U.S. International Development Finance Corporation

Annual Management Report

Fiscal Year 2021

TABLE OF CONTENTS

On behalf of 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 the Corporation and 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 am pleased that DFC has successfully received another unmodified audit opinion which underscores our prudent management of exposure through sound underwriting and effective governance. In FY 2021, DFC's revenue exceeded its cost by $162 million, had combined total exposure of $32.8 billion, and maintained corporate reserves of $6.2 billion in Treasury securities. DFC achieved these excellent financial results by adding new commitments of $6.8 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 economic development challenges.

Sincerely,

Dev Jagadesan
Acting Chief Executive Officer

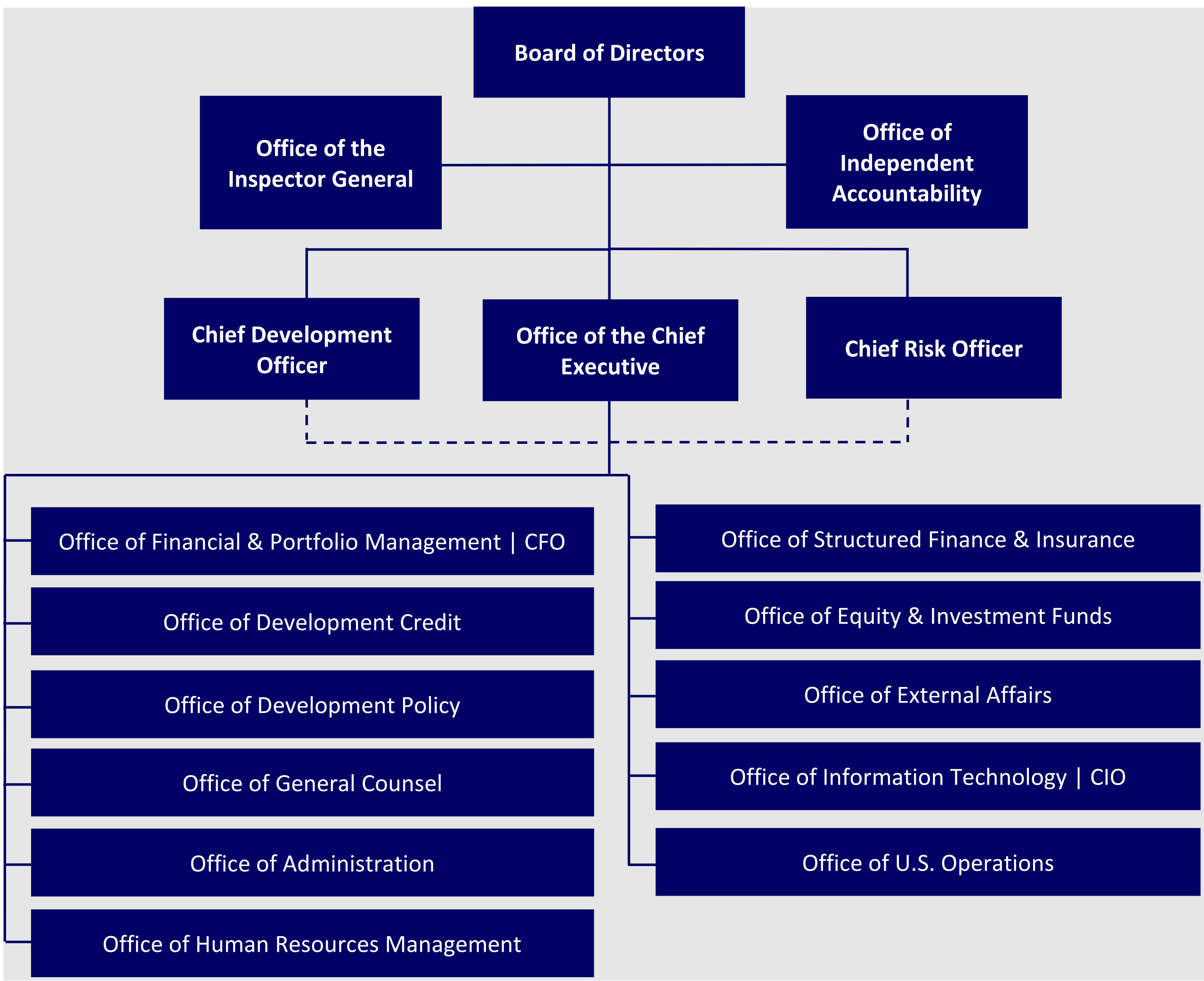
BACKGROUND, MISSION, AND ORGANIZATION

The United States International Development Finance Corporation (DFC) is the official development finance institution (DFI) of the United States. DFC is an independent Executive Branch agency that partners with the private sector to finance solutions to the most critical challenges facing the developing world today. DFC's private sector tools provide a critical bridge between federal resources and dynamic private sector driven development. DFC seeks to generate financial returns for the American taxpayer through its investments. 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 oversight from its Board of Directors, Development Advisory Council, Office of Accountability, and Office of Inspector General.

DFC ORGANIZATIONAL STRUCTURE

The organizational chart below is as of September 30, 2021.



PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

ADMINISTRATION PRIORITIES

The Better Utilization of Investments Leading to Development (BUILD) Act 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) 2021, DFC's priorities aligned with its strategic goals and included the following:

CLIMATE

DFC uses its investment tools to support projects that help mitigate climate change-causing greenhouse gas emissions and those that boost adaptation and resilience in the most vulnerable global communities.

HEALTH

DFC supports the international response to COVID-19, building more resilient healthcare supply chains and expanding access to healthcare professionals, facilities, and lifesaving treatments. DFC is also increasing access to clean drinking water and improved sanitation in schools and healthcare facilities, and seeks to strengthen global agricultural value chains by investing in projects that help farmers increase yields, reduce food waste, and expand exports.

GENDER EQUITY

DFC, through its 2X Initiative, invests in women and girls globally to address their distinct needs and unlock opportunities through financial services, support for small businesses, and projects run by and directly targeted to women.

INCLUSIVE GROWTH

DFC prioritizes high developmental impact projects in low-income and lower middle-income countries with a focus on accelerating economic growth in indigenous and underserved communities to reduce extreme poverty and income inequality.

