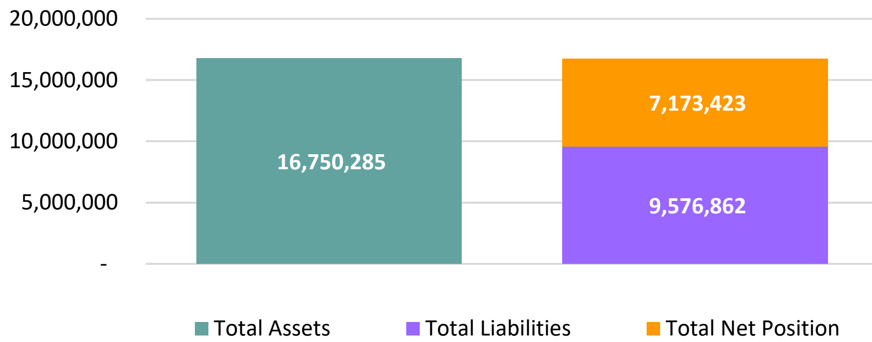
\+ **Assets**: resources available to meet DFC's statutory requirements;

\- **Liabilities**: monetary amounts DFC owes that will require payment from the available resources; and,

= **Net Position**: the difference between DFC's assets and liabilities.

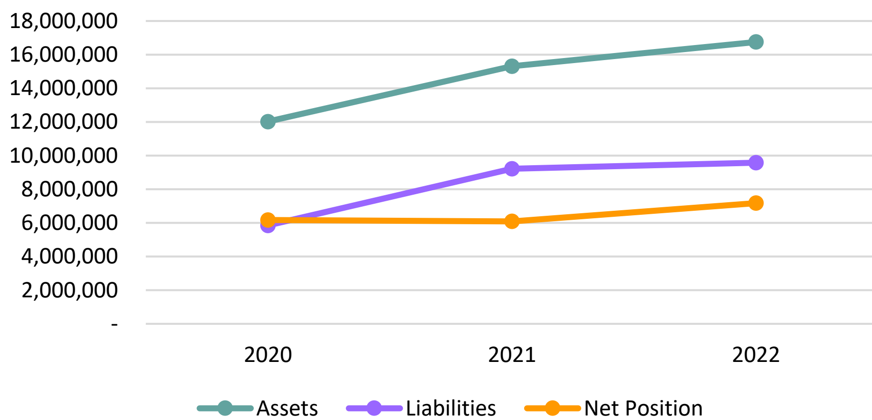
FY 2022 CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)



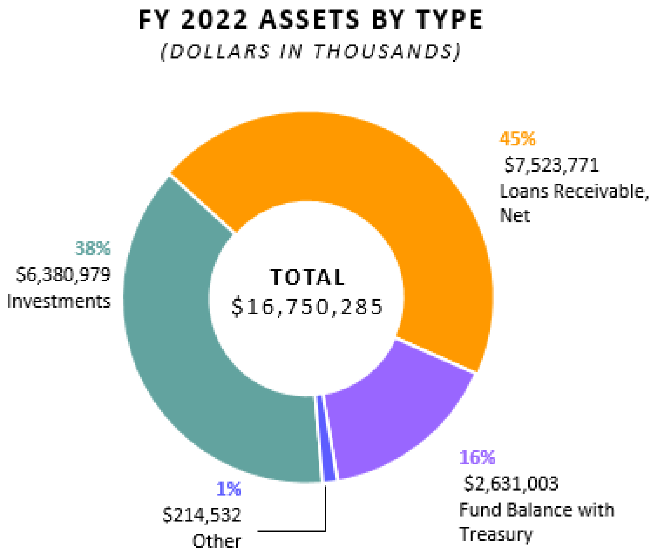
BALANCE SHEET OVER TIME

(DOLLARS IN THOUSANDS)



ASSETS

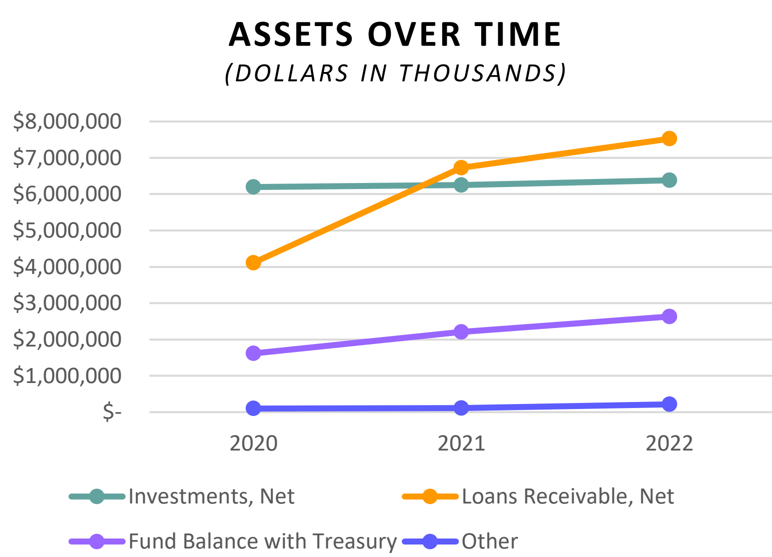
DFC's assets are primarily composed of Investments, Loans Receivable, and Fund Balance with Treasury (FBWT).



The largest category of assets in FY 2022 is Loans Receivable, which represents money owed to DFC for loans it made to support its development priorities. DFC's loan portfolio generates loan interest and fees for DFC. The value of the receivable is based on the net present value of the expected future cash flows for loans made after FY 1991. For loans made prior to FY 1992, loans are valued based on the expected future cash flow. DFC estimates future cash flows for direct loans and loan guarantees using economic and financial credit subsidy models (for more information, refer to *Significant Factors Influencing Financial Results*). In FY 2022, DFC's loans receivable increased by $793 million, due to the expansion of DFC's investment capacities provided under the BUILD Act.

Investments are comprised of Treasury Market-based Securities and equity investments. DFC has the authority to invest funds derived from revenue related to its insurance programs, in order to support possible future insurance payments. DFC invests these funds in Treasury Securities, which are stable investments that earn a return of between 0.375% and 6%. DFC's investments in Treasury securities have increased by approximately $50 million due to the investment of fees from the insurance program. DFC's investments are enough to cover insurance exposure. To understand more about DFC's insurance, see Note 16.

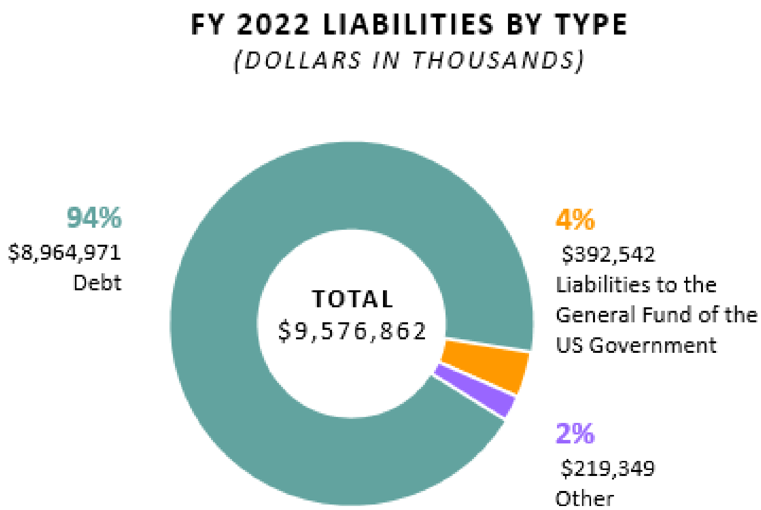
In FY 2021, DFC began making equity investments in funds and projects through partnerships with other entities. The equity investments are another tool that DFC uses to invest in programs and projects to support its mission and goals. In FY 2022, DFC made an additional $73 million in new equity investments, and recorded approximately $7 million in net unrealized gains on investments. Equity investments can be highly developmental because of their ability to support early- and growth-stage companies that would otherwise not be able to take on debt, especially companies in low and lower-middle income countries. As a financial tool, direct equity provides DFC with greater flexibility to invest in early- and growth-stage companies, partner with other financial institutions, and enable investees to scale operations more efficiently to create greater development impact. As investments are made in the future, they will increasingly drive financial performance due to market and other factors affecting investment values. DFC leverages decades of institutional experience investing in Investment Funds and comparable deals to ensure DFC is making sound investments while balancing its development objectives.



FBWT, the Federal government equivalent of cash, is made up of Congressional appropriations, loan disbursements and collections, and interest and fee collections. The increase of approximately $422 million in FBWT is due to increases in appropriated resources provided to fund DFC's financing and equity programs and collections on existing loans.

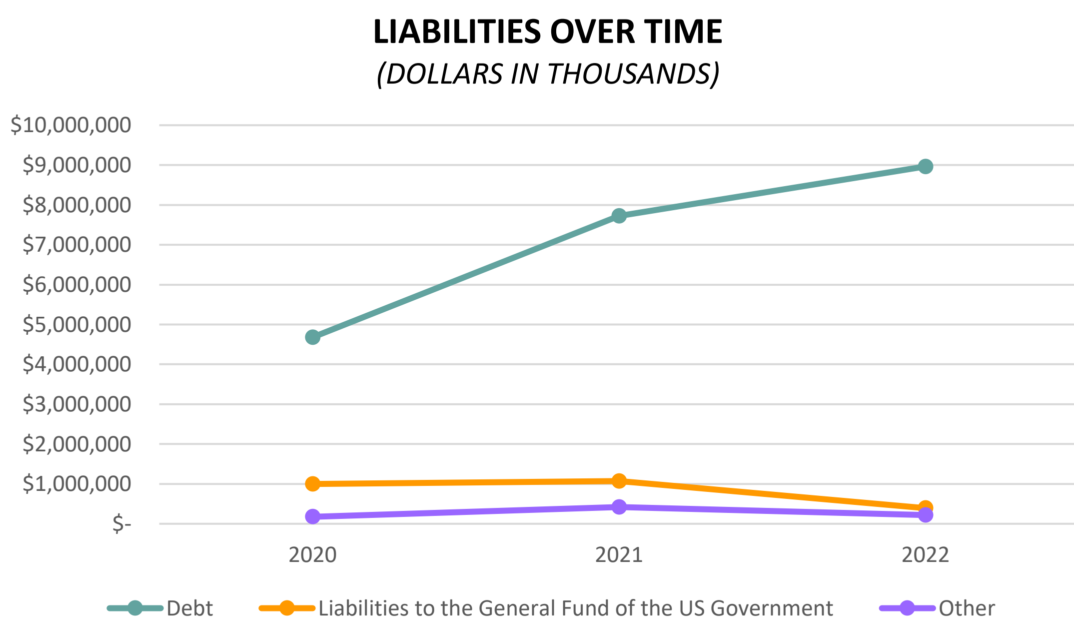
LIABILITIES

DFC's liabilities are primarily composed of Debt in the form of Borrowings from Treasury, and the Liability to the General Fund of the U.S Government.



Debt is DFC's largest liability balance, and represents amounts borrowed from the U.S. Department of Treasury (Treasury) to fund loans, as discussed above for the Loans Receivable. DFC pays interest to Treasury on the borrowings until DFC pays the funds back to Treasury. DFC's debt balance has increased by approximately $1.2 billion from FY 2021, which is reflected in offsetting increase in Loans Receivable and FBWT, as discussed above.

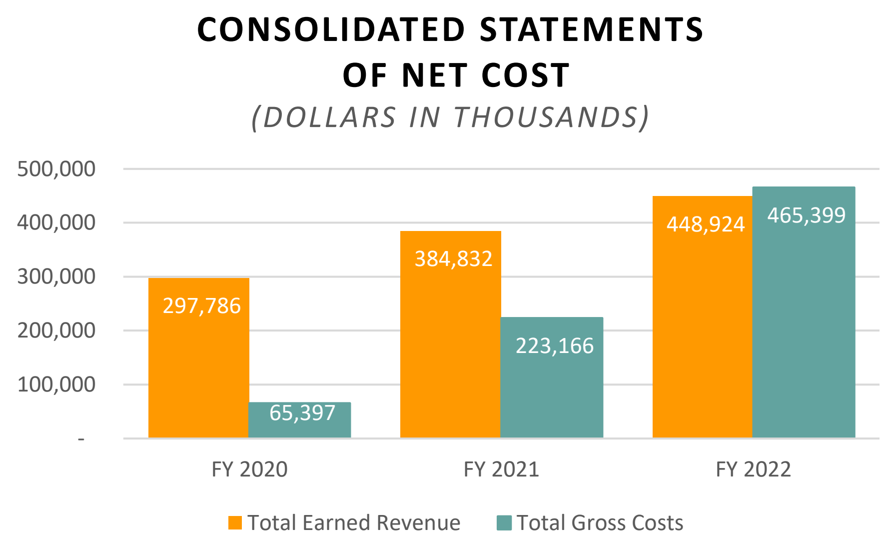
DFC's Liability to the General Fund of the U.S. Government are amounts owed to Treasury for downward reestimates payable to Treasury in the next fiscal year. The liability is reduced when the Office of Management and Budget (OMB) provides authority for DFC to transfer the funds. For more information, refer to the discussion of Reestimated Subsidy Costs. The balance in FY 2021 also includes excess revenues over expenses in the Loan and Loan Guaranty programs for loans that were made prior to 1992. In FY 2022, DFC changed the method of accounting for the pre-1992 loan and loan guaranties, reducing this liability and recording the amount in Cumulative Results of Operations. See Note 12 for additional details.



CONSOLIDATED STATEMENTS OF NET COST

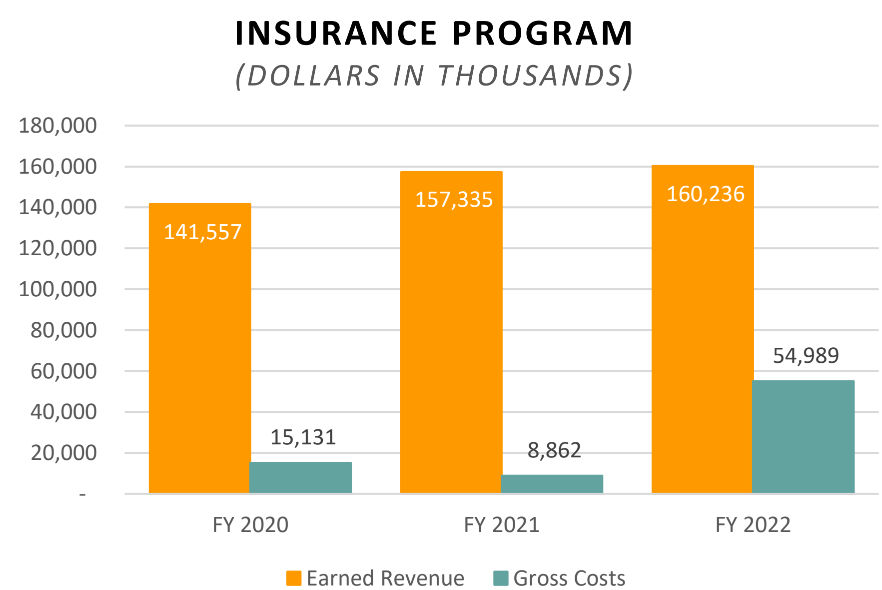
The Consolidated Statements of Net Cost measure the program costs to the taxpayer. In FY 2022, DFC had net costs of $16 million. In FY 2021, DFC had net income, or negative net costs, meaning DFC generated more revenue than its gross costs of $162 million.

DFC categorizes cost and revenue into four major programs: 1) Insurance, 2) Financing, 3) Equity, and 4) Technical Assistance.



INSURANCE

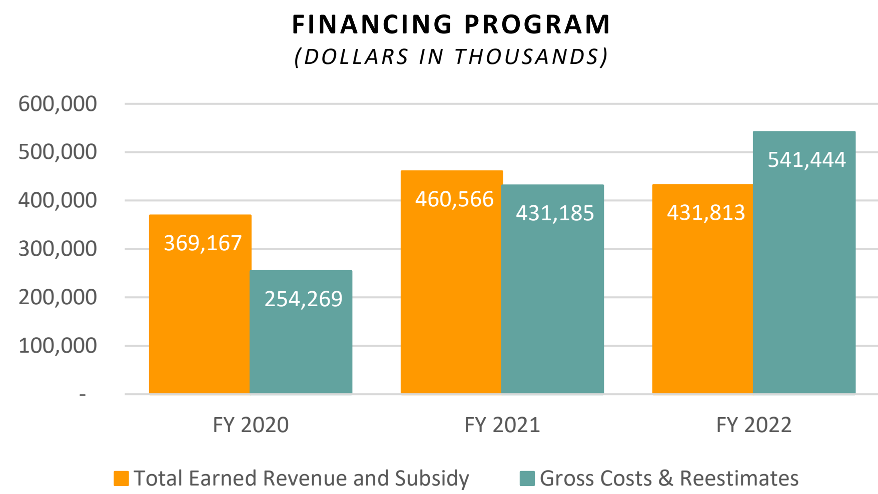
DFC's revenue over costs for its insurance program was $105 million in FY 2022 and $148 million in FY 2021. The decrease in net revenue was driven primarily by increases insurance claims which recorded as part of Gross Costs, as well as increased in administrative expenses. In FY 2022, DFC recorded a large insurance claim related to political violence in Ukraine. DFC provides Political Risk Insurance for overseas investments against several risk types. For detailed information about the insurance program, refer to Note 16 in the Financial Section. Administrative expenses include allocations of indirect operating costs that support the insurance program.



FINANCING

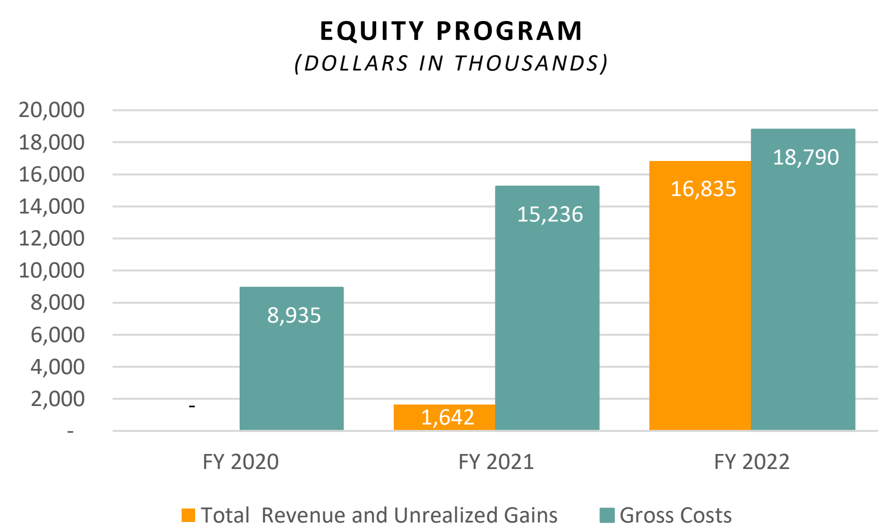
The financing program had a net cost for FY 2022 of $110 million, compared to a net income of $29 million in FY 2021. Although DFC had a $46 million increase in fees and interest revenue on its loan and loan guaranties, the revenue increases were offset by increases in administrative execution costs, and an increase in the estimated subsidy needed to fund the loans and guaranties in the future, and a lower amount of negative subsidy on new loans and loan guaranties.

For additional explanations of subsidy and how loans are valued, see *Significant Factors Influencing Financial Results*.



EQUITY

DFC is authorized to take equity stakes in its project companies to fulfill its development mandate and began making investments in FY 2021. In FY 2022 DFC continued to make investments. In FY 2022, DFC recognized approximately $7 million in net unrealized gains on investments as reflected on the Consolidated Statements of Net Cost. The Equity program also generated $10 million of revenues from dividends on DFC's equity investments in FY 2022 compared to $1.6 million in dividend revenues FY 2021. In FY 2022 there were $19 million in administrative costs related to identifying and evaluating potential investments, compared to $15 million in administrative costs in FY 2021. The increase in expenses was driven by an expanding equity office that is building up the infrastructure for DFC's future equity investments.



COMBINED STATEMENTS OF BUDGETARY RESOURCES

In accordance with Federal statutes and regulations, DFC may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Combined Statements of Budgetary Resources (SBR) are divided in four sections, 1) Budgetary Resources; 2) Status of Budgetary Resources; 3) Net Outlays; and 4) Disbursements.

BUDGETARY RESOURCES

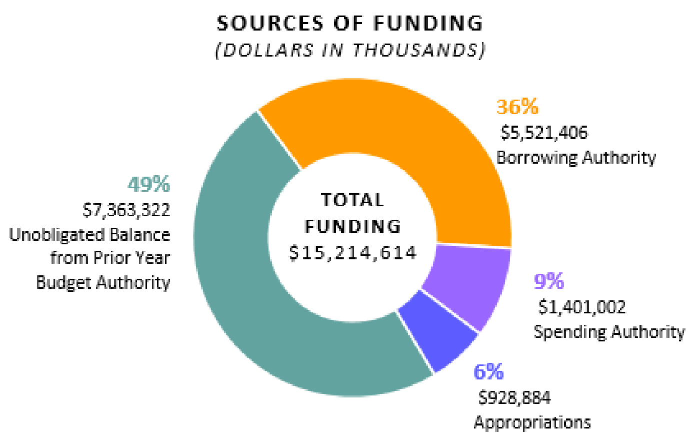
Displays the sources of DFC's funding, such as appropriations from Congress, collections from the public and other agencies, and authority to borrow from Treasury.

=

STATUS OF BUDGETARY RESOURCES

Displays the status of the funding, such as whether the sources have been obligated for use, or if they were not obligated. Unobligated sources are displayed as funds that are apportioned for use, unapportioned for use, or expired.

SOURCES OF FUNDING



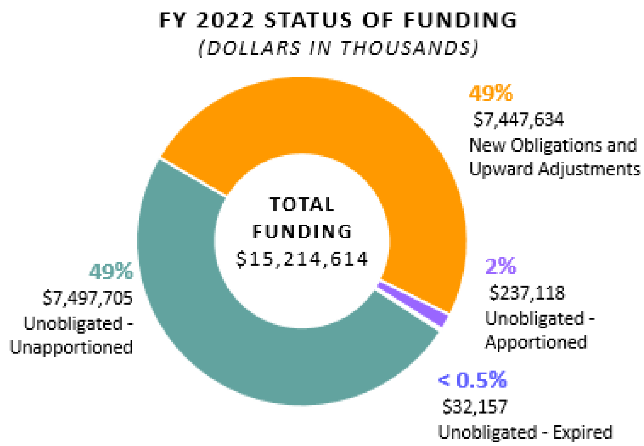
In FY 2022 and FY 2021, DFC's largest source of funding was the Unobligated Balance from Prior Year Budget Authority which includes unused budget authority from since DFC's inception, including collections from DFC's insurance program, revenues from investments, prior year recoveries of obligations, as well as Budget Authority transferred in from OPIC and USAID under the BUILD Act to continue administering the programs, loans, and loan guarantees from the respective agencies.

Borrowing Authority allows DFC to borrow funds from Treasury to make its loans. The borrowings are reflected on the balance sheet as Debt, and the loans are reflected on the balance sheet as Loans Receivable, Net.

DFC receives the following appropriations:

- Annual appropriations from the General Fund to fund subsidy on loans and loan guaranties, equity, technical assistance, and for operations. Except for the appropriation for the Office of the Inspector General, DFC reduces its annual appropriation from the General Fund, in an amount equal to offsetting collections received during the fiscal year. In FY 2022, DFC reduced its annual appropriations of $706 million by $359 million of offsetting collections, resulting in a net appropriation of $347 million. In FY 2021, DFC received $579 million in appropriations and returned $445 million to the Treasury, resulting in a net appropriation from the General Fund of $134 million.
- Appropriations to pay for upward reestimates of subsidy on loans and loan guaranties. In FY 2022, DFC received $582 million in appropriations to pay for upward reestimates compared to $460 million in FY 2021.

STATUS OF FUNDING

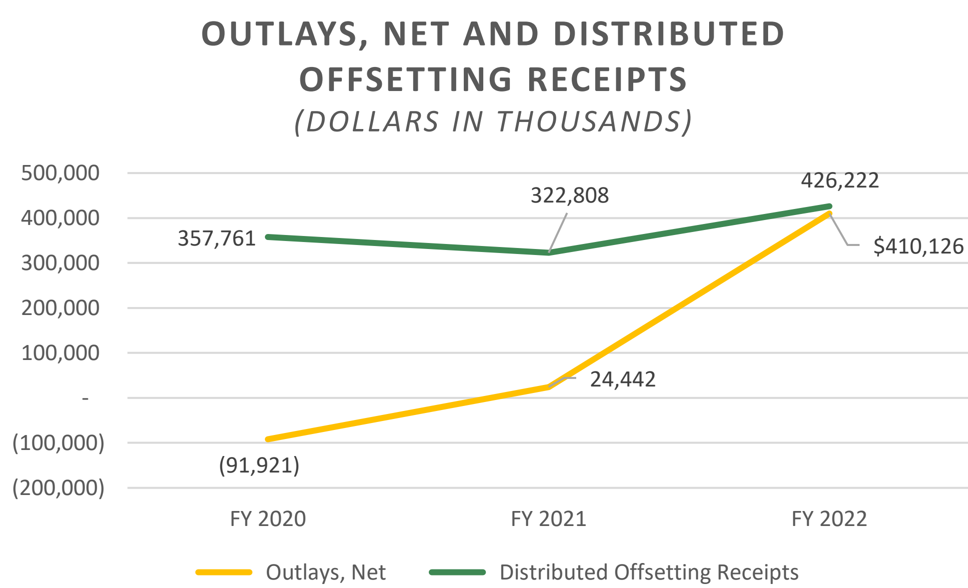


New obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments, and other reservations of funds to operate the agency to meet its mission and goals.

Unobligated unapportioned funds are mostly from funds transferred in from OPIC's Insurance program. $6.2 billion of these funds are represented on the Balance Sheet as investments in Treasury securities.

NET OUTLAYS

Net outlays displays budgetary outlays for DFC, reduced by collections of interest, fees, and other revenue. In FY 2022, DFC had outlays of $410 million, compared to $24 million in FY 2021. Net Outlays were further reduced by Distributed Offsetting Receipts of $426 million and $323 million in fiscal years 2022 and 2021 respectively. Distributed offsetting receipts are comprised of negative subsidy and downward reestimates on direct loan and loan guaranty programs that DFC pays to the U.S. Treasury. DFC restated the FY 2021 amount for distributed offsetting receipts. In FY 2021, DFC included the distributed offsetting receipts number the capital transfers of $461 million that were made to Treasury for liquidating funds that accounted for loans and loan guaranties made prior to 1992. The capital transfers are not considered distributed offsetting receipts and DFC has restated the FY 2021 Statement of Budgetary Resources in this Annual Management Report.



DISBURSEMENTS

Non-budgetary disbursements are related to direct loans and loan guaranty programs covered under the Federal Credit Reform Act of 1990 (FCRA). DFC had net disbursements of $1.2 billion in FY 2022 and $2.6 billion in FY 2021 for direct loan and loan guaranty programs. The disbursements for loans and claim payments are offset by collections, including, but not limited to, collections of loan principal and loan interest, collections of fees and subsidy. These are displayed separately from Net Outlays because the disbursements are excluded from U.S. budget surplus or deficit totals. The increase in disbursements is directly traceable to the increase in loans receivable and increase in debt owed to Treasury reflected on the balance sheet.

SIGNIFICANT FACTORS INFLUENCING FINANCIAL RESULTS

The long-term cost to the government for direct loans and loan guaranties, other than for general administration of the programs, is referred to as "subsidy cost." Under FCRA, direct loan and loan guaranty subsidy costs are determined as the estimated net present value of the future projected cash flows in the year the loan is obligated. Subsidy costs are reestimated on an annual basis. DFC's financial results are dominated by these estimates of subsidy costs and year-to-year adjustments to the valuation of its finance portfolio.

SUBSIDY COSTS OF NEW DISBURSEMENTS

To calculate subsidy costs for new loans or guaranties, estimates are developed of the expected future cash outflows and inflows of the direct loan or loan guaranty agreement. Historical information and various assumptions are used, including the probabilities of default, borrower prepayments, DFC recoveries of funds from past defaults, as well as the projected timing of these events, to make informed predictions about expected future cash flows. These expected cash flows are then discounted to determine the net present value of the cash flows. If the present value of estimated cash outflows exceeds cash inflows, there is a positive subsidy cost, which is a cost to the Federal government. If the present value of estimated cash inflows exceeds cash outflows, that is recorded as a negative subsidy, which is a benefit to the federal government. When loans are disbursed, DFC recognizes this subsidy cost (or negative subsidy) in the Statements of Net Cost.

REESTIMATED SUBSIDY COSTS

The data used for subsidy cost estimates are updated—or reestimated—annually at the end of each fiscal year to reflect actual loan performance and to incorporate any changes in expectations about future loan performance. The following are the primary drivers of DFC's annual reestimated subsidy costs.

Reevaluation of Risk Ratings

Repayment risk is the risk that a borrower will not pay according to the original agreement and DFC may eventually have to write-off some, or all, of the obligation. Repayment risk is primarily composed of credit and political/country risk, which may be defined as follows:

- Credit Risk: The risk that a borrower may not have sufficient funds to make loan and fee payments or may not be willing to make payments, even if sufficient funds are available.
- Political Risk/Country Risk: The risk that payment may not be made to DFC, its guarantied lender, or its insured due to factors such as war, if a country nationalizes, or takes over the borrower's property, or if a country disallows the borrower's payments to be converted into U.S. dollars.

Updates to Loan Level Discount Rates

Discount rates are used to calculate the net present value of the cash flows to determine the subsidy cost. In accordance with OMB Circular A-11, DFC uses the OMB's Credit Subsidy Calculator (CSC) to calculate the discount rates. When loan and loan guaranty agreements are initiated and obligated, an initial discount rate is used to calculate estimated cash flows. At the end of each fiscal year, revised rates are calculated for loans that became at least 90 percent disbursed in the current fiscal year. The new discount rates are calculated by the CSC using actual loan activity, updated forecasts, and all available actual interest rates. The updated discount rates are used to calculate the reestimated cash flows.

Updates to Interest Rates

For loans with variable interest rates charged to the borrower, the original cash flow projections are adjusted to incorporate the actual interest rate(s) prevailing during the year(s) of disbursement and are subsequently adjusted after the end of each year for loans that are outstanding.

Updates to Projected Cash Flows with Actual Data

Projected cash flows need to be updated due to differences between the original projections, and the amount and timing of cash flows that are expected based on actual experience. DFC uses loan-level accounting transactions that are captured in the general ledger for the current year of the cash flows. This actual data replaces the projections developed from the prior year reestimates to develop a more accurate assumptions of future cash flows from disbursements, collections of principal, interest, fees, and recoveries.

INSURANCE PROGRAM CLAIMS

DFC's insurance program had a negative impact on the insurance claim payments during the year and the insurance liabilities presented on the balance sheet. Unpaid insurance claims for which DFC does not expect to recover amounts increase the liability on the balance sheet, and similarly increase the insurance expenses on the Statements of Net Cost.

EQUITY VALUATIONS

DFC's equity investments are valued in accordance with accounting standards that require recording unrealized gains and losses during the year. Unrealized gains and losses result from recording adjustments to the valuation of the investments and are not the result of selling or disposing of the investments. The unrealized gains and losses are recorded on the Consolidated Statements of Net Cost and can change year to year depending on the performance of the individual investments. In FY 2022, several of the investments have been adjusted to net asset value as determined by the fund manager and provided to DFC. Net asset value is the amount of net assets attributable to each share of capital stock outstanding at the close of a period. In FY 2022, DFC recorded approximately $7 million in net unrealized gains on investments. DFC expects these investments to continue to grow in value and ultimately produce realized gains when DFC eventually sells investments.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position, financial condition, and results of operations of DFC, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by 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.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FISCAL YEAR 2022 CHIEF EXECUTIVE OFFICER STATEMENT OF ASSURANCE

October 20, 2022

The management of the U.S. International Development Finance Corporation (DFC) is responsible for establishing, maintaining, evaluating, and reporting on the agency's internal controls consistent with the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with FMFIA and the guidance contained within Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, DFC management monitored and evaluated risks and the effectiveness of its internal control over the efficiency and effectiveness of operations, reliability of reporting, and compliance with applicable laws and regulations, including considerations of fraud risk.

DFC provides reasonable assurance that its internal controls over operations, reporting, and compliance met the objectives of agency management, complied with applicable requirements, and were operating effectively as of September 30, 2022. DFC did not identify any material weaknesses in the design or operating effectiveness of the controls.

Scott A. Nathan
Chief Executive Officer
U.S. International Development Finance Corporation

SUMMARY OF INTERNAL CONTROL ASSESSMENT

In FY 2022, DFC continued to mature and grow as an organization after the integration of operations of OPIC and USAID DCA in FY 2020 and the agency's internal control program continues to respond to the increasing complexity and breadth of operations within the agency. DFC performed its internal control assessments using a risk-based testing approach that was adopted by the agency's Senior Management Council. Under this approach, internal controls in key business processes identified by management were assessed pursuant to the guidance in OMB Circular No. A-123, Appendix A. Risk was assessed based on both quantitative as well as qualitative factors, including financial materiality, mission orientation, the complexity and frequency of transactions, and exposure to fraud. In FY 2022, DFC assessed its entity-level control environment, the design and operating effectiveness of its internal controls in the Financial Reporting process and over the Mission Transaction Unit (MTU), and continues to assess the design of internal controls in the Budgetary Resources Management process. No material weaknesses in internal control were identified, and the results of this year's activities, combined with management's role in the daily execution and monitoring of internal controls, allows the agency to assert there is reasonable assurance that internal controls were properly designed and operating effectively during the year to support efficient and effective operations, reliability of reporting, and compliance with laws and regulations. In FY 2023, DFC will continue to mature its Enterprise Risk Management program and further strengthen its internal controls over reporting through continued assessments and monitoring activities.