INFORMATION & COMMUNICATIONS TECHNOLOGY

DFC supports information and communications technology projects that have the potential to drive additional opportunity and growth in developing markets where increased connectivity can help spur transformative opportunities.

REGIONAL FOCUS AREAS

DFC seeks to grow its portfolio of catalytic investments especially in Africa, Southeast Asia, and the Northern Triangle to drive broad-based, values-driven, private sector-led growth that expands economic opportunity and advances U.S. development objectives.

STRATEGIC GOALS

Development and foreign policy challenges require a new transformational approach, supported by the tools, strategies and resources to meet these challenges. DFC extends its core capability of mobilizing market-based, private-sector led development in support of development outcomes and U.S. foreign policy. DFC, as part of U.S. development efforts, complements a diverse set of U.S. foreign policy tools and traditional assistance efforts. DFC uses its financing tools in partnership with the private sector to fulfill six key goals:

GOAL 1: CONFRONT THE CLIMATE CRISIS

President Biden has named climate change the “existential threat of our time” and called on DFC to support investment in climate mitigation, resilience, and adaptation in the developing world. While climate change impacts all countries, emerging economies are often particularly vulnerable because they lack the infrastructure, insurance, and agricultural technology to protect against severe weather.

GOAL 2: SUPPORT THE GLOBAL COVID RESPONSE

COVID-19 has presented a global health emergency and exposed a staggering need for improved healthcare infrastructure in the developing world. DFC’s financing tools can mobilize private sector resources to help counter the devastating economic consequences of the pandemic. DFC will continue to seek opportunities to increase liquidity through onlending institutions to businesses impacted by shutdowns.

GOAL 3: ADVANCE WOMEN’S ECONOMIC EMPOWERMENT

DFC will increase its commitments to projects that empower women. Women drive growth and foster stability in their communities, yet also face significant barriers to achieving full participation in and contribution to their economies.

GOAL 4: MAXIMIZE DEVELOPMENT IMPACT

DFC is committed to investing in projects that address the biggest challenges the world faces, with a strong focus on low-income and lower middle-income countries and underserved communities. This work encompasses a broad range of issues, from food insecurity to energy poverty to causes of migration. DFC works to expand access to healthcare, technology, modern infrastructure, and financial services.

GOAL 5: DRIVE PRIVATE CAPITAL TOWARD U.S. FOREIGN POLICY OBJECTIVES

DFC’s investments advance American values, including transparency, respect for the environment, economic inclusivity, and good governance. DFC works with like-minded investment partners and the private sector to develop projects that are financially sustainable, and coordinates directly with other U.S. government agencies, including the National Security Council, State, and United States Agency for International Development (USAID), to ensure that it is supporting U.S. foreign policy priorities. DFC adheres to the high governance standards of international financial institutions related. DFC operates transparently, ensures debt sustainability, and respects internationally recognized environmental and social safeguards.

GOAL 6: GROWING THE QUANTITY AND QUALITY OF OUR INVESTMENTS

DFC will further develop the quantity and quality of its portfolio through the furtherance of equity investments, mobilization of private investment, and collaboration with partners.

STRATEGIC GOALS IN PRACTICE

INVESTMENT PORTFOLIO

DFC's strategic goals are the guiding principles that drive decision-making when choosing projects to invest in, finance, or insure. These program types are detailed below and correspond with the breakout of gross cost and revenue on DFC's Statement of Net Cost (SNC). Each program type helps meets DFC's goals.

- **Insurance** – DFC offers political risk insurance coverage against losses due to currency inconvertibility, government interference, and political violence including 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. DFC also supports equity funds that help address the shortfall of private equity capital in developing countries and help these economies access long-term growth capital, management skills, and financial expertise.
- **Technical Assistance –** DFC's technical assistance program funds a variety of technical assistance interventions including feasibility studies, training and project-related support that implement DFC's mission of mobilizing private capital to advance development and support U.S. foreign policy objectives. Technical assistance grants are designed to increase the development impact or improve the commercial sustainability of a project that has received, or may receive, DFC financing or insurance support. This assistance will be designed to complement, but does not duplicate, work funded by other agencies or sources of financing.

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. A link to an interactive map of DFC's investments by country and type of investment can be found here.

STRATEGIC GOAL 1:
CONFRONT THE CLIMATE CRISIS

GOAL PROGRESS

DFC is a leader in financing projects that help countries generate clean energy, including solar, wind, hydro, geothermal and biomass. The agency has increased its focus on the global climate crisis with a series of bold commitments, including achieving net-zero emissions across its portfolio by 2040, focusing one-third of all new investments on climate by 2023, increasing technical support for climate projects, and issuing calls for applications for climate-focused funds and distributed renewable energy projects.

PROTECTING SMALLHOLDER FARMERS AND LOW-INCOME POPULATIONS AGAINST NATURAL DISASTERS

Challenge

Natural disasters resulting from climate adaption, such as floods, droughts, and hurricanes, push 26 million people into poverty each year and result in an estimated $300 billion in economic losses. Low-income communities and smallholder farmers in developing countries are often the hardest hit because few have sufficient insurance against natural disasters. While almost half of all losses in developed countries are covered by insurance, only ten percent of losses in developing countries have similar protection.

Solution and Impact

A DFC loan is helping the InsuResilience Investment Fund, a fund managed by BlueOrchard, to work with financial institutions to develop and expand insurance to protect smallholder farmers and other climate-vulnerable and low-income populations in developing countries against extreme weather and other natural disasters resulting from the climate crisis.

InsuResilience aims to protect more than 100 million of the most vulnerable people on the planet by developing insurance products for micro and small and medium enterprises, including smallholder farmers. Expanded access to insurance can reduce losses and humanitarian impacts by enabling more rapid response and relief efforts, especially within the agriculture sector.

STRATEGIC GOAL 2: SUPPORT THE GLOBAL COVID RESPONSE

GOAL PROGRESS

DFC is playing a key role in the Biden Administration's efforts to build permanent, sustainable, and diversified manufacturing capacity around the world to help developing countries access more vaccines and prepare for future pandemics. The agency is also working to expand access to critical therapeutics, introduce medical equipment designed for low-resource environments, and bolster liquidity to help struggling small businesses continue to operate.