FORWARD-LOOKING INFORMATION

CLIMATE-RELATED RISKS

Climate action is one of the key objectives of the DFC, as stated in the DFC Strategic Plan for 2022-2026. Pursuant to Executive Order (E.O.) 14008, Tackling the Climate Crisis at Home and Abroad, DFC established a Climate Action Plan in 2021. Building an impactful portfolio of climate-smart investments is key to furthering DFC's commitment to development, and to providing a values-driven, sustainable investment alongside like-minded partners and allies. Over the past year, DFC has announced hundreds of millions in climate investments focused on supporting economic mobility, jobs, and tools to build prosperous clean energy economies in developing countries. At a project level, DFC has been incorporating climate change resiliency assessments since 2015 in response to Executive Order 13677.

DIVIDEND

Under the BUILD Act the DFC Board of Directors could under certain circumstances declare a dividend. Such a dividend would be paid from Cumulative Results of Operations, thereby reducing DFC's overall financial position. Any material dividends would affect the future financial position of the agency.

EVOLUTION OF PROGRAMS

To meet its development and foreign mandates, DFC is developing new and innovative products using its expanded program flexibilities. This has led to a shifting of products being used for development, with more reliance on direct loans and equity investments. These flexibilities also allow DFC to lend in local currencies and DFC is working to offer more loans in the currencies of the countries where the loans and investments are located. DFC's involvement in the President's Partnership for Global Infrastructure and Investment is also driving DFC's investments into infrastructure areas of climate and energy security, digital connectivity, health and health security, and gender equity. As part of the PGII, DFC is particularly focused on sourcing strategic projects that help close the estimated $40 trillion infrastructure financing gap in developing countries and thereby provide an alternative to financial support from authoritarian governments. Additionally, DFC is responding through its investments to uncertainties throughout the world, such Russian aggression exacerbating food insecurity, the COVID-19 pandemic disrupting supply chains and challenging fragile health systems, and climate change adversely impacting critical ecosystems necessary for food, shelter, and income.

OFFICE OF INSPECTOR GENERAL

U.S. International Development Finance Corporation

Date: November 15, 2022

MEMORANDUM FOR: MR. SCOTT NATHAN
CHIEF EXECUTIVE OFFICER (CEO)

MS. MILDRED CALLEAR
CHIEF FINANCIAL OFFICER (CFO)

SUBJECT: DFC's Consolidated Financial Statements for Fiscal Year 2022 (Report Number DFC-23-002-C)

Enclosed is the Fiscal Year 2022 Consolidated Financial Statement opinion audit report.

We contracted with the independent public accounting firm RMA Associates, LLC (RMA) to audit the consolidated financial statements of the United States International Development Finance Corporation (DFC) for the fiscal year ended September 30, 2022, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's Financial Audit Manual.

In its audit of DFC, RMA reported

- the consolidated financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- one material weakness[1] and no significant deficiencies[2] in internal control over financial reporting; and
- no reportable noncompliance with provisions of laws tested and other matters.

---

[1] A material weakness is a deficiency, or 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.

[2] 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.

RMA reported a material weakness in DFC's internal control over financial reporting regarding the fiscal year (FY) 2021 Statement of Budgetary Resources (SBR). Since the Department of Treasury Fiscal Service did not include DFC in its listing of agencies with Distributed Offsetting Receipts, DFC overstated the financial statement line for Distributed Offsetting Receipts in its Combined Statement of Budgetary Resources (SBR) by $460 million. DFC corrected the error by restating this line item without the inclusion of the $460 million. DFC also implemented effective policies and procedures necessary to properly record and report these types of deposits going forward, therefore no further recommendation is necessary.

RMA is responsible for the attached auditor's report dated November 15, 2022 and the conclusions expressed therein. We do not express opinions on DFC's consolidated financial statements, or report on internal control over financial reporting, or report on compliance with selected provisions of laws tested and other matters.

Anthony "Tony" Zakel
Inspector General
U.S. International Development Finance Corporation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

Independent Auditor's Report

To the Chief Executive Officer and Inspector General of United States International Development Finance Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the United States International Development Finance Corporation (DFC) which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources (hereinafter referred to as 'financial statements'), for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DFC as of September 30, 2022, and its net cost, changes in net position, and combined budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DFC 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

The financial statements of the prior period were audited by a predecessor auditor. The opinion expressed by the predecessor auditor was an unmodified opinion as of and for the years ended September 30, 2021, and 2020. The predecessor auditor report was dated November 12, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 DFC's internal control.
- 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.

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

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and Combining Statement of Budgetary Resources by Major Budget Account be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the 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 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 financial statements, and other knowledge we obtained during our

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

audit of the 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 Annual Management Report. The other information comprises the DFC's *Agency Head Letter,* Report on Payment Integrity Information Act, and Climate-Related Financial Risk but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do 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 statement, 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, we considered the DFC'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 DFC's internal control. Accordingly, we do not express an opinion on the effectiveness of the DFC's internal control.

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 and therefore, material weakness or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying Exhibit I that we consider to be a material weakness.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DFC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Management's Response to Audit Findings and Recommendations

DFC's comments can be found in Exhibit II. DFC's response was not subject to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section of this report 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 DFC's internal control or compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DFC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

RMA Associates

Arlington, VA
November 15, 2022

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

Exhibit I – Material Weakness in Internal Control

Distributing Offsetting Receipts Restatement

Since the Department of Treasury Fiscal Service did not include DFC in its listing of agencies with Distributed Offsetting Receipts, DFC overstated the financial statement line for Distributed Offsetting Receipts in its Combined Statement of Budgetary Resources (SBR) by $460 million. The $460 million represented unobligated amounts from liquidating funds transferred to DFC from the legacy United States Agency for International Development lending programs that were deposited into the Department of Treasury's General Fund Receipt Account (GFRA). Deposits into the GFRA Account are considered by the Department of Treasury's Bureau of Fiscal Service (Fiscal Service) to be Capital Transfers to the Department of Treasury's General Fund rather than Distributed Offsetting Receipts.

Therefore, the inclusion of the $460 million in the Distributed Offsetting Receipts financial statement line item was reported in error and was materially misstated in DFC's Combined SBR for the year ended September 30, 2021. DFC corrected the error by restating the financial statement line item without the inclusion of the $460 million. DFC also implemented the effective policies and procedures necessary to properly record and report these types of deposits going forward.

Recommendation:

No further recommendation is needed as we have verified that DFC has implemented effective policies and procedures necessary to properly record and report these types of deposits going forward.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone : (571) 429-6600
www.rmafed.com

Exhibit II – Management's Response to the Material Weakness in Internal Control

DFC | U.S. International Development Finance Corporation

MEMORANDUM **November 14, 2022**

TO: Anthony Zakel

Inspector General

DFC – Office of the Inspector General

FROM: Mildred Callear MILDRED CALLEAR Digitally signed by MILDRED CALLEAR Date: 2022.11.10 15:47:04 -05'00'

Vice President and Chief Financial Officer

SUBJECT: DFC's Management Comments to "DFC's Consolidated Financial Statements for Fiscal Year 2022 (Report Number DFC-23-002-C)"

DFC wishes to thank the Office of the Inspector General (OIG) for the deep level of collaboration and cooperation that was realized throughout this audit. As stewards of federal funds, DFC takes very seriously its responsibility to uphold high standards of internal control over financial reporting. We greatly appreciate the recognition from RMA Associates that DFC's financial statements fairly present the financial position of DFC for FY 2022. DFC also appreciates the acknowledgement that DFC has remedied the control issues surrounding the restatement of DFC's FY 2021 Statement of Budgetary Resources and that no further corrective actions are necessary.

1100 New York Avenue Northwest
Washington, DC 20527
Office +1 202.336.8400

dfc.gov

CONSOLIDATED BALANCE SHEETS

(dollars in thousands) **As of September 30,**	**2022**	**(Reclassified) 2021**
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 2,631,003	$ 2,208,571
Investments, Net (Note 3)	6,206,042	6,156,487
Accounts Receivable, Net (Note 4)	609	-
Total Intragovernmental	8,837,654	8,365,058
With the Public:		
Accounts Receivable, Net (Note 4)	121,155	107,932
Loans Receivable, Net (Note 5)	7,523,771	6,730,788
General Property, Plant and Equipment, Net (Note 6)	155	311
Investments, Net (Note 3)	174,937	95,318
Advances and Prepayments (Note 7)	1,247	3,794
Other Assets:		
Negative Loan Guaranty Liabilities (Note 5)	91,366	-
Total With the Public	7,912,631	6,938,143
Total Assets	**$ 16,750,285**	**$ 15,303,201**
Liabilities (Note 8)		
Intragovernmental:		
Debt (Note 9)	$ 8,964,971	$ 7,723,761
Advances from Others and Deferred Revenue (Note 10)	3,561	5,053
Other Liabilities:		
Liability to the General Fund of the US Government for Other Non-Entity Assets (Note 11)	392,542	415,130
Liability for Capital Transfers to the General Fund of the Treasury (Note 12)	-	656,763
Other Liabilities (Note 13)	431	1,025
Total Intragovernmental	9,361,505	8,801,732
With the Public:		
Accounts Payable (Note 14)	7,045	1
Federal Employee Benefits Payable (Note 15)	6,247	7,487
Loan Guaranty Liabilities (Note 5)	-	246,081
Insurance and Guaranty Program Liabilities (Note 16)	56,192	13,727
Advances from Others and Deferred Revenue (Note 10)	141,514	140,541
Other Liabilities (Note 13)	4,359	6,063
Total With the Public	215,357	413,900
Total Liabilities	**9,576,862**	**9,215,632**
Commitments and Contingencies (Note 1)		
Net Position		
Unexpended Appropriations – Funds Other than Dedicated Collections	400,785	171,177
Cumulative Results of Operations - Funds Other than Dedicated Collections	6,772,638	5,916,392
Total Net Position	**7,173,423**	**6,087,569**
Total Liabilities and Net Position	**$ 16,750,285**	**$ 15,303,201**

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

CONSOLIDATED STATEMENTS OF NET COST

(dollars in thousands) **For the Years Ended September 30,**	**2022**	**2021**
Insurance Program		
Gross Costs		
Operating Costs	$ 54,989	$ 8,862
Total Gross Costs	54,989	8,862
Less: Earned Revenue	(160,236)	(157,335)
Net Insurance Program Costs	(105,247)	(148,473)
Financing Program		
Gross Costs		
Operating Costs	320,233	264,347
Subsidy Costs/(Reduction) (Note 5)	(159,960)	(234,711)
Net Reestimates (Note 5)	221,211	166,838
Total Gross Costs	381,484	196,474
Less: Earned Revenue	(271,853)	(225,855)
Net Financing Program Costs	109,631	(29,381)
Equity Program		
Gross Costs		
Operating Costs	18,790	15,236
Total Gross Costs	18,790	15,236
Less: Unrealized Gains	(6,723)	-
Less: Earned Revenue	(10,112)	(1,642)
Net Equity Program Costs	1,955	13,594
Technical Assistance Program		
Gross Costs		
Operating Costs	10,136	2,594
Total Gross Costs	10,136	2,594
Net Technical Assistance Program Costs	10,136	2,594
Net Cost of Operations	**$ 16,475**	**$ (161,666)**

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

(dollars in thousands)

For the Years Ended September 30,	**2022**	**2021**
Unexpended Appropriations		
Beginning Balance	$ 171,177	$ 105,992
Appropriations Received	928,884	594,494
Appropriations Transferred-In	9,322	30,000
Appropriations Used	(708,598)	(559,309)
Net Change in Unexpended Appropriations	229,608	65,185
Total Unexpended Appropriations	**$ 400,785**	**$ 171,177**
Cumulative Results of Operations		
Beginning Balance	5,916,392	6,066,286
Adjustments:		
Changes in Accounting Principles (Note 12)	656,763	-
Beginning Balance as Adjusted	6,573,155	6,066,286
Other Adjustments	-	(116)
Appropriations Used	708,598	559,309
Transfers In/Out Without Reimbursement	-	14
Imputed Financing	3,520	3,069
Offset to Non-entity Collections	(496,160)	(873,836)
Net Cost of Operations	(16,475)	161,666
Net Change in Cumulative Results of Operations	199,483	(149,894)
Total Cumulative Results of Operations	**$ 6,772,638**	**$ 5,916,392**
Net Position	**$ 7,173,423**	**$ 6,087,569**

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

(dollars in thousands) **For the Year Ended September 30, 2022**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	$ 6,547,244	$ 816,078
Appropriations	928,884	-
Borrowing Authority	-	5,521,406
Spending Authority from Offsetting Collections	465,749	935,253
Total Budgetary Resources	$ 7,941,877	$ 7,272,737
Status of Budgetary Resources		
New obligations and upward adjustments	$ 1,472,116	$ 5,975,518
Unobligated Balance, end of year		
Apportioned, unexpired accounts	230,510	6,608
Unapportioned, unexpired accounts	6,207,094	1,290,611
Unexpired unobligated balance, end of year	6,437,604	1,297,219
Expired unobligated balance, end of year	32,157	-
Unobligated Balance, end of year (total)	6,469,761	1,297,219
Total Budgetary Resources	**$ 7,941,877**	**$ 7,272,737**
Outlays, Net and Disbursements, Net		
Outlays, net	$ 410,126	
Distributed Offsetting Receipts	(426,222)	
Agency Outlays, Net	**$ (16,096)**	
Disbursements, Net		**$ 1,195,213**

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

(dollars in thousands) **For the Year Ended September 30, 2021**		**(Restated) Budgetary**		**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority, Net	$	6,336,812	$	443,540
Appropriations		594,494		-
Borrowing Authority		-		4,409,313
Spending Authority from Offsetting Collections		555,705		726,817
Total Budgetary Resources	**$**	**7,487,011**	**$**	**5,579,670**
Status of Budgetary Resources				
New obligations and upward adjustments (total)	$	965,363	$	4,262,794
Unobligated Balance, end of year				
Apportioned, unexpired accounts		273,204		157,512
Unapportioned, unexpired accounts		6,214,921		1,159,364
Unexpired unobligated balance, end of year		6,488,125		1,316,876
Expired unobligated balance, end of year		33,523		-
Unobligated Balance, end of year (total)		6,521,648		1,316,876
Total Budgetary Resources	**$**	**7,487,011**	**$**	**5,579,670**
Outlays (Net) and Disbursements (Net)				
Outlays, net	$	24,442		
Distributed Offsetting Receipts		(322,808)		
Agency Outlays, Net	**$**	**(298,366)**		
Disbursements, Net			**$**	**2,633,100**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The U.S. International Development Finance Corporation (DFC) is a United States (U.S.) Government corporation created under the Better Utilization of Investments Leading to Development (BUILD) Act (Public Law 115-254, Division F) which combined the assets, liabilities, and functions of the Overseas Private investment Corporation (OPIC) and certain functions of the United States Agency for International Development (USAID). DFC facilitates U.S. private investment in developing countries and emerging market economies, primarily by providing direct loans, loan guaranties, equity investments, technical assistance, and political risk insurance.

B. BASIS OF PRESENTATION AND ACCOUNTING

BASIS OF PRESENTATION:

The accompanying principal financial statements account for all resources for which DFC is responsible and present the financial position, results of operations, changes in net position, and the combined budgetary resources of DFC, as required by the Government Corporation Control Act title 31 United States Code §9106. The principal financial statements are prepared from the books and records of DFC activities in accordance with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Financial Accounting Standards Advisory Board (FASAB). FASAB is the official body for setting accounting standards of the U.S. Government. The format of the financial statements and notes are presented in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* (A-136). Significant intra-agency transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Combined Statements of Budgetary Resources, which are presented on a combined basis in accordance with A-136. As such, intra-agency transactions have not been eliminated from the Combined Statements of Budgetary Resources.

BASIS OF ACCOUNTING:

DFC's transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recognized when incurred, regardless of when cash is exchanged. The accompanying Consolidated Balance Sheets, Consolidated Statements of Net Cost, and Consolidated Statements of Changes in Net Position are prepared on an accrual basis.

Budgetary accounting is based on concepts set forth by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, as amended, which provides instructions on budget execution. Budgetary accounting is designed to recognize the budgetary resources and the related status of those budgetary resources, including the obligation and outlay of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

COMBINED STATEMENTS OF BUDGETARY RESOURCES:

The Combined Statements of Budgetary Resources have been prepared in accordance with budgetary accounting concepts and definitions. The Combined Statements of Budgetary Resources present:

Budgetary Resources: Budgetary resources are amounts available to incur obligations in a fiscal year (FY). DFC's budgetary resources include unobligated balances of resources from prior years and new resources, consisting of appropriations, borrowing authority, and spending authority from offsetting collections. DFC's budgetary resources are from both mandatory and discretionary spending authority. Mandatory spending authority is controlled by laws other than appropriations acts, such as authority provided under the BUILD Act. Discretionary spending authority is budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts.

Status of Budgetary Resources: Displays the status of the funding for the fiscal year, including whether the sources have been obligated for use, or if they were not obligated. Unobligated sources are displayed as funds that are apportioned for use, unapportioned for use, or expired. Obligations are legally binding agreements that will result in outlays in the future. Unobligated amount means the cumulative amount of budget authority that remains available for obligation under law in unexpired accounts.

Outlays, Net: Outlays are payments to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending. Net outlays display budgetary outlays for DFC, reduced by actual offsetting collections, and distributed offsetting receipts. Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts, and are authorized to be spent for the purposes of the account without further action by Congress. DFC's offsetting collections include the receipt of interest, fees, and other revenue. Distributed offsetting receipts are collections credited to general fund receipt accounts that offset gross outlays. DFC's distributed offsetting receipts include negative subsidy and downward reestimates that are transferred from DFC to general fund receipt accounts of the Treasury.

Disbursements, Net: Non-budgetary disbursements are limited to the DFC's non-budgetary credit reform financing accounts that account for DFC's direct loans and loan guaranty programs under the Federal Credit Reform Act of 1990 (FCRA). Disbursements include payments for loans, and loan guaranty claim payments, reduced offsetting collections of loan principal, loan interest, fees and subsidy amounts received.

RECLASSIFICATION:

The FY 2021 Consolidated Balance Sheet was reclassified to conform to the FY 2021 financial statement presentation requirements in accordance with OMB Circular No. A-136, as amended. The reclassification included a change in the presentation of Intragovernmental Other Liabilities to include a separate category for Liability for Capital Transfers to the General Fund of the Treasury, which was previously included in the line Liability to the General Fund of the US Government for Other Non-Entity Assets. New disclosures have been added to these Consolidated Balance Sheet lines to provide additional clarity to the reader of this report. The reclassifications had no effect on total assets, total liabilities, or net position.

RESTATEMENT:

DFC restated the FY 2021 Statement of Budgetary Resources for a change in the amount reported on the line Distributed Offsetting Receipts. The amount has been corrected to agree to Treasury. See Note 19 for additional information.

INTRAGOVERNMENTAL AND WITH THE PUBLIC TRANSACTIONS:

Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, distinguishes between intragovernmental and with the public assets and liabilities. Intragovernmental assets and liabilities arise from transactions among Federal entities. Intragovernmental assets are claims other Federal entities owe to DFC. Intragovernmental liabilities are claims DFC owes to other Federal entities, whereas with the public assets and liabilities arise from transactions with public entities. The term public entities encompass domestic and foreign persons and organizations outside the U.S. Government. With the public assets are claims of DFC against public entities. With the public liabilities are amounts that DFC owes to public entities.

USE OF ESTIMATES:

DFC management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses and disclosures in the notes. Uncertainties associated with these estimates exist and actual results may differ from these estimates; however, DFC estimates are based on historical experience, current events and other assumptions that are believed to be reasonable under the facts and circumstances. Significant estimates underlying the accompanying financial statements as of the date of these financial statements include allowances for loans receivable and loan guaranty liabilities (see Note 5 for additional information), liability for losses on remaining coverage of insurance programs, and recoveries on insurance claims (see Note 16 for additional information).

PUBLIC PRIVATE PARTNERSHIPS:

SFFAS 49, *Public-Private Partnerships*, requires the disclosure of risk-sharing arrangements with expected lives greater than five years between public and private sector entities. The intent of SFFAS 49 is to capture and disclose off-balance sheet activity and potential risk-sharing arrangement or transactions the government is exposed to for these activities. Many of DFC's transactions share many of the characteristics of public-private partnerships as defined by SFFAS 49. All of DFC's services and products (insurance, credit, and equity investments) which are provided to the 'private sector' and expose DFC to risk-sharing transactional agreements are all captured on the Consolidated Balance Sheets, along with any estimated losses, and disclosed in the accompanying notes to the financial statements. See the principal financial statements and Note 1, Note 3, Note 5, and Note 16.

CHANGES IN ACCOUNTING PRINCIPLE:

In FY 2022, DFC changed its accounting method for loans and loan guaranties made prior to FY 1992, as allowed under GAAP and Treasury guidance. In FY 2021 and prior, DFC reported a Liability for Capital Transfers to the General Fund of the Treasury. Loan and loan guaranties made prior to FY 1992 are not covered under FCRA, and excess funding not obligated is required to be transferred to Treasury in the form of a capital transfer. The accounting guidance for the year end closing entries for liquidating funds is set by Treasury. Treasury allows agencies to close activity to cumulative results of operations, or to a liability account for capital transfers due to Treasury. Either method is allowable. In FY 2021, DFC recorded a liability for capital transfers due to Treasury, which represented a liability for future proceeds to be paid to Treasury. In FY 2022, DFC changed its accounting method to close its annual revenues, activities, and transfers to cumulative results of operations, which resulted in reducing DFC's liability to Treasury and increasing the cumulative results of operations. See Note 12 for additional information.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

FASAB has issued the following pronouncements that will affect future financial presentation, as well as DFC's financial management practices and operations upon implementation. DFC has not completed the process of evaluating the effects of adopting these accounting and is unable to determine the materiality of changes that adopting will have on its FY 2024 financial position, FY 2024 results of operations, and FY 2024 changes in net position. The accounting standards will not have any impact on the accounting for budgetary activity.

SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, revises the current Federal financial reporting standards for lease accounting and requires that Federal lessees recognize a lease liability and a leased asset at the commencement of the lease term, unless the lease agreement meets any of the scope exclusions or the definition/criteria of short term leases, or contracts or agreements that transfer ownership, or intragovernmental leases. SFFAS 54 has been modified by the following standards:

SFFAS 57, *Omnibus Amendments 2019*, amends certain references to leases affected by SFFAS 54, as well as other minor changes to improve the clarity of existing statements.

SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases, defers SFFAS 54, Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment:* SFFAS 58 defers SFFAS 54 until FY 2024. Earlier implementation is not permitted.

SFFAS 60, *Omnibus Amendments 2021: Leases-Related Topics;* SFFAS 60 provides clarifications and improves consistency throughout SFFAS 54, SFFAS 57, SFFAS 5, and SFFAS 6. SFFAS 60 also amends and rescinds certain requirements in SFFAS 54 that were determined to be less likely to yield meaningful information.

C. FUND BALANCE WITH TREASURY

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in DFC's accounts with the U.S. Department of Treasury (Treasury). Treasury processes cash receipts and disbursements on DFC's behalf to pay liabilities and finance authorized purchases. DFC's accounting records are reconciled with Treasury's records on a regular basis. DFC's FBWT includes all its general, revolving, and deposit funds. The general fund is used for subsidy and reestimates, revolving funds are used for operating expenses and DFC's finance and insurance programs, and deposit funds are for taxes withheld on payments to contractors.

D. INVESTMENTS, NET

DFC has authority to make investments in Treasury securities and equity investments with the public in specific projects and emerging market investment funds. Investments in Treasury securities are carried at face value, net of unamortized discount or premium, and are held to maturity. Since fair value is not defined in Federal accounting standards, DFC follows the accounting and reporting in Financial Accounting Standards Codification (ASC) 321 *Investments – Equity Securities* to report fair value of equity investments with the public. Fair value is determined under ASC 820, which establishes a three-level valuation hierarchy based upon observable and non-observable inputs.

- Level 1 reflects the unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.
- Level 2 reflects inputs other than quoted prices in Level 1 that are directly or indirectly observable for the asset.
- Level 3 reflects unobservable inputs for the asset.

DFC's equity investments with the public are often geographically concentrated in regions such as African, Asian, or Indian subcontinental regions. These foreign investments serve to develop and support the underfunded sectors of the region's marketplace and are often in markets that do not have an established marketplace with the breadth and scope comparable to one of the US markets. Because the investments are made in regions with less developed markets, there are no observable inputs to value the investments. Therefore, DFC is valuing the investments using unobservable inputs. As a practical expedient, ASC 820 allows DFC to value investments at net asset value when a readily determined fair value is not available, and the investment is providing a net asset value that is measured under appropriate standards. Net asset value is the amount of net assets in the investment attributable to each share of capital stock outstanding at the close of a period. Net asset value excludes the effects of assuming conversion of outstanding convertible securities, whether their conversion would have a diluting effect. When neither a fair value nor a net asset value is available, ASC 321 allows DFC to report equity investments at cost minus any impairment. DFC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

E. DIRECT LOANS AND LOAN GUARANTIES

FCRA governs direct loans made after FY 1991. FCRA loans are valued at the present value of expected future cash flows, discounted at the interest rate of Treasury Marketable Securities. The subsidy allowance represents the difference between the outstanding loans receivable balance and the net present value of the estimated cash flows of the loans over their remaining term. The subsidy allowance is subtracted from the outstanding loans receivable balance to obtain the net loans receivable balance. DFC issues direct loans in U.S. dollars as well as in foreign currencies. FCRA also governs loan guaranties made after FY 1991. The liability is determined by calculating the net present value of expected future cash flows for outstanding guaranties in a manner like that used to determine the subsidy allowance for direct loans. Loan guaranty liability can be positive or negative, and if negative, is reported as an asset on the Balance Sheet. Guarantied loans acquired by DFC upon borrower default are established as loans receivable and are valued in a similar manner as direct loans under FCRA.

DFC's loans and loan guaranties made prior to FY 1992 are reported under the allowance-for-loss method. Under the allowance-for-loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts and the liability for loan guarantees is the amount the entity estimates will more likely than not require a future cash outflow to pay default claims.

DIRECT LOANS WITH FOREIGN GOVERNMENTS

DFC holds direct loans where the other party is a sovereign nation that were initially provided by USAID prior to 2015 and were transferred to DFC at its inception under the provisions of the BUILD Act.

BUDGETARY ACCOUNTING FOR LOAN PROGRAMS

DFC's loan disbursements under FCRA are financed by appropriation authority for long-term loan subsidy cost and borrowings from Treasury for the remaining non-subsidized portion of the loans. Congress may authorize one-year, multi-year, or no year appropriation authority to cover the estimated long-term costs of the loan programs. The non-subsidized portion of each loan disbursement, financed initially under permanent indefinite authority to borrow funds from Treasury, is repaid from collections of loan fees, loan repayments, and default recoveries. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to DFC. As required by the FCRA, DFC uses budgetary "program accounts" to account for appropriation authority in its credit programs and non-budgetary "financing accounts" to account for credit program cash flow. Estimates and reestimates of credit program subsidy expenses are recorded in DFC's program accounts.

NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS

Actual cash flows for direct loan and loan guaranty programs under FCRA are recorded in separate Credit Reform Financing Accounts within Treasury. These accounts borrow funds from Treasury; make direct loan disbursements; pay claims on guarantied loans; collect principal, interest, and fees from borrowers; earn interest from Treasury on any un-invested funds; pay interest expense on outstanding borrowings; and transfer negative subsidy to Treasury's general fund receipt account. New subsidy funded from DFC's non-credit spending authority and appropriated upward subsidy reestimates are received in program accounts and transferred to non-budgetary credit reform financing accounts. The budgetary resources and activities for these accounts are presented separately in the Combined Statements of Budgetary Resources and the Budget of the United States and are excluded from the determination of the budget deficit or surplus.

SUBSIDY FUNDING UNDER FCRA

FCRA requires that the credit subsidy costs of direct loans and loan guaranties be expensed in the year loans are disbursed. The cost expressed as a percentage of loans disbursed is termed the subsidy rate. DFC receives an annual appropriation from Congress and transfers from USAID to fund its credit program subsidy. DFC records subsidy expenses when loans are disbursed. Subsidy for loans disbursed in foreign currencies is calculated in U.S. dollars and DFC does not change the subsidy amount for foreign currency fluctuations during the year. In accordance with FCRA, subsidy costs are reestimated annually.

INTEREST RECEIVABLE

Interest receivable is comprised of accrued interest on loans receivable (direct loans and defaulted loan guaranties). Initial unpaid interest on defaulted loan guaranties that DFC acquires with the loan is treated as part of the principal of the loan receivable. Interest income is accrued at the contractual rate on the outstanding principal. Purchased interest is carried at cost. DFC accrues interest on non-performing loans unless the loans are in litigation or in the process of being modified. DFC adjusts the allowances for interest receivable based on loan performance to reduce the net interest receivable.

F. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

DFC's property, plant and equipment consists of general-purpose equipment used by the agency. DFC capitalizes property, plant, and equipment at historical cost for acquisitions that have an estimated useful life of two years or more. DFC has a capitalization threshold of $50,000 for equipment, furniture, vehicles, and leasehold improvements, and $250,000 for internal use software. DFC expenses property, plant and equipment acquisitions that do not meet the capitalization criteria when purchased, as well as normal repairs and maintenance. Depreciation and amortization of property, plant and equipment are computed using the straight-line method over the estimated useful life of the asset with periods ranging from 5 to 10 years.

LEASES:

DFC follows SFFAS 5 *Accounting for Liabilities of The Federal Government* to determine whether leases meet the definition of a capital lease. Capital leases are recorded on the Consolidated Balance Sheets as assets under capital lease as part of General Property, Plant and Equipment. DFC's capitalization threshold for capital leases is $50,000. The cost of property, plant and equipment acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. Payments for capital leases are recorded against the liability for capital lease, with an interest component expensed. Depreciation and amortization of capital leases are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

G. LIABILITIES

Liabilities represent probable and measurable future outflows of resources because of past transactions or events and are recognized when incurred, regardless of whether there are budgetary resources available to pay the liabilities. However, liabilities cannot be liquidated without legislation providing resources and legal authority.

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES:

Liabilities covered by budgetary resources include liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections, and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities covered by budgetary resources also includes liabilities that are to be funded by permanent indefinite appropriations and may be apportioned by OMB without further action by the Congress and without a contingency having to be met first, such as DFC's downward reestimates payable to Treasury.

Liabilities not covered by budgetary resources are liabilities that will require budgetary resources to liquidate the liabilities.

LIABILITIES NOT REQUIRING BUDGETARY RESOURCES:

Liabilities not requiring budgetary resources are liabilities that will not require the use of budgetary resources, such as unearned revenue which is reduced as the revenue is earned.

CURRENT AND NON-CURRENT LIABILITIES:

DFC discloses its other liabilities between current and noncurrent liabilities in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*. The current liabilities represent liabilities that DFC expects to settle within the twelve months of the Consolidated Balance Sheet dates. Noncurrent liabilities represent liabilities that DFC does not expect to be settled within twelve months of the Consolidated Balance Sheet dates (see Note 13, Other Liabilities).

H. ACCOUNTS PAYABLE

Accounts Payable includes amounts owed but not yet paid to intragovernmental and with the public entities for goods and services received by DFC. DFC estimates and records accruals when services and goods are performed or received.

I. FEDERAL EMPLOYEE BENEFITS PAYABLE

LEAVE

Employee annual leave is accrued when earned and reduced as leave is taken. Each year the balance of accrued annual leave is adjusted to reflect current pay rates as well as forfeited “use or lose” leave. Amounts are reported as unfunded to the extent current or prior year appropriations are not available to fund annual leave earned but not taken. Funded and unfunded sick leave and other types of non-vested leave are expensed as taken.

EMPLOYEE HEALTH AND LIFE INSURANCE BENEFITS

DFC employees may choose to participate in the contributory Federal Employees Health Benefit and the Federal Employees Group Life Insurance programs. DFC matches a portion of the employee contributions to each program. Such matching contributions are recognized as current operating expenses.

EMPLOYEE PENSION BENEFITS

DFC employees participate in either the Civil Service Retirement System or the Federal Employees Retirement System (FERS) and Social Security. These systems provide benefits upon retirement and in the event of death, disability, or other termination of employment, and may also provide pre-retirement benefits. They may also include benefits to survivors and their dependents, and they may contain early retirement or other special features. DFC's contributions to both retirement plans, as well as to the government-wide Federal Insurance Contribution Act, administered by the Social Security Administration, are recognized as current operating expenses. Federal employee benefits also include the Thrift Savings Plan. For FERS employees, DFC matches employee contributions to the plan, subject to limitations. The matching contributions are recognized as current operating expenses.

FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor (DOL). DOL pays valid claims as they occur, which are billed to DFC annually and funded and paid approximately 15 months later. DOL also calculates an estimated actuarial liability for future benefits based upon historical experience and other economic variables.

J. INSURANCE AND GUARANTY PROGRAM LIABILITIES

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 51, *Insurance Programs*, the Insurance and Guaranty Program liability represents the liability for unearned premiums and fees, claims incurred but not reported, claims submitted but not yet paid, and estimated losses on remaining coverage. The losses on remaining coverage includes the estimated amounts to be paid to settle claims, including claim adjustment expenses for the remaining open arrangement period, net of unearned premiums as of the end of the fiscal year, and net of future premiums due after the end of the fiscal year that relate to the remaining open arrangement period.