EXPANDING VACCINE MANUFACTURING IN THE DEVELOPING WORLD

Challenge

The COVID-19 pandemic has exposed weaknesses in healthcare infrastructure in the developing world, as well as the lack of sufficient manufacturing capacity to produce adequate supplies of vaccines. Developing countries in particular require more access to vaccines as production and distribution capacity limits the number available to them.

Solution and Impact

DFC is providing Indian manufacturer Biological E Ltd. financing to increase capacity to support its efforts to produce at least 1 billion doses of COVID-19 vaccines by the end of 2022. This project is part of the DFC's Global Health and Prosperity Initiative, under which the agency is working to increase manufacturing, production and distribution capacity for vaccines, including the COVID-19 vaccine. The vaccines Biological E plans to produce with the assistance of DFC's financing complement existing efforts to maximize vaccination rates globally as rapidly as possible.

Biological E is a woman-founded business, also advancing DFC's 2X Women's Initiative to promote global gender equity.

STRATEGIC GOAL 3: ADVANCE WOMEN'S ECONOMIC EMPOWERMENT

GOAL PROGRESS

Under the Agency's 2X Women's Initiative, DFC has catalyzed more than $7 billion of investments in projects that are owned by women, led by women, or provide a product or service that empowers women. In 2020, DFC committed to catalyzing an additional $6 billion of private sector investment in global women's economic empowerment over the next three years, and in FY21, DFC made significant progress on this commitment.

HELPING A GROWING POPULATION OF REFUGEES ACCESS CRITICAL FINANCIAL SERVICES

Challenge

An estimated 70 million people around the world live as international refugees or are displaced within their own borders, with the vast majority located developing countries and women often bearing the brunt of the displacement. These refugees often lack critical services including financial services that are essential to accessing food, education, healthcare, and to working as entrepreneurs. By 2030, global forced migration is estimated to exceed 300 million people.

Solution and Impact

A $20 million loan to Kiva Refugee Investment Fund LLC will support microfinance lending to refugees, internally displaced persons, and impacted host populations in 13 countries. The lending will reach borrowers in multiple lower-income countries including Uganda and El Salvador, as well as countries such as Jordan that are strained by large refugee populations.

The fund has raised $11.5 million of equity and $1 million of additional debt financing and aims to ultimately reach up to 200,000 borrowers. In addition to providing access to critical financing, the project will also help provide access to training related to financial literacy and business development.

By reaching a population that is significantly underserved by traditional lenders, the project will advance DFC's work to support inclusive growth by investing in marginalized communities. With 70 percent of the loans expected to reach female borrowers, the project will also advance DFC's 2X Women's Initiative to advance women's economic empowerment.

STRATEGIC GOAL 4:
MAXIMIZE DEVELOPMENT IMPACT

GOAL PROGRESS

Serving the most vulnerable populations is core to DFC's mission and at the heart of DFC's investment goals. DFC is expanding its approach to business development by building on strong relationships with existing clients while focusing additional efforts on stakeholder engagement to bring in new clients to pursue the most developmental opportunities.

When DFC was created through the BUILD Act, it was directed to create a modernized development impact measurement tool. In 2020 DFC launched the Impact Quotient (IQ) framework to monitor and measure the development impact of every project it supports, across multiple categories including growth to the local economy, inclusion of underserved populations, and the innovation that is supported through the introduction of new products, services, or the financial structure of the deal.

DFC will look for ways to expand the uses of its IQ framework to monitor and measure the development impact of every project it supports over the life of the project, to assess the long-term impact, and to use the data it collects to make adjustments to individual projects and inform future investments to further advance DFC's development objectives.

INTRODUCING ELECTRIC BUSES TO IMPROVE TRANSPORTATION AND REDUCE EMISSIONS IN SENEGAL

Challenge

Dakar, Senegal's economic and political capital, is one of West Africa's largest cities with 3.8 million inhabitants, a number that is expected to grow by a further 40 percent in the next decade. The city faces a significant shortage of critical infrastructure to meet the needs of a growing population and to improve trade and connectivity with the rest of the world.

Solution and Impact

DFC financing to the Meridiam Infrastructure Africa Fund is supporting the Dakar Bus Rapid Transit project to expand mass transit in and around the city. The project will introduce more than 140 electric buses and construct new roads and garages for the fleet.

The Dakar Bus Rapid Transit project is part of a comprehensive plan to restructure the city's transportation network by 2025. The plan includes two parts: a hard infrastructure component comprised of the construction of roads, stations, and a garage for the use of the new buses, and an operational infrastructure component which will procure and maintain the bus fleet in addition to operating the network for 10 years.

The project is expected to improve traffic and air quality in Dakar, and by improving accessibility, it will foster the development of more businesses and create jobs.

STRATEGIC GOAL 5:
DRIVE PRIVATE CAPITAL TOWARD U.S. FOREIGN POLICY OBJECTIVES

GOAL PROGRESS

DFC investment in critical sectors like climate, food security, agriculture, and global health not only helps improve livelihoods for those most in need, but also has direct implications for the health and security of Americans themselves. By investing in vaccine manufacturing around the world, DFC will help countries be more prepared for epidemics that might otherwise become global pandemics. Investment in climate solutions can help communities mitigate and adapt to extreme weather that might otherwise lead to displacement and migration. Achieving economic and political stability in less developed countries is a key foreign policy objective of the U.S. and is inextricably intertwined with increasing private sector investment. DFC's focus on development in low and lower middle-income countries helps to promote global stability and offers an alternative to predatory development models.

SUPPORTING SMALL BUSINESS GROWTH IN GUATEMALA

Challenge

Although micro, small, and medium enterprises in Guatemala account for an estimated 99 percent of economic activity in the country, these businesses often struggle to access financing. According to the small and medium-sized enterprises (SME) Finance Forum, SMEs and microenterprises in Guatemala face a $14 billion financing gap, and women-owned businesses and businesses in small cities and rural areas are particularly challenged.