K. COMMITMENTS AND CONTINGENCIES

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5*, *Accounting for Liabilities of the Federal Government* recognizes contingent liabilities in DFC's Consolidated Balance Sheets and Consolidated Statements of Net Cost when the loss is determined to be probable and reasonably estimable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the U.S. Treasury. DFC evaluates all contingent liabilities based on three criteria: probable, reasonably possible, and remote. DFC recognizes that the estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recorded. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is recorded and the range and a description of the nature of the contingency are disclosed. DFC records an accrual for contingent liabilities if the liability is probable and reasonably estimable and discloses those contingencies that are reasonably possible. DFC does not disclose or record contingent liabilities when the loss is considered remote. For matters where DFC's Counsel is unable to express an opinion regarding the likely outcome of the case and an estimate of the potential liability cannot be made, the total amount claimed against the government is classified as "Reasonably Possible" and disclosed if available. DFC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. There are substantial factual and legal issues that might bar any recovery in these matters. It is not possible to evaluate the likelihood of any unfavorable outcome, nor is it possible to estimate the amount of compensation, if any, that may be determined to be owed in the context of a settlement. Management believes that the resolution of these claims will not have a material adverse impact on DFC.

L. NET POSITION

Net position is the residual difference between assets and liabilities and consists of Unexpended Appropriations and Cumulative Results of Operations.

UNEXPENDED APPROPRIATIONS

Unexpended appropriations include the portion of the DFC's appropriations represented by undelivered orders and unobligated balances. Delivered orders result in expended appropriations and reduce the total reported as Unexpended Appropriations. Undelivered orders are the value of orders of goods or services which have not been actually or constructively received. DFC receives annual appropriations that are reduced and repaid to Treasury during the fiscal year from DFC's offsetting collections from programs other than the Insurance program, as well as negative subsidy. DFC also receives appropriations for subsidy to fund its direct loan and loan guaranty programs, as well as appropriations transferred in from other agencies for specific programs. DFC does not have funds from dedicated collections.

CUMULATIVE RESULTS OF OPERATIONS

Cumulative results of operations consist of the net difference since inception between expenses and losses; revenue and gains; and other financing sources. DFC does not have funds from dedicated collections.

M. REVENUE AND OTHER FINANCING SOURCES AND USES

EXCHANGE AND NON-EXCHANGE REVENUE

DFC classifies revenue as either exchange revenue or nonexchange revenue. Exchange revenue arises when DFC provides goods or services to intragovernmental or with the public entities in exchange for inflows of resources. Exchange revenue is presented in the Consolidated Statements of Net Cost and serves to offset the costs of these goods and services. DFC activities recognize exchange revenue primarily from fees earned from its direct loan and loan guaranty programs, insurance premiums, earnings from investments and from the reimbursements for goods and services provided other Federal Agencies. Nonexchange revenues are inflows of resources that the Government demands or receives by donation. Nonexchange revenue is considered to reduce the cost of operations and is reported in the Consolidated Statements of Changes in Net Position as a financing source. DFC's does not have any non-exchange revenue.

OTHER FINANCING SOURCES AND USES

Other financing sources, include additional inflows of resources that increase the results of operations during the reporting period. DFC's other financing sources come from unexpended appropriation transfers-in and non-expenditure transfers-in and are recognized as financing sources when used. Other financing sources also include: (1) transfers-in/out without reimbursement; and (2) imputed financing with respect to costs subsidized by another Federal entity. Transfers-In/Out Without Reimbursement include capital transfers of excess funding for direct loan and loan programs made prior to FY 1992, as well as negative subsidy and downward reestimates of direct loans and loan guaranties that are transferred to general fund receipt accounts of Treasury.

IMPUTED FINANCING AND IMPUTED COSTS

DFC recognizes the full cost of providing all employee benefits and future retirement benefits, including life and health insurance, at the time employee services are rendered. Eligible retired DFC employees, and retired OPIC employees, can continue to participate in health and life insurance plans. The cost of these benefits is funded through DFC contributions, employee compensation to the extent withheld from employee and retiree pay, from matching of employee withholding for Thrift Savings Plan and Federal Insurance Contributions Act, and by the Office of Personnel Management (OPM) which administers the retirement programs for DFC employees. OPM calculates imputed costs as the actuarial present value of future benefits attributed to services rendered by covered employees and eligible retired DFC employees during the accounting period, net of the amounts contributed by employees, retirees, and DFC. DFC recognizes these imputed costs in the Statements of Net Cost and imputed financing in the Statements of Changes in Net Position.

N. EXPENSES

Expenses are recognized when there are outflows, usage of assets, or incurrences of liabilities (or a combination) from carrying out functions related to DFC's activity and related programs, for which benefits do not extend beyond the present operating period. For financial reporting purposes, operating expenses are recognized in the period incurred.

O. CLASSIFIED ACTIVITIES

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2: FUND BALANCE WITH TREASURY

(dollars in thousands) **As of September 30**	**2022**	**2021**
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 1,554,950	$ 560,084
Unavailable	32,157	33,523
Obligated Balance not yet Disbursed	1,043,896	1,614,964
Total Fund Balance With Treasury	**$ 2,631,003**	**$ 2,208,571**

As of September 30, 2022 and 2021, there were no unreconciled differences between Treasury records and balances reported on DFC's general ledger. DFC'S FBWT is classified as unobligated balance available, unobligated balance unavailable, and obligated balance not yet disbursed. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated unavailable balances represent amounts that are in expired appropriations and not available for incurring new obligations. Obligated balances not yet disbursed include undelivered orders or delivered orders received but not yet paid. Obligated balances for loans and loan guaranties are supported by borrowing authority, and DFC borrows funds from the Treasury prior to making the disbursements. DFC does not have any non-budgetary FBWT balances.

NOTE 3: INVESTMENTS, NET

DFC's investments, net are comprised of Treasury non-marketable, market-based securities, consisting of:

(dollars in thousands) **As of September 30, 2022**	**Acquisition value**	**Amortized (Premium)/ Discount**	**Interest Receivable**	**Net Investments**	**Unrealized Gain/(Loss)**	**Market Value**
Treasury Non-Marketable, Market-based Securities						
Notes	$ 5,838,033	$ 9,649	$ 26,539	$ 5,874,221	$ (461,854)	$ 5,412,367
Bonds	329,984	356	1,481	331,821	(29,993)	301,828
Total Intragovernmental Investments, net	**$ 6,168,017**	**$ 10,005**	**$ 28,020**	**$ 6,206,042**	**$ (491,847)**	**$ 5,714,195**

(dollars in thousands) **As of September 30, 2021**	**Acquisition value**	**Amortized (Premium)/ Discount**	**Interest Receivable**	**Net Investments**	**Unrealized Gain/(Loss)**	**Market Value**
Treasury Non-Marketable, Market-based Securities						
Notes	$ 5,912,806	$ (132)	$ 26,883	$ 5,939,557	$ 163,955	$ 6,103,512
Bonds	215,617	(374)	1,687	216,930	31,464	248,394
Total Intragovernmental Investments, net	**$ 6,128,423**	**$ (506)**	**$ 28,570**	**$ 6,156,487**	**$ 195,419**	**$ 6,351,906**

DFC's securities and investments, net with the public consists of:

(dollars in thousands) **As of September 30**	**2022 Other**	**2021 Other**
Equity Securities Valued at Net Asset Value	$ 128,934	$ -
Equity Securities Valued at Cost less Impairment	46,003	95,318
Total Securities and Investments, Net	**$ 174,937**	**$ 95,318**

By statute, DFC is authorized to invest its corporate reserve funds in Treasury non-marketable, market-based securities. Corporate reserve funds are derived from fees and other revenues related to its insurance program and funds transferred into DFC from OPIC in FY 2020. Treasury market-based securities are carried at face value, net of unamortized discount or premium, and are held to maturity. Premiums or discounts are amortized using the effective yield method. Interest income is compounded semi-annually by Treasury and adjusted to include an accrual for interest earned to September 30. DFC has the ability and intent to hold its intragovernmental investments until maturity or until the carrying cost can be otherwise recovered.

DFC's equity investments with the public consisted of investments in:

- Limited partnerships in private equity funds which are managed by a General Partner. As a limited partner, DFC has a limited liability to the extent of the investment, no managerial authority, and invests into the fund to achieve returns from the fund's portfolio of investments; and
- Direct investments into private companies that are not listed on a public exchange. Direct investments are generally illiquid and treated as long-term investments.

DFC began making equity investments with the public in FY 2021. DFC is statutorily limited in making investments that are currently traded in active markets. DFC is required to seek to exit investment positions as soon as such exit is commercially feasible, and DFC limits its active market participation to avoid any actual or perceived market distortion.

The investments where no net asset value is available are valued at cost minus any impairment. As of September 30, 2022 and 2021, the investments with the public had no impairment.

DFC's investment with the public activity is as follows:

(dollars in thousands)	**2022**	**2021**
Other Securities and Investments		
Beginning Balance as of October 1	$ 95,318	$ -
Valuation Adjustments	6,723	-
Return of Investments	(5,276)	
Acquisitions of investments	78,172	95,318
Ending Balance as of September 30	**$ 174,937**	**$ 95,318**

DFC also has hybrid investments that are constructed as loans that may convert to equity investments. These hybrid investments are accounted for under FCRA and are therefore not reported in the above schedules of investments.

NOTE 4: ACCOUNTS RECEIVABLE, NET

(dollars in thousands) **As of September 30**	**2022**	**(Reclassified) 2021**
Intragovernmental Accounts Receivable		
Subsidy receivable from Treasury	$ 609	$ -
Total Intragovernmental Accounts Receivable, Net	609	-
With the Public Accounts Receivable		
Fees Receivable	111,400	98,637
Insurance Premiums Receivable	1,866	1,719
Insurance Settlements Receivable	21,071	20,804
Other Receivables	128	128
Allowance for Uncollectible Amounts	(13,310)	(13,356)
Total With the Public Accounts Receivable, Net	121,155	107,932
Total Accounts Receivable, Net	**$ 121,764**	**$ 107,932**

Intragovernmental accounts receivable consist of amounts due from Treasury for subsidy on a modified direct loan receivable in the Legacy loan program for a loan made prior to FY 1992. The amount is expected to be collected in full in FY 2023. With the public accounts receivable are primarily amounts due to DFC for fees for insurance policies, fees from loan and loan guaranty agreements, premiums from insurance policies, and assets acquired in insurance claims settlements. With the public accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. Allowances are based on management's periodic evaluations of the underlying assets. Direct loan and loan guaranty fees receivable allowances are based on the same percentage of the allowances for the underlying direct loan or loan guaranty. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, and prior loss experience.

NOTE 5: LOANS RECEIVABLE, NET AND LOAN GUARANTY LIABILITIES

A. DIRECT LOAN AND LOAN GUARANTY PROGRAMS

DFC administers the following direct loan and loan guaranty programs:

Name of Program	Description
Direct Loan Program	Direct loans by DFC, and loans transferred from OPIC and USAID's Development Credit Authority (DCA) to DFC. Direct loans are disbursements to a borrower under a contract that requires repayment to DFC with interest. DFC's direct loans invest across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. All of the loans included in this program were made after FY 1991 and are accounted for under FCRA.
Loan Guaranties	Loan Guaranties by DFC, and agreements transferred from OPIC and DCA to DFC. Loan guaranties are agreements where DFC provides guaranties with respect to the payment of all or a part of the principal or interest on a debt obligation of a borrower to a lender. DFC's loan guaranties support investments across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides loan guaranties for small businesses and women entrepreneurs in order to create jobs in emerging markets. All of the loan guaranties included in this program were made after FY 1991 and are accounted for under FCRA.

Name of Program	Description
Legacy Loans	DFC administers loans that were previously initiated by USAID under the Debt Reduction Loan program, initiated after FY 1991 which are accounted for under FCRA. This program also includes loans under the Economic Assistance Loan program, which were initiated prior to FY 1992 which are not accounted for under FCRA.
Legacy Loan Guaranties	DFC administers loan guaranties that were previously administered by USAID under the Microenterprise and Small Enterprise Development Guarantied Loan program; the Urban and Environmental Credit Guarantied Loan programs, and the Housing and Other Credit Guaranty programs. These programs include loans that were initiated before FY 1992 and after FY 1991. The loans made before FY 1992 are not accounting for under FCRA. The loans made after FY 1991 are accounted for under FCRA.

VALUATION METHODOLOGY FOR DIRECT LOANS AND LOAN GUARANTIES

The valuation methodology of direct loans and loan guaranties made after FY 1991 is based on the net present value of their expected future cash flows. DFC estimates future cash flows for direct loans and loan guaranties using economic and financial credit subsidy models. DFC's models vary in the specific methodologies employed to forecast future program cash flows. In general, however, models for all major credit programs use historical data as the basis for assumptions about future program performance and then translate these assumptions into nominal cash flow estimates by applying rules about program structure. Nominal cash flow forecasts are discounted using OMB's Credit Subsidy Calculator that has both forecasted and actual Treasury interest rates. Loans have been made in both U.S. dollars and foreign currencies and the DFC's subsidy models incorporate the exchange risk. Loans extended in foreign currencies that were originated by USAID and transferred into DFC were made with or without "Maintenance of Value" (MOV). Foreign currency exchange gain or loss is recognized upon receipt of loan repayments on loans extended without MOV and reflected in the net credit programs receivable balance. The net loans receivable or the value of assets related to direct loans is not the same as expected proceeds from selling the loans.

Historical data is used as the basis for program performance assumptions. The historical data undergoes quality review and analysis prior to its use in developing model assumptions. Key input to the subsidy models varies by program and includes items such as:

- Contractual terms of the loan or guaranty such as loan amount, interest rate, maturity, and grace period
- Borrower characteristics
- Estimated changes in foreign currency valuations
- Loan performance assumptions, such as default and recovery rates
- Loan fee rates

DFC's rating methodology for its FCRA reestimates is based on industry best practices and the expert judgment of a core panel of officers from origination, monitoring, credit policy and risk management who worked in conjunction with Moody's Analytics. The methodology rates the portfolio risk with a consistent and standardized approach.

DFC's total net subsidy reestimates for direct loan and loan guaranties for FY 22 is $221 million. Some of the key drivers of the increase include global economic unsteadiness resulting from COVID, the war in Ukraine, and the resurgence in the value of the US dollar. These factors as well as individual project drivers resulted in several risk rating downgrades and downgrades in estimated recovery ratings, which increase the reestimates. DFC has several loans denominated in foreign currencies. The increase in value of the US dollar resulted in projected losses in value of the foreign currencies against the dollar, which increased the upward reestimates. Additionally, two direct loans experienced significant full prepayments in FY2022, leading to a loss of future fees and interest spread, resulting in a higher net upward reestimates. The increases in interest rates, with projects disbursing into higher interest rates than those assumed at the time of obligation, resulted in downward reestimates that help offset the upward reestimates.

B. DIRECT LOANS, NET

(dollars in thousands) **As of September 30, 2022**	**Loans Receivable, Gross**	**Fees & Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Loans Obligated Prior to FY 1992					
Legacy Loans	$ 353,569	$ 421,356	$ (510,361)	$ -	$ 264,564
Loans Obligated After FY 1991					
Direct Loans	7,199,422	96,671	-	(129,364)	7,166,729
Legacy Loans	650,895	29,145	-	(907,279)	(227,239)
Total Direct Loans Receivable	8,203,886	547,172	(510,361)	(1,036,643)	7,204,054
Defaulted Loan Guaranties Receivable (Table F)	1,265,125	112,991	(56,658)	(1,001,741)	319,717
Total Loans Receivable, Net	**$ 9,469,011**	**$ 660,163**	**$ (567,019)**	**$ (2,038,384)**	**$ 7,523,771**

(dollars in thousands) **As of September 30, 2021**	**Loans Receivable, Gross**	**Fees & Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Loans Obligated Prior to FY 1992					
Legacy Loans	$ 394,226	$ 403,303	$ (535,868)	-	$ 261,661
Loans Obligated After FY 1991					
Direct Loans	6,197,890	83,511	-	(83,567)	6,197,834
Legacy Loans	655,894	38,540	-	(865,467)	(171,033)
Total Direct Loans Receivable	7,248,010	525,354	(535,868)	(949,034)	6,288,462
Defaulted Loan Guaranties Receivable (Table F)	739,233	97,147	$ (40,581)	$ (353,473)	$ 442,326
Total Loans Receivable, Net	**$ 7,987,243**	**$ 622,501**	**$ (576,449)**	**$ (1,302,507)**	**$ 6,730,788**

C. TOTAL AMOUNT OF DIRECT LOANS DISBURSED

(dollars in thousands) **As of September 30**	**2022**	**2021**
Direct Loan Disbursements	$ 1,953,927	$ 3,140,075

D. SUBSIDY EXPENSE AND REESTIMATES FOR DIRECT LOAN PROGRAMS BY COMPONENT

(dollars in thousands) **As of September 30**	**2022**	**2021**
Subsidy Expense for New Direct Loans Disbursed		
Interest Differential	$ (7,852)	$ (4,744)
Defaults	156,636	96,633
Fees and Other Collections	(275,013)	(212,563)
Other	13,639	(36,484)
Total Subsidy Expense for New Direct Loans Disbursed	(112,590)	(157,158)
Modifications and Reestimates		
Total modifications	637	(967)
Net Interest Rate Reestimates	23,582	(45,493)
Net Technical Reestimates	49,304	79,423
Total Net Reestimates	72,886	33,930
Total Direct Loan Subsidy Expense	**$ (39,067)**	**$ (124,195)**

E. SCHEDULE FOR RECONCILING DIRECT LOAN SUBSIDY COST ALLOWANCE

(dollars in thousands) **As of September 30**	**2022**	**2021**
Beginning balance of the subsidy cost allowance	$ (949,034)	$ (1,076,525)
Add: subsidy expense for direct loans disbursed during the year	112,590	157,158
Adjustments:		
Loan modifications	(637)	967
Fees accrued	(5,090)	(2,829)
Loans written off	66,195	109,099
Subsidy allowance amortization	(187,759)	(102,964)
Other	(22)	(10)
Total adjustments	(127,313)	4,263
Ending balance of the subsidy cost allowance before reestimates	(963,757)	(915,104)
Add or subtract subsidy net reestimates	(72,886)	(33,930)
Ending balance of the subsidy cost allowance	**$ (1,036,643)**	**$ (949,034)**

F. DEFAULTED LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2022**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Defaulted Loan Guaranties Receivable, Net**
Loans Obligated Prior to FY 1992					
Legacy Loan Guaranties	$ 90,490	$ 13,344	$ (56,658)	$ -	$ 47,176
Loans Obligated After FY 1991					
Loan Guaranties	1,089,137	34,080	-	(994,690)	128,527
Legacy Loan Guaranties	85,498	65,567	-	(7,051)	144,014
Total	**$ 1,265,125**	**$ 112,991**	**$ (56,658)**	**$ (1,001,741)**	**$ 319,717**

(dollars in thousands) **As of September 30, 2021**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Defaulted Loan Guaranties Receivable, Net**
Loans Obligated Prior to FY 1992					
Legacy Loan Guaranties	$ 82,624	$ 13,865	$ (40,581)	$ -	$ 55,908
Loans Obligated After FY 1991					
Loan Guaranties	578,162	26,510	-	(353,473)	251,199
Legacy Loan Guaranties	78,447	56,772	-	-	135,219
Total	**$ 739,233**	**$ 97,147**	**$ (40,581)**	**$ (353,473)**	**$ 442,326**

G. GUARANTIED LOANS OUTSTANDING

GUARANTIED LOANS OUTSTANDING

(dollars in thousands) **As of September 30, 2022**	**Outstanding Principal of Guarantied Loans, Face Value**	**Amount of Outstanding Principal Guarantied**
Loan Guaranties	$ 9,768,556	$ 9,454,989
Legacy Loan Guaranties	102,933	102,933
Total	**$ 9,871,489**	**$ 9,557,922**

(dollars in thousands) **As of September 30, 2021**	**Outstanding Principal of Guarantied Loans, Face Value**	**Amount of Outstanding Principal Guarantied**
Loan Guaranties	$ 10,397,305	$ 10,064,675
Legacy Loan Guaranties	134,600	134,600
Total	**$ 10,531,905**	**$ 10,199,275**

NEW LOAN GUARANTIES DISBURSED

(dollars in thousands) **As of September 30, 2022**	**Principal of Guarantied Loans, Face Value**	**Amount of Principal Guarantied**
Loan Guaranties	$ 1,561,172	$ 1,401,109
Total	**$ 1,561,172**	**$ 1,401,109**

(dollars in thousands) **As of September 30, 2021**	**Principal of Guarantied Loans, Face Value**	**Amount of Principal Guarantied**
Loan Guaranties	$ 1,353,910	$ 1,082,922
Total	**$ 1,353,910**	**$ 1,082,922**

H. LIABILITY FOR LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2022**	**Liabilities for Losses on Pre-1992 Guaranties, Present Value**	**Liabilities for Post-1991 Guaranties, Present Value**	**Loan Guaranties Liabilities for Loan Guaranties**
Loans Obligated Prior to FY 1992			
Legacy Loan Guaranties	$ -	$ -	$ -
Loans Obligated After FY 1991			
Loan Guaranties	-	(275,134)	(275,134)
Legacy Loan Guaranties	-	183,768	183,768
Total Liability for Loan Guaranties	**$ -**	**$ (91,366)**	**$ (91,366)**

(dollars in thousands) **As of September 30, 2021**	**Liabilities for Losses on Pre-1992 Guaranties, Present Value**	**Liabilities for Post-1991 Guaranties, Present Value**	**Loan Guaranties Liabilities for Loan Guaranties**
Loans Obligated Prior to FY 1992			
Legacy Loan Guaranties	$ (4,681)	$ -	$ (4,681)
Loans Obligated After FY 1991			
Loan Guaranties	-	84,028	84,028
Legacy Loan Guaranties	-	166,734	166,734
Total Liability for Loan Guaranties	**$ (4,681)**	**$ 250,762**	**$ 246,081**

I. SUBSIDY EXPENSE FOR LOAN GUARANTIES BY PROGRAM AND COMPONENT

(dollars in thousands) **As of September 30, 2022**	**Loan Guaranties**	**Legacy Loan Guaranties**	**Total**
Subsidy Expense for New Loan Guaranties Disbursed			
Defaults	$ 48,017	$ -	$ 48,017
Fees and Other Collections	(99,704)	-	(99,704)
Other	6,505	-	6,505
Total Subsidy Expense for New Loan Guaranties Disbursed	(45,182)	-	(45,182)
Modifications and Reestimates			
Total modifications	(2,824)	-	(2,824)
Net Interest Rate Reestimates	23,118	10,881	33,999
Net Technical Reestimates	112,082	2,244	114,326
Total Net Reestimates	135,200	13,125	148,325
Total Loan Guaranty Subsidy Expense	**$ 87,194**	**$ 13,125**	**$ 100,319**

(dollars in thousands) **As of September 30, 2021**	**Loan Guaranties**	**Legacy Loan Guaranties**	**Total**
Subsidy Expense for New Loan Guaranties Disbursed			
Defaults	$ 68,833	$ -	$ 68,833
Fees and Other Collections	(193,895)	-	(193,895)
Other	47,577	-	47,577
Total Subsidy Expense for New Loan Guaranties Disbursed	(77,485)	-	(77,485)
Modifications and Reestimates			
Total modifications	899	-	899
Interest Rate Reestimates	19,836	34,012	53,848
Technical Reestimates	115,256	(36,196)	79,060
Total Net Reestimates	135,092	(2,184)	132,908
Total Loan Guaranty Subsidy Expense	**$ 58,506**	**$ (2,184)**	**$ 56,322**

J. SCHEDULE FOR RECONCILING THE LOAN GUARANTY LIABILITY

(dollars in thousands) **As of September 30**	**2022**	**2021**
Beginning balance of the loan guaranty liabilities	$ 250,762	$ 14,976
Less: claims paid to lenders	(721,173)	(265,904)
Add: fees accrued	249,006	281,183
Add: loans acquired	-	159,121
Add: subsidy expense for guarantied loans disbursed during the year	22,387	25,900
Less: negative subsidy payments	(67,569)	(103,385)
Add: upward reestimates	344,533	371,740
Less: downward reestimates	(196,209)	(238,832)
Subsidy allowance amortized	29,745	5,064
Loan guaranty modifications	(2,824)	899
Other	(24)	-
Ending balance of the loan guaranty liability	**$ (91,366)**	**$ 250,762**

K. SUBSIDY RATES BY PROGRAM AND COMPONENT

As of September 30, 2022	**Defaults, net of recoveries**	**Interest**	**Fees**	**Other**	**Total**
Direct Loans					
Direct Loans	10.17%	-	(18.23)%	-	(8.06)%
Direct Loan Investment Funds	19.02%	(6.11)%	(16.16)%	-	(3.25)%
Direct Loans in Foreign Currencies	39.75%	(45.00)%	(10.86)%	26.11%	10.00%
Loan Guaranties					
USAID Mission-led Guaranties	6.11%	-	(0.74)%	-	5.37%
Loan Guaranties	8.77%	-	(12.70)%	-	(3.93)%
Limited Arbitral Award Coverage	5.98%	-	(9.67)%	-	(3.69)%

The subsidy rates presented above are consistent with the estimated subsidy rates published in the Federal Credit Supplement to the Budget of the U.S. Government except for differences due to rounding. The published budget formulation subsidy rates are notional, for illustrative purposes only, as DFC estimates subsidy on a loan-by-loan basis at the time of obligation. These rates cannot be applied to the direct loans and loan guaranties 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 the disbursements of loans obligated in the current and prior fiscal years. Subsidy expense reported in the current year also includes the cost of modifications and subsidy reestimates.

L. ADMINISTRATIVE EXPENSES

DFC incurs administrative expenses to carry out its credit reform programs. This amount is determined by annual appropriation legislation. The administrative expense for direct loan and loan guaranties is $108,597 thousand and $93,462 thousand for the period ended September 30, 2022 and 2021, respectively.

M. LOANS RECEIVABLE

Loans receivable, net, reported on the Balance Sheet for all direct loans and defaulted guaranteed loans receivable include the following.

(dollars in thousands) **As of September 30**		**2022**
Beginning balance of the loans receivable, net	$	6,730,788
Add: loan disbursements		1,953,927
Less: principal payments received		(1,109,368)
Add: loan guaranty claim payments converted to loans receivable		723,683
Add: interest accruals		61,576
Less: fees accrued		(5,090)
Add: capitalized fees to loan principal		20,966
Less: subsidy expense		(14,784)
Add: negative subsidy payments		127,374
Less: upward reestimates		(269,220)
Add: downward reestimates		196,334
Less: subsidy allowance amortization		(187,759)
Loan modifications		(637)
Allowance for loan and interest loss adjustments		(704,019)
Ending balance of loans receivable, net	**$**	**7,523,771**

NOTE 6: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

DFC's general property, plant and equipment consist of the following:

(dollars in thousands) **As of September 30, 2022**		**Acquisition Cost**		**Accumulated Depreciation**		**Net Book Value**
Equipment	$	3,925	$	(3,770)	$	155
Internal-Use Software		9,584		(9,584)		-
Total Property and Equipment, Net	**$**	**13,509**	**$**	**(13,354)**	**$**	**155**

(dollars in thousands) **As of September 30, 2021**		**Acquisition Cost**		**Accumulated Depreciation**		**Net Book Value**
Equipment	$	3,925	$	(3,614)	$	311
Internal-Use Software		9,584		(9,584)		-
Total Property and Equipment, Net	**$**	**13,509**	**$**	**(13,198)**	**$**	**311**

Roll forward of general property, plant and equipment, net:

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Balance as of October 1, 2021	$ 13,509	$ (13,198)	$ 311
Depreciation Expense	-	(156)	(156)
Balance as of September 30, 2022	**$ 13,509**	**$ (13,354)**	**$ 155**

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Balance as of October 1, 2020	$ 13,509	$ (13,027)	$ 482
Depreciation Expense	-	(171)	(171)
Balance as of September 30, 2021	**$ 13,509**	**$ (13,198)**	**$ 311**

NOTE 7: ADVANCES AND PREPAYMENTS

DFC's advances and prepayments consist of the following:

(dollars in thousands) **As of September 30**	**2022**	**2021**
Advances for Claim Payments	$ 1,247	$ 3,794
Total Advances and Prepayments	**$ 1,247**	**$ 3,794**

DFC's advances are related to the Legacy Loan Guaranty programs. The amounts represent advances that DFC has paid to the bank that processes the claims for the Legacy Loan Guaranties. Because claims need to be paid timely, estimates for claims are requested from DFC by the bank, in advance of the claim payment. When a claim payment request is received from the bank, DFC pays the request and records the advance. When the bank pays the claims and provides the claim payment information to DFC, DFC reduces the advance and recognizes the decrease to the loan guaranty liability.

NOTE 8: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(dollars in thousands) **As of September 30**	**2022**	**2021**
Intragovernmental		
Unfunded FECA Liability	$ 144	$ 386
Total Intragovernmental	144	386
With the Public		
Federal Employee Benefits Payable	6,149	6,133
Insurance and Guaranty Program Liabilities	43,685	133
Total With the Public	49,834	6,266
Total Liabilities Not Covered by Budgetary Resources	49,978	6,652
Total Liabilities Covered by Budgetary Resources	9,369,303	9,049,701
Total Liabilities Not Requiring Budgetary Resources	157,581	159,279
Total Liabilities	**$ 9,576,862**	**$ 9,215,632**

Liabilities covered by budgetary resources consist of liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. DFC's liabilities covered by budgetary resources primarily consist of borrowings payable to Treasury and downward reestimates payable to Treasury. The downward reestimates liability is considered a liability covered by budgetary resources because the balance is supported by permanent indefinite appropriations, to be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that Treasury finances all other disbursements, which is to borrow from the public if the Government has a budget deficit, and to use current receipts if the Government has a budget surplus. DFC's liabilities not covered by budgetary resources primarily consist of insurance claims payable and accrued unfunded annual leave in FY 2022. In FY 2021 DFC's liabilities not covered by budgetary resources primarily consisted of unfunded annual leave. During FY 2022, DFC had increased liabilities for insurance primarily due to the wartime activities in Ukraine impacting insured energy projects.

Liabilities not requiring budgetary resources consist mostly of unearned revenues that will be earned by providing services by the passage of time.

NOTE 9: DEBT

DFC's debt comes from direct borrowings from the U.S. Treasury to fund the portion of direct loans not covered by subsidy appropriations, disbursements of downward subsidy reestimates, and pay claims in excess of the amount of subsidy and collections maintained in the non-budgetary financing funds. In FY 2022, DFC increased borrowings to finance the increased direct loans portfolio.

(dollars in thousands)

As of September 30		**2022**		**2021**
Debt to the Treasury				
Beginning Balance	$	7,723,761	$	4,677,759
Net Borrowings		1,241,210		3,046,002
Ending Balance	**$**	**8,964,971**	**$**	**7,723,761**

NOTE 10: ADVANCES FROM OTHERS AND DEFERRED REVENUE

DFC's advances from others and deferred revenues consists of:

(dollars in thousands)

As of September 30		**2022**		**2021**
Intragovernmental Advances from Others and Deferred Revenue				
Advances from Other Federal Agencies	$	3,561	$	5,053
Total Intragovernmental Advances from Others and Deferred Revenue		3,561		5,053
With the Public Advances from Others and Deferred Revenue				
Finance Retainer Fees and Deferred Facility Fees		127,320		127,750
Rent Incentives		14,194		12,791
Total With the Public Advances from Others and Deferred Revenue		141,514		140,541
Total Advances from Others and Deferred Revenue	**$**	**145,075**	**$**	**145,594**

DFC charges retainer and other fees in conjunction with each project. The fees are received in advance and earned over time. Facility fees collected exceeding $50,000 are amortized over the life of the project. DFC maintains fees for use in future years. Advances and deferred revenue also consist of unearned rent incentives that are amortized against rent expense, as well as advances from other Federal agencies for reimbursable agreements.

NOTE 11: NON-ENTITY REPORTING

Non-entity assets are assets held by DFC but not available to be used by DFC. These are funds that DFC has transferred or will transfer to Treasury general fund receipt accounts for downward reestimates and negative subsidy amounts for DFC's direct loan and loan guaranties made under FCRA, as well as excess funds related to direct loan and loan guarantees made prior to FY 1992. During the year, DFC transfers funds to Treasury general fund receipt accounts, and at year-end Treasury sweeps the funds, reducing the balance of fund balance with Treasury in the general fund receipts accounts to zero. At year-end, DFC accrues current year reestimates. Loans and loan guaranties made after FY 1991 that are covered under FCRA are reestimated each year. The loans and loan guaranties where the reestimates indicate that the amount of subsidy needed will be less than the prior year, or where the present value of the cash flows is positive, is a downward reestimate, requiring funds to be transferred to Treasury. DFC cannot transfer these funds until they receive authority from OMB, which will occur in the succeeding fiscal year. When recording the downward reestimate accrual, DFC records a payable to the Treasury general fund receipt account for the downward reestimates payable in its financing funds. DFC also records an accounts receivable in the general fund receipt account for the receivable from DFC's financing funds. For consolidated financial statements presentation, DFC eliminates the payables to the non-entity fund and the non-entity Treasury general fund receipt accounts receivable from the DFC entity funds, leaving a payable to the General Fund of the US Government for the downward reestimates. The downward reestimates payable is a current liability to be paid in the subsequent fiscal year. The downward reestimates liability is considered a liability covered by budgetary resources because the balance is supported by permanent indefinite appropriations, to be apportioned by OMB without further action by the Congress and without a contingency having to be met first. The table below shows the balance of the entity and non-entity assets and liabilities for the downward reestimate accrued as of September 30, 2022 and 2021.

(dollars in thousands)

As of September 30	2022	2021
Entity		
Intragovernmental Liabilities		
Financing Funds Payable to the General Fund Receipt Account	$ (392,542)	$ (415,130)
Non-Entity		
Intragovernmental Assets		
General Fund Receipt Accounts Receivable	392,542	415,130
Intragovernmental Liabilities		
Liability to the General Fund of the US Government for Other Non-Entity Assets - Downward Reestimate Payable to Treasury	(392,542)	(415,130)
Balance Sheet Reported Payable	**$ (392,542)**	**$ (415,130)**

NOTE 12: LIABILITY FOR CAPITAL TRANSFERS TO THE GENERAL FUND OF THE TREASURY

The Liability for Capital Transfers to the General Fund of the Treasury had a balance of zero in FY 2022, and a balance of $656,763 thousand in FY 2021. The liability in FY 2021 represented future payments due to Treasury from future collections in the liquidating funds that account for the loans and loan guaranties made prior to FY 1992. Treasury guidance allows agencies to close revenue and expense activity in liquidating funds to a liability account for the future amounts to be paid to Treasury in the form of a capital transfer, or to cumulative results of operations. In FY

2022, DFC reduced the FY 2021 liability balance and increased the balance in cumulative results of operations through a change in accounting principle. The change in accounting principle is shown on DFC's Consolidated Statements of Changes in Net Position as an adjustment to the FY 2022 beginning balance of Cumulative Results of Operations.