Solution and Impact

DFC committed $200 million in financing to Guatemala's Banco Industrial to expand lending to small and medium enterprises and businesses that are owned by or led by women. The financing has enabled Banco Industrial to support businesses across the country in a range of sectors, and help provide stability in the region which is a key foreign policy objective.

Some of the Guatemalan businesses that were able to access loans included a meat seller that used a loan to introduce cold storage, a footwear manufacturer that purchased new equipment to improve production times, a toy maker that expanded into a new line of educational toys, and a manufacturer of automotive accessories that expanded its product line. Banco Industrial has also provided financing that enabled a payroll systems company to upgrade its technology, and enabled a bed manufacturer expand its business into neighboring countries.

STRATEGIC GOAL 6: GROWING THE QUALITY AND QUANTITY OF OUR INVESTMENTS

GOAL PROGRESS

DFC is increasing its portfolio size in terms of the number of projects supported, as well as dollars invested or insured. With flexibility granted through the BUILD Act, DFC is positioned to deploy more capital and to have an even greater impact in the developing world.

Equity Investments

The authority to make equity investments is a key tool for achieving developmental and strategic outcomes. Equity is often an effective investment tool for earlier stage companies that offer an innovative solution or technology, but are not in a position to take on debt. Potential equity investments come from at least four sources: (1) co-investment rights in most or all funds in which DFC invests, (2) reviewing our loan and insurance portfolios for companies or projects that are good candidates for equity investment, (3) referrals from other DFI partners; and (4) direct business development opportunities.

Mobilize Private Investment

Private capital mobilization in support of sustainable, broad-based economic growth, poverty reduction, and development advances U.S. foreign policy interests. Through demand-driven partnerships with the private sector, DFC leverages private-sector resources to promote economic growth in developing countries, helping to extend American influence and to reinforce American values, such as the rule of law, transparency, and fair business practices. Emerging market trading partners that adhere to free-market principles and promote transparent, rules-based governance today will provide robust markets for American goods and services tomorrow.

DFC offers financing and other innovative financial products that drive private capital investment in challenging emerging markets to address local needs. DFC offers loans, guarantees, equity investments, political risk insurance and feasibility studies to catalyze significant amounts of private capital into emerging markets. This backing is essential to mobilizing government and private resources into supporting key sectors such as infrastructure, power, water, and health. These investments improve the quality of life for millions, laying the groundwork for modern economies, and helping provide financing for women or others who have lacked sufficient—or any—access to commercial financing.

Collaborate with Partners to Maximize Impact

DFC is creating valuable partnerships with other U.S. federal agencies, development finance institutions, non-governmental organizations (NGO), think tanks, and the private sector to maximize development impact. DFC recognizes that non-government stakeholders play a critical advisory and partnership role.

DFC leverages the expertise and thought leadership that outside stakeholders provide to advance its development mandate. DFC and many foundations share a common mission but bring different resources and tools to the table.

DFC will continue to leverage expertise and grant funding from foundations to expand its impact. DFC values the resources non-government stakeholders bring to the table including research, sector expertise, and regional presence.

HELPING A WOMEN-OWNED BUSINESS EXPAND ACCESS TO WOMEN'S HEALTH AND SANITATION PRODUCTS

Challenge

Women in Sub-Saharan Africa struggle to access personal care products due to unreliable supply chains as well as a lack of retail in rural areas and slums. In Kenya, an estimated one million girls regularly miss school because of a lack of sanitation products. The COVID-19 pandemic has exacerbated these challenges by increasing demand for soap, hand sanitizer, and masks.

Solution and Impact

Equity financing is helping the women-owned and women-led e-commerce business Kasha, expand its business selling personal care products to women in Kenya and Rwanda. Kasha offers an online store accessible through basic mobile phones, where consumers can browse, order, make payment and arrange for delivery. The company also works with a network of agents, most of them community health workers, who reach out to women in more remote areas to assist them with their purchases. To date, the company has served 70,000 customers, most of them low-income women.

In addition to offering a product that benefits women and girls, Kasha was founded by two women and has women representing half of its senior leadership and almost one-third of its staff. The Kasha project advances multiple DFC initiatives, including the 2X Women's Initiative. Because Kasha has responded to the COVID-19 pandemic by expanding its product offerings to include masks, sanitizer and related health and safety items, it also advances the Global Health and Prosperity Initiative.

PRODUCING RELIABLE FINANCIAL INFORMATION

DFC uses an Oracle cloud based general ledger financial accounting and reporting system to record daily transactions such as budget execution, recording assets, and making payments.

FINANCIAL CONDITION, POSITION, AND RESULTS

FINANCIAL POSITION

DFC operations began in December 2019; therefore, the comparative financial data presented in this section does not reflect a full year of activity for FY 2020.

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

Balance Sheet	2021	2020	$ Change	% Change
Assets				
Fund Balance with Treasury	$ 2,208,571	$ 1,616,126	$ 592,445	37%
Investments	6,156,487	6,195,838	(39,351)	-1%
Loans Receivable	6,730,788	4,112,784	2,618,004	64%
Other	207,355	99,481	107,874	108%
Total Assets	$ 15,303,201	$ 12,024,229	$ 3,278,972	27%
Liabilities				
Debt	$ 7,723,761	$ 4,677,759	$ 3,046,002	65%
Liability to the General Fund of the US Government	1,071,893	999,425	72,468	7%
Other	419,978	174,767	245,211	140%
Total Liabilities	9,215,632	5,851,951	3,363,681	57%
Total Net Position	6,087,569	6,172,278	(84,709)	-1%
Total Liabilities and Net Position	$ 15,303,201	$ 12,024,229	$ 3,278,972	27%

Net Position	2021	2020	$ Change	% Change
Total Unexpended Appropriations	$ 171,177	$ 105,992	$ 65,185	61%
Cumulative Results of Operations	5,916,392	6,066,286	(149,894)	-2%
Net Position	$ 6,087,569	$ 6,172,278	$ (84,709)	-1%

Net Cost	2021	2020	$ Change	% Change
Gross Costs	$ 223,166	$ 65,397	$ 157,769	241%
Less: Earned Revenue	(384,832)	(297,786)	(87,046)	29%
Net Cost of Operations	$ (161,666)	$ (232,389)	$ 70,723	-30%

Budgetary Resources	2021	2020	$ Change	% Change
Unobligated Balance from Prior Year Budget Authority	$ 6,780,352	$ 6,625,902	$ 154,450	2%
Appropriations	594,494	286,391	308,103	108%
Borrowing Authority	4,409,313	4,107,290	302,023	7%
Spending Authority from Offsetting Collections	1,282,522	1,177,669	104,853	9%
Total Budgetary Resources	$ 13,066,681	$ 12,197,252	$ 869,429	7%

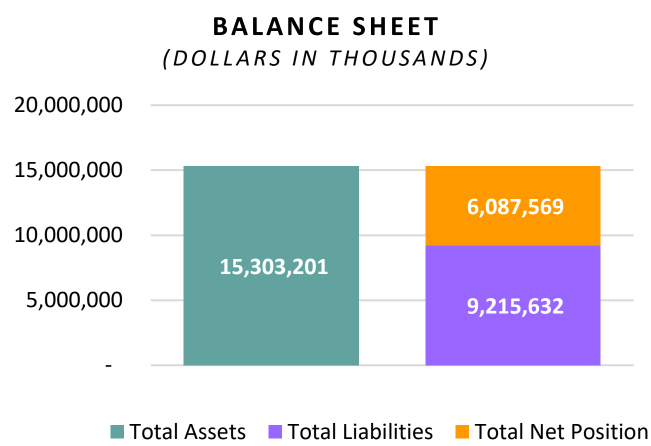
BALANCE SHEET

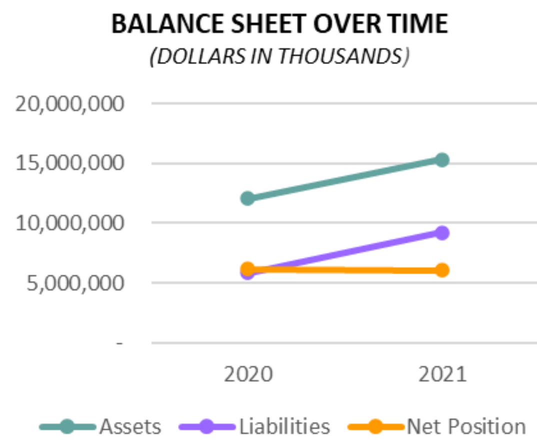
The Balance Sheet is a representation of DFC's financial condition at the end of the fiscal year. It shows:

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

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

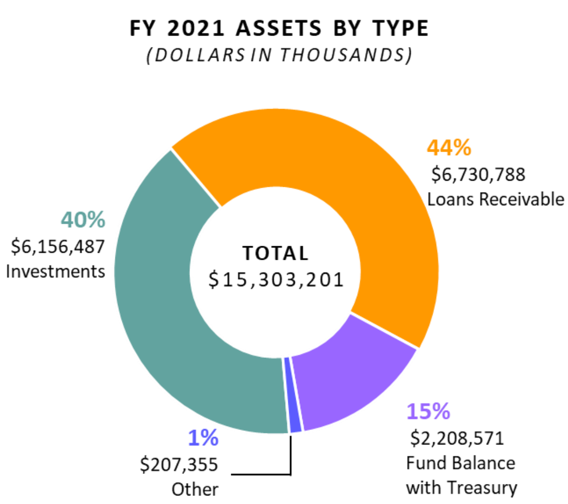
= **Net Position**: the difference between DFC's assets and liabilities.

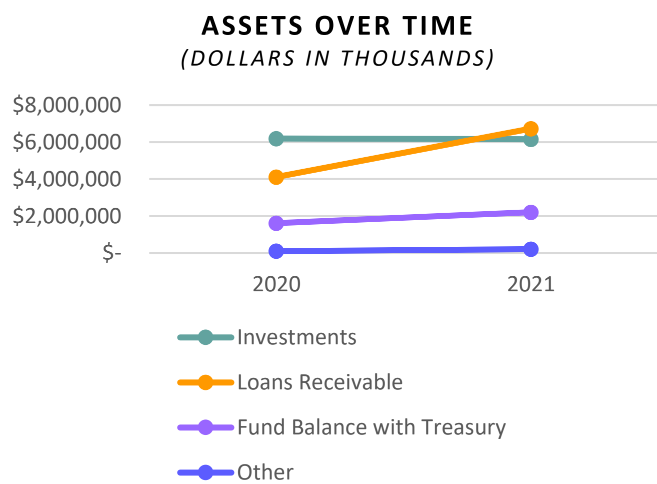




ASSETS

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





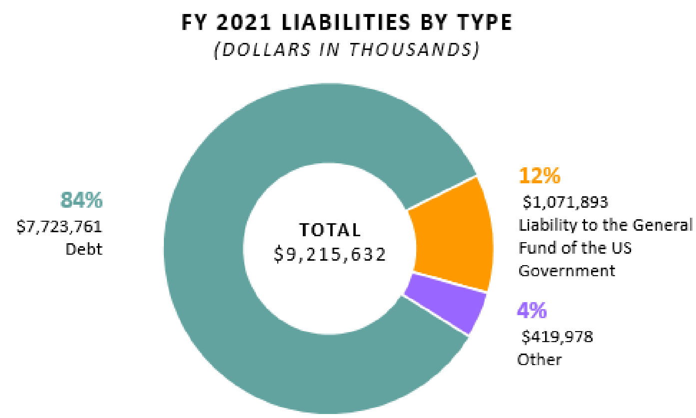
The largest category of assets in FY 2021 is Loans Receivable, which represents money owed to DFC for loans it made to support development across sectors including energy, healthcare, critical infrastructure, and technology, as well as financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. 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. DFC estimates future cash flows for direct loans and loan guaranties using economic and financial credit subsidy models (for more information, refer to *Significant Factors Influencing Financial Results*). In FY 2021, DFC's loans receivable increased by $2.6 billion, 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 7.875%. Although DFC's investments in Treasury securities have temporarily declined by approximately $40 million due to investment maturities which have yet to be reinvested, DFC's investments are enough to cover insurance exposure. To understand more about DFC's insurance, see Note 11.

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. 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.