NOTE 13: OTHER LIABILITIES

DFC's other liabilities consists of the following current liabilities:

(dollars in thousands) **As of September 30**	**2022**	**2021**
Intragovernmental:		
Other Liabilities		
Employer Contributions & Payroll Taxes Payable	$ 287	$ 639
Unfunded FECA Liability	144	386
Total Intragovernmental	431	1,025
With the Public:		
Accrued Funded Payroll and Benefits	4,359	5,972
Liability for Deposit Funds	-	91
Total With the Public	4,359	6,063
Total Other Liabilities	**$ 4,790**	**$ 7,088**

NOTE 14: ACCOUNTS PAYABLE

DFC's accounts payables consist of a direct loan disbursement in transit and other payables with the public for services as of September 30, 2022. In FY 2021, accounts payable consisted of other payables with the public for services.

(dollars in thousands) **As of September 30**	**2022**	**2021**
Disbursements in transit	$ 6,771	$ -
Other	274	1
Total Accounts Payable	**$ 7,045**	**$ 1**

NOTE 15: FEDERAL EMPLOYEE BENEFITS PAYABLE

Federal employee benefits payable consists of:

(dollars in thousands) **As of September 30,**	**2022**	**2021**
Accrued Unfunded Annual Leave	$ 6,149	$ 5,705
Employer Contributions and Payroll Taxes Payable	98	1,354
Unfunded Actuarial FECA Liability	-	428
Total Federal Employee Benefits Payable	**$ 6,247**	**$ 7,487**

DFC employees accrue annual leave, which DFC records as a liability to be funded in future years. FECA provides coverage to Federal civilian employees who have sustained work-related injuries or disease by providing appropriate monetary and medical benefits and help in returning to work. The program is funded by DOL, and DFC is charged by DOL for FECA payments made on DFC's behalf. The FECA liability above is the actuarial estimated amount to be provided in the future.

NOTE 16: INSURANCE AND GUARANTY PROGRAM LIABILITIES

DFC provides Political Risk Insurance for overseas investments against any or all political risks such as currency inconvertibility and transfer restrictions, expropriation, war, terrorism, civil disturbance, breach of contract, or non-honoring of financial obligations. The initial term is typically 3 to 20 years. Policies are renewable yearly at the option of the insured. Insurance premiums received are amortized over the coverage period. Insurance coverage includes:

1) Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency.
2) Expropriation coverage provides compensation for losses due to confiscation, nationalization, or other governmental actions that deprive investors of their fundamental rights in the investment.
3) Guaranties issued on behalf of a U.S. exporter of goods or services, or a U.S. contractor in favor of a foreign government buyer can be covered against the risk of a wrongful calling. The guaranties usually are in the form of irrevocable, on-demand, standby letters of credit. A wrongful calling is one that is not justified by the terms of the underlying contract, or the invitation for bids.
4) Insurance against political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection, or civil strife, including terrorism and sabotage).
5) Reinsurance can increase underwriting capacity and support development in countries where investors have difficulty obtaining political risk insurance, DFC can reinsure licensed U.S. and international insurance companies.
6) DFC political risk insurance supports U.S. capital market financing structures that catalyze private capital in emerging markets.

In general, pricing is determined based on the individual coverage issues and the unique risk profile of the investment project. DFC's costs of the Insurance program are $54,989 thousand and $8,862 thousand for the years ended September 30, 2022 and 2021, respectively. DFC collected $21,901 thousand and $18,916 thousand in insurance premiums for the years ended September 30, 2022 and 2021, respectively. DFC's Insurance program is self-funded, uses no appropriated funds in the administration of the program, and did not borrow any funds from the Treasury for the years ended September 30, 2022 and 2021.

DFC is able to invest proceeds from its insurance program in Treasury non-marketable, market-based securities. See Note 3 for additional information.

Under most DFC insurance contracts, investors may obtain all coverages, but claim payments may not exceed the single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss and may be reduced by the insured's recoveries from other sources. In certain instances, DFC's requirement to pay up to the single highest coverage amount may be reduced by stop-loss and risk-sharing agreements. Finally, losses on insurance claims may be reduced by recoveries by DFC as subrogee of the insured's claim against the host government or payments from reinsurance policies obtained by DFC from commercial entities. Payments made under insurance contracts that result in recoverable assets are included in Accounts Receivable net of an allowance for uncollectible amounts.

(dollars in thousands)

As of September 30	**2022**	**2021**
Unearned Insurance Premiums	$ 12,507	$ 13,594
Unpaid Insurance Claims	43,685	133
Total Insurance Program Liabilities:	**$ 56,192**	**$ 13,727**

DFC has unpaid insurance claims that are recorded as unfunded liabilities. DFC's liability for unpaid insurance claims and activity for FY 2022 and 2021 are as follows:

(dollars in thousands)	**2022**	**2021**
Unpaid Insurance Claims as of October 1	$ 133	$ -
Claims Expense	43,837	259
Less: Claims Paid	(285)	(126)
Unpaid Insurance Claims as of September 30	**$ 43,685**	**$ 133**

The increase in unpaid insurance claims in FY 2022 is primarily related to a reported insurance claim for political violence in the Ukraine due to the current war in Ukraine. The claim expense for the Ukraine policy includes the gross claim amount of $45 million less $4.5 million in estimated recoveries. The claims paid in FY 2022 and FY 2021 were all related to contracts that were started under DFC.

The liability for losses on remaining coverage as of September 30, 2022 and 2021, represents the estimated amounts to be paid to settle claims, including claim adjustment expenses, for the remaining open arrangement period in excess of the sum of both:

a) related unearned premiums as of the end of the reporting period, and
b) premiums due after the end of the reporting period that relate to the remaining open arrangement period.

The open arrangement period is the elected coverage period under the insurance policy, since the elected coverage period is the period the insurance is in-force and unexpired. As of September 30, 2022 and 2021, DFC had no liability for losses on remaining coverage.

In addition to requiring formal applications for claimed compensation, DFC's contracts generally require investors to notify DFC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

DFC's current exposure for all policies in force for the elected coverage periods, or Current Exposure to Claims as of September 30, 2022 and 2021 was $3.5 billion and $2.6 billion, respectively.

NOTE 17: LEASES

OPERATING LEASES

DFC leases commercial facilities under a multi-year operating lease agreement, as amended, which expires in February 2035. Under the terms of the lease, DFC receives a tenant improvement allowance for space refurbishment as well as other incentives. The value of these incentives is deferred in the Consolidated Balance Sheets and are amortized to recognize rent expense on a straight-line basis over the life of the lease. In FY 2022, DFC extended the lease approximately six years and leased additional space to support expanding administrative offices. Rental expense was approximately $8.3 million and $6.4 million for the year ended September 30, 2022 and 2021, respectively. The following table presents future non-cancelable rental payments.

(dollars in thousands) **For the Years Ending:**		**With the Public Lease Payments**
2023	$	9,661
2024		10,931
2025		12,024
2026		12,323
2027		12,631
After 2027		96,137
Total Future Lease Payments	**$**	**153,707**

NOTE 18: BUDGETARY RESOURCES

A. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD

(dollars in thousands) **For the Years Ended September 30**	**2022**		**2021**	
	Budgetary	**Non-Budgetary Credit Reform Financing Accounts**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Unobligated Balance, Prior Year	$ 6,521,648	$ 1,316,876	$ 6,496,171	$ 618,729
Borrowing Authority Withdrawn	-	(644,589)	-	(335,992)
Repayments of Borrowings to Treasury	-	(505,860)		(155,200)
Capital Transfers to the General Fund of the U.S. Treasury	(8,077)	-	(235,383)	(20,145)
Recoveries of Prior Year Obligations	24,351	649,653	46,140	336,148
Transfers-in of Prior Year Authority	9,322	-	30,000	-
Cancelled Authority	-	-	(116)	-
Unobligated Balance from Prior Year Budget Authority, Net	**$ 6,547,244**	**$ 816,080**	**$ 6,336,812**	**$ 443,540**

Differences between the Unobligated Balance, end of year, and the Unobligated Balance from Prior Year Budget Authority, as presented on the FY 2021 Combined Statement of Budgetary Resources are primarily due to the following:

- Borrowing Authority Withdrawn: At the end of each year, borrowing authority from the prior year is withdrawn, and new borrowing authority is received at the beginning of the next year.
- Repayments of Borrowings to Treasury: DFC repays borrowings from Treasury for its direct loan and loan guaranty programs, reducing budget authority.
- Capital Transfers to the General Fund of the U.S. Treasury: The excess funds held by liquidating funds for direct loan and loan guaranty programs made before FY 1992, are transferred to Treasury each year, reducing the budget authority.
- Recoveries of Prior Year Obligations: These include reductions of obligations that made in previous years, mostly in the direct loan program.
- Transfers-in of Prior Year Authority: DFC received funds from USAID transferred in to support direct loans and loan guaranties initially made in prior years.
- Cancelled Authority is authority that no longer available to DFC.

B. PERMANENT INDEFINITE APPROPRIATIONS

FCRA authorizes permanent, indefinite appropriations from Treasury, as appropriate, to carry out all obligations resulting from the financing program. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to DFC.

The BUILD Act established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor authority. All valid claims arising from insurance issued by DFC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. DFC is authorized by statute to borrow from Treasury should funds in DFC's reserves be insufficient to discharge obligations arising under its insurance program.

C. ANNUAL APPROPRIATIONS

DFC receives an annual appropriation for operations and programs. DFC's offsetting collections derived from investment earnings, non-insurance fees, and negative subsidy are to be used to reduce DFC's annual appropriation.

D. BORROWING AUTHORITY

DFC is required to borrow from Treasury's Bureau of the Fiscal Service to fund the unsubsidized portion of direct loan disbursements. DFC is authorized to borrow funds to disburse negative subsidy or pay claims exceeding the amount of subsidy and collections maintained in the financing funds. As of September 30, 2022 and 2021, DFC had $8,545 million and $8,084 million, respectively, in borrowing authority carried over to fund direct loans and pay future claims.

E. USE OF UNOBLIGATED BALANCES

Unobligated balances on the Combined Statements of Budgetary Resources includes both expired and unexpired authority. Unexpired authority includes both apportioned and unapportioned funds. DFC's administrative spending authority is available for five additional fiscal years after the year of expiration for recording and adjusting previously recorded obligations but cannot be used to fund new obligations. As specified in DFC's annual appropriation, DFC's equity authority is available for the term of the underlying equity investment, and DFC's disbursement authority for program funds supporting the credit programs is available for eight additional fiscal years after the year of expiration. Under DFC's appropriation law (Public Law 117-103, Section 7011), funds that were originally obligated during the period of availability, and deobligated in a subsequent fiscal year, are available for obligation for an additional four years. Funds remaining after the period of availability become cancelled authority and are returned to Treasury.

F. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered Orders include loan and related subsidy obligations that have been issued but not disbursed and obligations for goods and services ordered that have not been received.

(dollars in thousands)

For the Year Ended September 30, 2022	Intragovernmental	With the Public	Total
Unpaid	$ 797,106	$ 7,189,338	$ 7,986,444
Paid	-	1,247	1,247
Total Obligations	**$ 797,106**	**$ 7,190,585**	**$ 7,987,691**

(dollars in thousands)

For the Year Ended September 30, 2021	Intragovernmental	With the Public	Total
Unpaid	$ 898,540	$ 4,693,153	$ 5,591,693
Paid	-	3,794	3,794
Total Obligations	**$ 898,540**	**$ 4,696,947**	**$ 5,595,487**

G. EXPLANATION OF DIFFERENCES BETWEEN THE COMBINED STATEMENT OF BUBDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

(dollars in millions) **For the Year Ended September 30, 2021**	**Budgetary Resources**	**New Obligations and Upward Adjustments**	**(Restated) Distributed Offsetting Receipts ***	**Net Outlays**
Combined Statement of Budgetary Resources	$ 13,067	$ 5,228	$ 323	$ 2,658
Expired Funds not reported in 2023 President's Budget	(34)	-	-	(20)
Variances as a Result of OPIC funds transferred to DFC	-	-	-	(6)
Timing	-	-	18	-
Other	-	(1)	-	-
Budget of the U.S. Government	**$ 13,033**	**$ 5,227**	**$ 341**	**$ 2,632**

* The Distributed Offsetting Receipts have been restated from the previous year's reported amount to align with the FY 2021 restated Statement of Budgetary Resources. See Note 19, Restatement.

Agencies are required to explain material differences between their Combined Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government. This disclosure reconciles the prior year's Statement of Budgetary Resources to the actual balances per the upcoming year's budget.

For example, DFC's FY 2022 SBR will be reconciled to the actual balances per the 2024 Budget of the U.S. Government which will be released in FY 2023. The Budget with the actual amounts for this current year will be available later at https://www.whitehouse.gov/omb/budget/.

Balances reported in the FY 2021 Combined Statement of Budgetary Resources and the related President's Budget are shown in the table above for Budgetary Resources, Obligations, Distributed Offsetting Receipts, Net Outlays, and any related differences. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations. Other minor differences are the result of rounding variances.

NOTE 19: RESTATEMENT

In FY 2021 DFC included as part of the Distributed Offsetting Receipts on the Combined Statement of Budgetary Resources, the amounts transferred to the Department of Treasury from DFC's liquidating accounts. DFC's liquidating accounts support the direct loans and loan guaranties that were made by USAID prior 1992 and were transferred into DFC. The Department of Treasury considers the transferred funds to be repayments of capital investments instead of distributed offsetting receipts. FY 2021 was the first year that DFC transferred funds from the liquidating accounts. The restatement details are provided below for the FY 2021 Combined Statement of Budgetary Resources. The restatement impacted the explanation of the differences between the Combined Statement of Budgetary Resources and the Budget of the U.S. Government in Note 18, and the FY 2021 reconciliation of the net cost of operations to net outlays in Note 20.

(dollars in thousands) **For the Period Ended September 30, 2021**	**2021 Budgetary As Previously Reported**	**Adjustments**	**2021 Budgetary As Restated**
Outlays (Net) and Disbursements (Net)			
Outlays, net	$ 24,442	$ -	$ 24,442
Distributed Offsetting Receipts	(783,325)	460,517	(322,808)
Agency Outlays, Net	**$ (758,883)**	**$ 460,517**	**$ (298,366)**

NOTE 20: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The Net Cost to Net Outlays Reconciliation schedule reconciles the Net Cost (reported in the Statements of Net Cost) to the Net Outlays (reported in the Combined Statements of Budgetary Resources). The reconciliation clarifies the relationship between budgetary and proprietary accounting information. Reconciliation items included: 1) Transactions which did not result in an outlay but did result in a cost; and 2) Unpaid expenses included in the net cost in this reporting period but not yet included in outlays. Components of net cost that are not part of net outlays are most commonly (1) the result of allocating assets to expenses over more than one reporting period (e.g., depreciation); (2) the temporary timing differences between outlays/receipts and the operating expense/revenue during the period; and (3) cost financed by other Federal entities (imputed inter-entity cost). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. In accordance with A-136 guidance, the presentation of the Reconciliation of Net Costs of Operations to Net Outlays excludes financing funds activity for programs subject to FCRA. Line items presented below, such as the Net Cost as well as the increases and decreases in assets and liabilities do not include financing funds and cannot be compared to the Consolidated Statements of Net Cost and the Consolidated Balance Sheets. Loans Receivable and Loan Guaranty Liability activity is reported below for the liquidating funds for loans and loan guaranties made prior to FY 1992.

In FY 2022 and 2021, the key reconciling differences between the net cost and net outlays for DFC included: (1) the accrual of the reestimates in the program funds. The accruals impact the costs but have an impact on the net outlays in the succeeding year; (2) collections of pre-1992 loans receivable that are recorded as offsets to net outlays, but have no impact on the net cost; (3) a decrease in the prior year subsidy payable from the DFC credit program funds to the DFC financing funds. The subsidy was recorded as a payable in the prior year and paid in the current year, which impacts the net outlays, but has no current year impact on the net cost; (4) transfers in without reimbursement represent DFC transfers of funds into the operating funds that do not have an impact on the net cost of operations, but are included in net outlays; and (5) distributed offsetting receipts which are funds that DFC has sent to the General Fund of the Treasury for its credit programs under FCRA. These amounts reduce the net outlays on the Combined Statements of Budgetary Resources, but have no impact on the net cost to DFC.

The FY 2021 reconciliation was reclassified for consistent presentation to FY 2022. The reclassification did not impact the net cost of operations or net outlays. The FY 2021 reconciliation also includes a restatement of the Distributed Offsetting Receipts line as explained in Note 19.