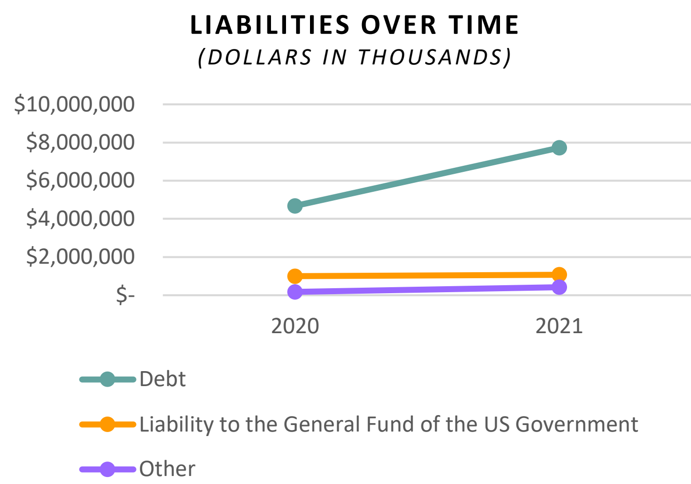
Fund Balance with Treasury (FBWT), the Federal government equivalent of cash, is made up of Congressional appropriations, loan disbursements and collections, and interest and fee collections. The increase of approximately $592 million in FBWT is due to increases in appropriated resources provided to 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 $3 billion from FY 2020, which is reflected in offsetting increase in Loans Receivable and FBWT, as discussed above.

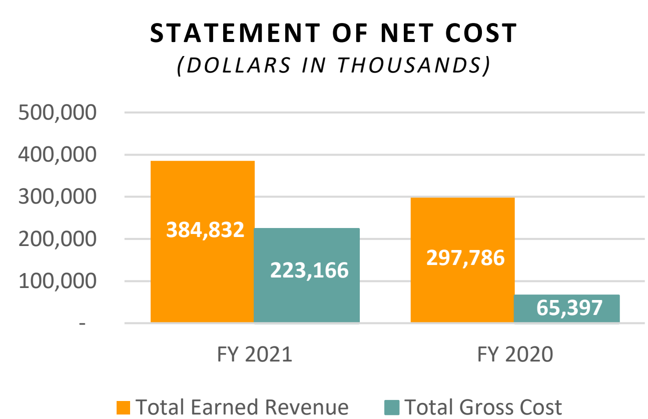


DFC's Liability to the General Fund of the U.S. Government are amounts owed to Treasury for excess revenues over expenses in the Loan and Loan Guaranty programs. The liability is reduced when the Office of Management and Budget (OMB) provides authority for DFC to transfer the funds. For more information, refer to the discussion of Reestimated Subsidy Costs.

STATEMENT OF NET COST

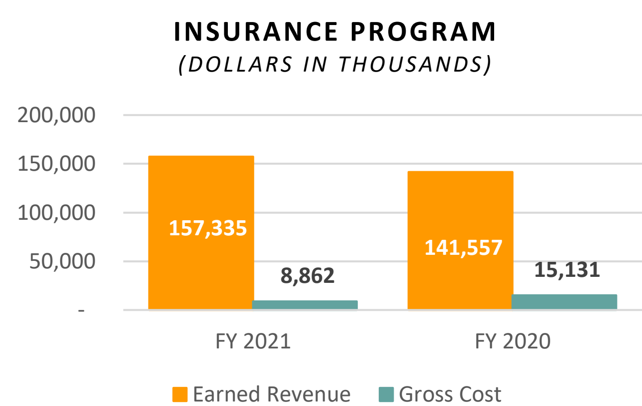
The Statement of Net Cost captures the use of appropriated funds and measures the program costs to the taxpayer. In FY 2021, DFC had net income, or "negative net costs", meaning DFC generated more revenue than its gross costs. DFC's revenue over cost for FY 2021 was $162 million, compared to $232 million in FY 2020.

DFC categorizes cost and revenue into four components based on the agency's investment portfolio: 1) Insurance, 2) Financing, 3) Equity, and 4) Technical Assistance.



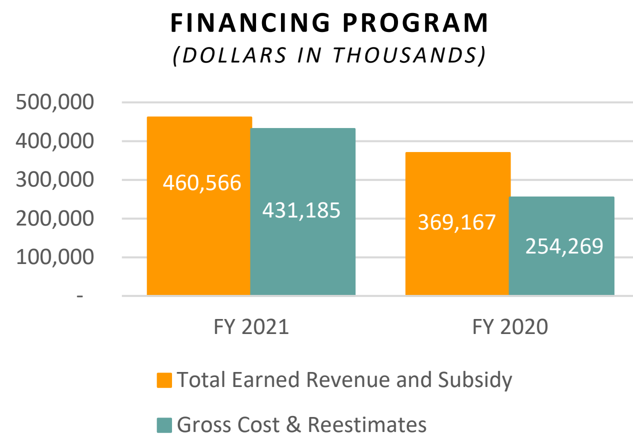
INSURANCE

DFC's revenue over costs for its insurance program was $148 million in FY 2021 and $126 million in FY 2020. The increase in net revenue was driven primarily by increases in fees and insurance premiums earned. Gross costs decreased in FY 2021, primarily due to a reduction in bad debt expenses, offset by increases in administrative execution costs. In FY 2020, DFC recorded a bad debt expense on insurance claims receivable that were paid by Overseas Private Investment Corporation (OPIC) and transferred into the DFC, which was not a recurring item in FY 2021. DFC provides Political Risk Insurance for overseas investments against several risk types. For detailed information about the insurance program, refer to Note 11 in the Financial Section. Administrative execution costs are an allocation of indirect operating costs that support the insurance program.



FINANCING

The financing program had revenues over costs in the amount of $29 million in FY 2021, compared to $115 million in FY 2020. Although DFC had a $70 million increase in fees and interest revenue on its loan and loan guaranties, the revenues were offset by increases in interest paid to Treasury for borrowings to fund direct loans and loan guaranties, increased administrative execution costs, and an increase in the estimated subsidy needed to fund the loans and guaranties in the future. DFC has a large loan guaranty for a project that is significantly impaired that negatively impacted reestimated subsidy expense. 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. The investment balances are on the Balance Sheet, and the investments are too recent to have generated gains or losses that would be reflected in the Statement of Net Cost. The Equity program did generate $1.6 million of dividend revenues, offset by $15 million in administrative costs related to identifying and evaluating potential investments.