(dollars in thousands) **For the Period Ended September 30, 2022**	**Intra-governmental**	**With the Public**	**Total**
Net Cost	**(115,898)**	**334,924**	**219,026**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(156)	(156)
Year-end Credit Reform Subsidy Accrual Reestimates	(221,211)	-	(221,211)
Gains/Losses on Investments	-	6,723	6,723
Increase/(decrease) in assets:			
Accounts Receivable, Net	-	1,422	1,422
Loans Receivable, net	-	(5,828)	(5,828)
Investments, net	1,529	-	1,529
Advances and Prepayments	-	(822)	(822)
Negative Loan Guaranty Liability	-	(4,681)	(4,681)
(Increase)/decrease in liabilities:			
Accounts Payable	-	(273)	(273)
Subsidy Payable to the Financing Account	581,968	-	581,968
Federal Employee Benefits Payable	-	1,239	1,239
Loan Guaranty Liability	-	-	-
Insurance and Guaranty Program Liabilities	-	(42,465)	(42,465)
Advances from Others and Deferred Revenue	1,492	(1,170)	322
Other Liabilities	593	1,704	2,297
Other Financing Sources:			
Imputed Costs	(3,520)	-	(3,520)
Total Components of Net Cost That Are Not Part of Net Outlays	**360,851**	**(44,307)**	**316,544**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Investments	-	78,172	78,172
Repayment of Investment Assets	-	(5,276)	(5,276)
Total Components of Net Outlays That Are Not Part of Net Cost	**-**	**72,896**	**72,896**
Financing Sources:			
Transfers in without reimbursement	(198,340)	-	(198,340)
Total Financing Sources	**(198,340)**	**-**	**(198,340)**
Miscellaneous Items:			
Distributed Offsetting Receipts	(426,222)	-	(426,222)
Total Miscellaneous Items	**(426,222)**	**-**	**(426,222)**
Net Outlays	**(379,609)**	**363,513**	**(16,096)**
Agency Outlays, Net			**(16,096)**

(dollars in thousands) **For the Period Ended September 30, 2021**	**(Restated) Intra-governmental**	**With the Public**	**(Restated) Total**
Net Cost	**$ 98,689**	**$ 26,364**	**$ 125,053**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(171)	(171)
Year-end Credit Reform Subsidy Accrual Reestimates	(168,649)	-	(168,649)
Increase/(decrease) in assets:			
Accounts Receivable, net	-	(13,990)	(13,990)
Loans Receivable, net	-	(178,197)	(178,197)
Investments, net	773	-	773
Advances and Prepayments	-	1,239	1,239
Negative Loan Guaranty Liability	-	-	-
(Increase)/decrease in liabilities:			
Accounts Payable	-	758	758
Subsidy Payable to the Financing Account	462,178	-	462,178
Federal Employee Benefits Payable	-	(491)	(491)
Loan Guaranty Liability	-	2,757	2,757
Insurance and Guaranty Program Liabilities	-	1,991	1,991
Advances from Others and Deferred Revenue	-	(10,817)	(10,817)
Other Liabilities	(912)	(2,596)	(3,508)
Other Financing Sources:			
Imputed Costs	(3,069)	-	(3,069)
Total Components of Net Cost That Are Not Part of Net Outlays	**290,321**	**(199,517)**	**90,804**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Investments	-	95,318	95,318
Repayment of Investment Assets	-	-	-
Total Components of Net Outlays That Are Not Part of Net Cost	**-**	**95,318**	**95,318**
Financing Sources:			
Transfers in without reimbursement	(286,733)	-	(286,733)
Total Financing Sources	**(286,733)**	**-**	**(286,733)**
Miscellaneous Items:			
Distributed Offsetting Receipts	(322,808)	-	(322,808)
Total Miscellaneous Items	**(322,808)**	**-**	**(322,808)**
Net Outlays	**(220,531)**	**(77,835)**	**(298,366)**
Agency Outlays, Net			**$ (298,366)**

NOTE 21: RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS.

Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows DFC's financial statements and DFC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2021 Financial Report (FR) can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2022 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments. Amounts shown in the DFC Statement of Net Cost column are totals from the FY 2022 Consolidated Statement of Net Cost by program. Unrealized gains and losses are reported as a net number on the FY 2022 Consolidated Statement of Net Cost.

FY 2022 DFC Statement of Net Cost		**Line Items Used to Prepare FY 2022 Government-wide Statement of Net Cost**	
Financial Statement Line	**Amounts** *(dollars in thousands)*	**Other Than Dedicated Collections** *(dollars in thousands)*	**Reclassified Financial Statement Line**
Gross Costs			**Non-Federal Costs**
Operating Costs	$ 404,148	$ 270,949	Non-Federal Gross Cost
Subsidy costs	(159,960)	**270,949**	**Total Non-Federal Costs**
Reestimates	221,211		
Unrealized Losses	7,052		**Intragovernmental Costs**
		14,383	Benefit Program Costs
		3,520	Imputed Costs
		5,148	Buy/Sell Costs
		178,451	Borrowing and Other Interest Expense
		201,502	**Total Intragovernmental Costs**
Total Gross Costs	**472,451**	**472,451**	**Total Reclassified Gross Costs**
Earned Revenue	(412,799)	(227,840)	**Non-Federal Earned Revenue**
Investment Revenue	(29,402)		**Intragovernmental Revenue**
Unrealized Gains	(13,775)	(17,023)	Buy/Sell Revenue
		(131,668)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		(79,445)	Borrowing and Other Interest Revenue
		(228,136)	**Total Intragovernmental Earned Revenue**
Total Earned Revenue	**(455,976)**	**(455,976)**	**Total Reclassified Earned Revenue**
Net Cost	**$ 16,475**	**$ 16,475**	**Net Cost**

FY 2022 DFC Statement of Changes in Net Position		Line Items Used to Prepare FY 2022 Government-wide Statement of Changes in Net Position	
Financial Statement Line	**Amounts** *(dollars in thousands)*	**Other Than Dedicated Collections** *(dollars in thousands)*	**Reclassified Financial Statement Line**
Unexpended Appropriations			**Unexpended Appropriations**
Unexpended Appropriations, Beginning Balance	$ 171,177	$ 171,177	Unexpended Appropriations, Beginning Balance
Appropriations received	928,884	928,884	Appropriations Received
Appropriations transferred in/out	9,322	9,322	Appropriations transferred in/out
Appropriations Used	(708,598)	(708,598)	Appropriations Used
Total Unexpended Appropriations	**400,785**	**400,785**	**Total Unexpended Appropriations**
Cumulative Results of Operations			**Cumulative Results of Operations**
Cumulative Results, Beginning Balance	5,916,392	5,916,392	Cumulative Results, Beginning Balance
Changes in Accounting Principles	656,763	656,763	Changes in Accounting Principles
Appropriations Used	708,598	708,598	Appropriations Used
Imputed Financing	3,520	3,520	Imputed Financing Sources
Offset to Non-entity Collections	(496,160)	(496,160)	Other
Net Cost of Operations	(16,475)	(16,475)	Net Cost of Operations
Cumulative Results of Operations	**6,772,638**	**6,772,638**	**Cumulative Results of Operations**
Total Net Position	**$ 7,173,423**	**$ 7,173,423**	**Net Position**

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

(dollars in thousands) **For the Year Ended September 30, 2022**	**Insurance Budgetary**	**Finance Budgetary**	**Equity Budgetary**	**Inspector General Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources					
Unobligated Balance from Prior Year	$ 6,246,361	$ 103,007	$ 195,839	$ 2,037	$ 816,078
Budget Authority, Net					
Appropriations	-	585,393	340,691	2,800	-
Borrowing Authority	-	-	-	-	5,521,406
Spending Authority from Offsetting Collections	238,320	68,120	159,309	-	935,253
Total Budgetary Resources	**$ 6,484,681**	**$ 756,520**	**$ 695,839**	**$ 4,837**	**$ 7,272,737**
Status of Budgetary Resources					
New obligations and upward adjustments (total)	$ 209,656	$ 670,748	$ 588,250	$ 3,462	$ 5,975,518
Unobligated Balance, End of Year					
Apportioned, unexpired accounts	104,208	18,026	107,589	687	6,608
Unapportioned, unexpired accounts	6,169,409	36,997	-	688	1,290,611
Unexpired unobligated balance, end of year	$ 6,273,617	$ 55,023	$ 107,589	$ 1,375	$ 1,297,219
Expired unobligated balance, end of year	1,408	30,749	-	-	-
Unobligated Balance, end of year (total)	6,275,025	85,772	107,589	1,375	1,297,219
Total Budgetary Resources	**$ 6,484,681**	**$ 756,520**	**$ 695,839**	**$ 4,837**	**$ 7,272,737**
Outlays, net	$ (85,861)	$ 518,808	$ (26,413)	$ 3,592	
Distributed Offsetting Receipts	-	(426,222)	-	-	
Agency Outlays, Net	**$ (85,861)**	**$ 92,586**	**$ (26,413)**	**$ 3,592**	
Disbursements, Net					**$ 1,195,213**

(dollars in thousands) **For the Year Ended September 30, 2021**	**Insurance Budgetary**	**(Restated) Finance Budgetary**	**Equity Budgetary**	**Inspector General Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources					
Unobligated Balance from Prior Year Budget Authority, Net	$ 6,202,984	$ 102,250	$ 30,000	$ 1,578	$ 443,540
Appropriations	-	464,360	128,134	2,000	-
Borrowing Authority	-	-	-	-	4,409,313
Spending Authority from Offsetting Collections	165,943	67,896	321,866	-	726,817
Total Budgetary Resources	**$ 6,368,927**	**$ 634,506**	**$ 480,000**	**$ 3,578**	**$ 5,579,670**
Status of Budgetary Resources					
New obligations and upward adjustments (total)	$ 136,252	$ 542,514	$ 284,161	$ 2,436	$ 4,262,794
Unobligated Balance, End of Year					
Apportioned, unexpired accounts	44,137	32,086	195,839	1,142	157,512
Unapportioned, unexpired accounts	6,188,286	26,635	-	-	1,159,364
Unexpired unobligated balance, end of year	$ 6,232,423	$ 58,721	$ 195,839	$ 1,142	$ 1,316,876
Expired unobligated balance, end of year	252	33,271	-	-	-
Unobligated Balance, end of year (total)	6,232,675	91,992	195,839	1,142	1,316,876
Total Budgetary Resources	**$ 6,368,927**	**$ 634,506**	**$ 480,000**	**$ 3,578**	**$ 5,579,670**
Outlays, net	$ (67,168)	$ 244,325	$ (154,401)	$ 1,686	
Distributed Offsetting Receipts	-	(322,808)	-	-	
Agency Outlays, Net	**$ (67,168)**	**$ (78,483)**	**$ (154,401)**	**$ 1,686**	
Disbursements, Net					**$ 2,633,100**

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables provide a summary of audit-related material weaknesses and management-identified material weaknesses:

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	Yes				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting of Distributed Offsetting Receipts	-	1	1	-	-
Total Material Weaknesses	-	1	1	-	-

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
Financial Reporting of Distributed Offsetting Receipts	-	-	1	-	-	-
Total Material Weaknesses	-	-	1	-	-	-

DFC acknowledges the control deficiency noted in the audit report, and also agrees with the auditor that the issue was resolved as of the end of the reporting period leaving no open material weaknesses as of September 30, 2022.

REPORT ON THE PAYMENT INTEGRITY INFORMATION ACT

In accordance with OMB guidance on the implementation of the Payment Integrity Information Act (PIIA) of 2019, DFC performed a risk assessment on payment integrity and determined that its programs present a low risk and not susceptible to significant improper payments. In addition, DFC's Office of the Inspector General found in its audit that DFC's payment integrity program fully complied with PIIA and issued no findings or recommendations to the agency.

CLIMATE-RELATED FINANCIAL RISK

By identifying the right opportunities for financing and enabling private sector investment in climate solutions, DFC aims to take advantage of a rapidly closing window of opportunity to tackle climate change globally, while continuing to support sustainable economic growth in developing countries.

REPORTS:

- **Climate Action Plan -** DFC has published its Climate Action Plan in accordance with Executive Order 14008.
- **2022 Climate Adaptation Report –** DFC has published its Climate Adaptation Report, reporting on its progress against its Climate Action Plan, in accordance with Executive Order 14057.
- **Green House Gas (GHG) Emissions Inventory Report -** P.L. 111-117 Sec 7079(a) required that OPIC (now DFC) reduce the GHG emissions associated with its projects by at least 30% over 10 years and 50% over 15 years. This report tracks progress on achievement of those emission reduction goals. The most recent report issued in FY2022 addresses portfolio emission in FY2020.

GOVERNANCE, STRATEGY, RISK MANAGEMENT, AND METRICS:

GOVERNANCE

Climate action is an integral part of DFC's vision and business strategy and hence oversight on DFC's strategy and performance is covered across various functions and committees.

- DFC's Chief and Deputy Climate Officers are responsible for guiding implementation of the activities described in DFC's Climate Action Plan, in coordination with DFC leadership across its departments including but not limited to DFC's Chief Development Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, and Vice Presidents of the Offices of Development Policy, Structured Finance and Insurance, Development Credit, and Equity and Investment Funds.
- DFC commitments are ultimately approved by the DFC Board of Directors and/or the Chief Executive Officer, according to the nature and scope of the investment in question. Investment decision-making is aided by the advice of the Credit, Equity Evaluation and/or Investment Committees as appropriate.
- On a technical level, day-to-day responsibilities for identifying and assessing climate risks to individual investments are led by the Office of Development Policy, with a dedicated team of environmental analysts responsible for screening and assessing new investments for physical climate risks and with impact analysts responsible for scoring the development impact of all DFC investments. These assessments are included in analysis which supports investment decision-making at senior management and Board levels. DFC continues to develop and refine its approach to mitigate identified risks in longer-term planning.

STRATEGY

Climate change poses risk to the economies and markets in which DFC operates. Project performance can be impacted by physical risks, such as extreme weather, or policy, legal, technology, market and reputational risks arising from the shift to a low-carbon and climate-resilient economy.

- DFC adopted the Climate Action Plan in response to Executive Order 14008. The plan prioritizes adaptation actions that allow DFC to incorporate adaptation and resiliency considerations throughout the lifecycle of DFC's projects to maximize the development impact and minimize the financial risk of the agency's investments. The plan further explains the steps needed to achieve DFC's climate objectives: achieving Net Zero emissions by 2040 and ensuring at least 33% of all new commitments are climate-linked starting in FY2023.
- The plan is comprised of five priority action areas:
    - Drive DFC Investments Toward Adaptation and Resilient Climate Objectives
    - Mobilize Additional Private Climate Finance Capital
    - Enhance Portfolio Diversity to Reduce Risk
    - Integrate Climate Risk Analysis When Developing Deals
    - Embed Climate Lens into Transactions and Impact Measurement

RISK MANAGEMENT

- DFC is a financial institution that engages in direct lending, equity investment, investment in funds, and provides insurance and technical assistance grants. The agency's climate vulnerabilities, therefore, stem from DFC's posture as a financial services agency. As an institutional investor, climate impacts can affect the projected results of DFC supported projects. For general debt instruments such as loans, for example, debt-repayment capacity can be affected by the alteration of underlying cash-flow values due to climate change, leading to deterioration of financial positions including default. For equity investments, climate-driven deviations from expected results that affect an investment's valuation are relevant for projecting returns on equity and planning exit strategies. Some equity investments will also be affected as analysts incorporate information about climate change impacts into their company valuations.

- At a project level, DFC has been incorporating climate change resiliency assessments since 2015 in response to Executive Order 13677. Executive Order 13677 on Climate-Resilient International

  Development requires the integration of climate-resilience considerations into all U.S. international development work. To meet the requirements under EO 13677, DFC has incorporated climate resiliency screening into its existing environmental and social impact assessment process. Using publicly available climate-change data, screening tools and information, and inter-agency collaboration, the environmental and social team developed a reference checklist for use in conducting the climate resiliency screening. Coordination with internal stakeholders as well as external advisors (e.g., credit policy department, independent engineers, consultants) is undertaken to gain additional input. Results of the climate resiliency screening are documented in DFC's internal environmental and social assessments.

METRICS

- Target: Net zero emissions by 2040 (includes assumptions of no new carbon-intensive investments after 2030 and addition of less than 700,000 tCO_2e per year)

ACRONYM LISTING

ACRONYM	DEFINITION
ACFD	American Catalyst Facility for Development
ASC	Financial Accounting Standards Codification
BUILD	Better Utilization of Investments Leading to Development
CFO	Chief Financial Officer
CIO	Chief Information Officer
COVID-19	Coronavirus Disease 2019
CSC	Credit Subsidy Calculator
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
DOL	Department of Labor
EO	Executive Order
EDGE	Enhancing Development and Growth through Clean Energy
FASAB	Financial Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FY	Fiscal year
GAAP	Generally accepted accounting principles
GHG	Green House Gas
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
IQ	Impact quotient
KYC	Know Your Client
MCC	Millennium Challenge Corporation
MOV	Maintenance of Value
MTU	Mission Transaction Unit
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management
PGII	Partnership for Global Infrastructure and Investment
PIIA	Payment Integrity Information Act
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
Treasury	U.S. Department of Treasury
U.S.	United States
USAID	United States Agency for International Development