STATEMENT 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 Statement of Budgetary Resources (SBR) is 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.

=

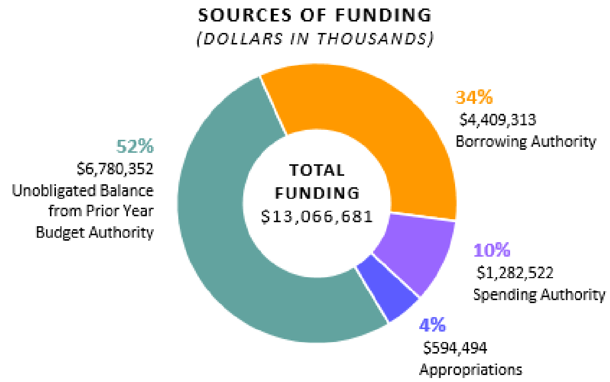
STATUS OF BUDGETARY RESOURCES

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

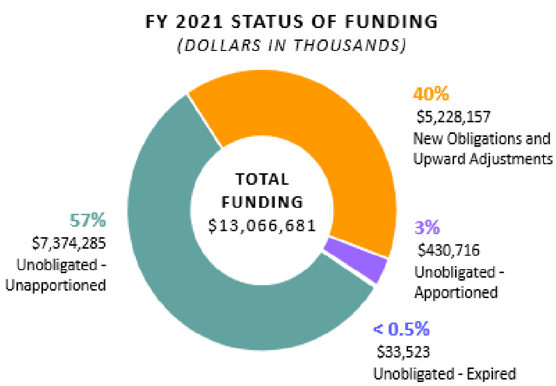
In FY 2021 and FY 2020, DFC's largest source of funding was the Unobligated Balance from Prior Year Budget Authority which includes Budget Authority transferred in from OPIC and USAID under the BUILD Act to continue administering the programs, loans, and loan guaranties from the respective agencies.

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



DFC receives annual appropriations to fund subsidy on loans and loan guaranties, equity, technical assistance, and for operations. Except 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 2021, DFC reduced its $569 million appropriation from the General Fund by $441 million of offsetting collections, resulting in a net appropriation from the General Fund of $128 million. In FY 2020, DFC received $299 million in appropriations that were fully returned to the Treasury before September 30, 2020.

STATUS OF FUNDING

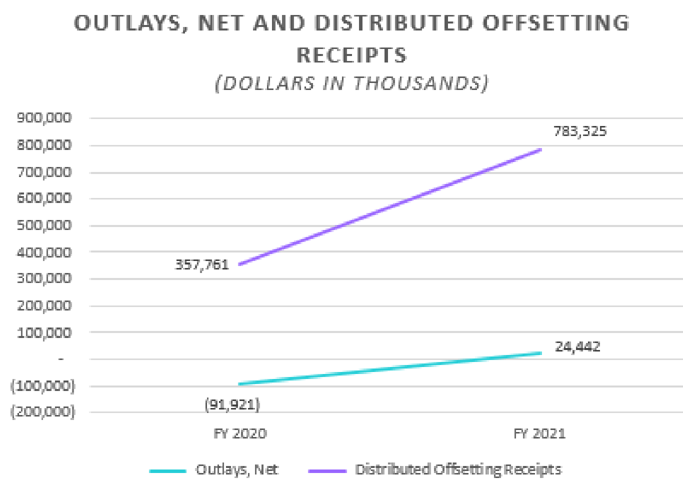


New obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments, and other reservations of funds to operate the agency to meet its mission and goals.

Unobligated unapportioned funds are mostly from funds transferred in from OPIC's Insurance program. $6 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 2021, DFC had outlays of $24 million, compared to negative $92 million in FY 2020. In FY 2020 the amount is negative because DFC's collections exceeded expenditures. Net Outlays were further reduced by Distributed Offsetting Receipts of $783 million and $358 million in fiscal years 2021 and 2020 respectively. Distributed offsetting receipts are agency profits from the direct loan and loan guaranty programs that are distributed back to the U.S. Treasury.



DISBURSEMENTS

Non-budgetary disbursements are related to direct loans and loan guaranty programs covered under the Federal Credit Reform Act of 1990. DFC had net disbursements of $2.6 billion in FY 2021 and $642 million in FY 2020 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 the Federal Credit Reform Act, 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 Statement 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.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of DFC, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT'S STATEMENT OF ASSURANCE

DFC management is responsible for establishing and maintaining effective internal controls and financial management systems to ensure efficient and effective operations, reliable reporting, and compliance with laws and regulations. DFC evaluated its internal control processes using OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, as a framework and provides reasonable assurance that its system of internal control over operations, reporting, and compliance, including considerations of fraud, met the objectives of agency management and was operating effectively as of September 30, 2021. DFC is not aware of any material weaknesses in internal control. As DFC continues to establish and mature its operations, the agency will continue to implement its Enterprise Risk Management program and build and strengthen its internal controls over reporting.

SUMMARY OF INTERNAL CONTROL ASSESMENT

In FY 2021, 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, key business processes identified by management were tested pursuant to the guidance in OMB Circular No. A-123. 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. DFC assessed its entity-level control environment as well as the design and operating effectiveness of its internal controls in the Finance: Direct Loans and Investment Guaranties process. In addition, DFC began its internal control assessment over its Budgetary Resources Management process which is planned to be completed in FY 2022.

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 2022, DFC will continue to implement its Enterprise Risk Management program and build and strengthen its internal controls over reporting.

FORWARD-LOOKING INFORMATION

COVID-19

The COVID-19 pandemic continues to have an impact on the global economy and creates uncertainty regarding the future performance of DFC investments and receivables. During FY 2021 DFC reviewed the potential effect of COVID-

19 on its portfolio and worked with borrowers to mitigate adverse impact on project performance. Potential impacts on the portfolio have been considered in DFC's risk assessment of project performance and are incorporated into accounting estimates in the financial statements. DFC continues to closely monitor the possible effects on the portfolio due to the COVID-19 pandemic.

DIVIDEND

The BUILD Act requires the DFC Board of Directors to annually evaluate its financial position and assess an appropriate dividend. Such a dividend would be paid from Cumulative Results of Operations, thereby reducing its overall financial position. Any material dividends would affect the future financial position of the agency.

EVOLUTION OF PRODUCTS

To meet its development and foreign mandates, DFC is developing new and innovative products using its expanded program flexibilities. DFC may be exposed to an increasingly uncertain probability of repayment as DFC has limited prior experience with some of these new products. For example, DFC is authorized to issue direct loans in foreign currencies which subjects DFC to risk of foreign currency fluctuations. DFC is applying its best available modeling to properly structure and price these transactions and will continue to adapt its modeling based on actual loan experience.

CliftonLarsonAllen LLP
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Independent Auditors' Report

Acting Chief Executive Officer
United States International Development Finance Corporation

In our audits of the fiscal years 2021 and 2020 financial statements of the United States International Development Finance Corporation (DFC), we found:

- DFC's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- No material weaknesses for fiscal year 2021 in internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information[2] included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (4) DFC's response to our findings and recommendations.

Report on the Financial Statements

We have audited the accompanying financial statements of DFC, which comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, and combined budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04).

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

Management's Responsibility

DFC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the

[1]The RSI consists of Management's Discussion and Analysis and the Combining Statement of Budgetary Resources, which are included with the financial statements.

[2]Other information consists of all the other information included with the financial statements, other than the RSI and the auditors' report.

audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

<u>Auditors' Responsibility</u>
Our responsibility is to express an opinion on these financial statements based on our audits. *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

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

<u>Opinion on Financial Statements</u>
In our opinion, DFC's financial statements present fairly, in all material respects, DFC's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, and combined budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

<u>Other Matters</u>

<u>Required Supplementary Information</u>
U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information
DFC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audits were conducted for the purpose of forming an opinion on DFC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of DFC's financial statements, we considered DFC's internal control over financial reporting, consistent with our auditors' responsibility discussed below. We performed our procedures related to DFC's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility
DFC management is responsible for (1) maintaining effective internal control over financial reporting, including 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; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

Auditors' Responsibility
In planning and performing our audit of DFC's financial statements as of and for the year ended September 30, 2021, in accordance with *Government Auditing Standards*, we considered the DFC's internal control over financial reporting 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 over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on the DFC's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting
An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting
Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of DFC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 over financial reporting, 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our 2021 audit, we identified deficiencies in DFC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DFC management's attention. We have communicated these matters to management and, where appropriate, will report on them separately.

Purpose of Report on Internal Control over Financial Reporting
The purpose of this report is solely to describe the scope of our consideration of DFC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of DFC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

In connection with our audits of DFC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

Management's Responsibility
DFC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to DFC.

Auditors' Responsibility
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to DFC that have a direct effect on the determination of material amounts and disclosures in DFC's financial statements, and perform certain other

limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DFC.

<u>Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters</u>
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2021 that would be reportable under *Government Auditing Standards*.

The objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to DFC. Accordingly, we do not express such an opinion.

<u>Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters</u>
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Status of Prior Year's Control Deficiency

We have reviewed the status of DFC's corrective actions with respect to the finding and recommendations included in the prior year's Independent Auditors' Report, dated December 4, 2020. The status of the prior year finding is presented in Exhibit A.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 12, 2021

Independent Auditors' Report (Continued)
Exhibit A
Summary of Prior Year Findings

Our assessment of the current status of the finding related to the prior year audit is presented below:

FY 2020 Finding	***Type***	***Fiscal Year 2021 Status***
Controls Over Reconciliation of SF 132s to SF 133s Need Improvement	Significant Deficiency	Closed

BALANCE SHEET

(dollars in thousands) **As of September 30,**	**2021**	**(Reclassified)** **2020**
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 2,208,571	$ 1,616,126
Investments (Note 3)	6,156,487	6,195,838
Total Intragovernmental	8,365,058	7,811,964
With the Public:		
Accounts Receivable, Net (Note 4)	107,932	98,357
Loans Receivable Net (Note 5)	6,730,788	4,112,784
General Property and Equipment, Net (Note 6)	311	482
Securities and Investments (Note 3)	95,318	-
Advances and Prepayments (Note 7)	3,794	642
Total Assets	**15,303,201**	**$ 12,024,229**
Liabilities		
Intragovernmental:		
Debt (Note 9)	$ 7,723,761	$ 4,677,759
Advances from Others and Deferred Revenue (Note 12)	5,053	-
Other Liabilities		
Liability to the General Fund of the US Government for Other Non-Entity Assets (Note 13)	1,071,893	999,425
Other Liabilities (Note 13)	1,025	1,466
Total Intragovernmental	8,801,732	5,678,650
With the Public:		
Accounts Payable	1	759
Federal Employee Benefits Payable (Note 10)	7,487	5,643
Loan Guaranty Liabilities (Note 5)	246,081	13,052
Insurance Program Liabilities (Note 11)	13,727	15,717
Advances from Others and Deferred Revenue (Note 12)	140,541	134,663
Other Liabilities (Note 13)	6,063	3,467
Total Liabilities	$ 9,215,632	$ 5,851,951
Net Position		
Unexpended Appropriations – Funds Other than those from Dedicated Collections	171,177	105,992
Cumulative Results of Operations - Funds Other than those from Dedicated Collections	5,916,392	6,066,286
Total Net Position	6,087,569	6,172,278
Total Liabilities and Net Position	**$ 15,303,201**	**$ 12,024,229**

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

(in thousands)

For the Period Ended September 30,	**2021**	**2020**
Insurance Program		
Gross Costs		
Operating Costs	$ 8,862	$ 15,131
Total Gross Costs	8,862	15,131
Less: Earned Revenue	(157,335)	(141,557)
Net Insurance Program Costs	(148,473)	(126,426)
Financing Program		
Gross Costs		
Operating Costs	264,347	134,753
Subsidy Costs/(Reduction)	(234,711)	(212,938)
Reestimates	166,838	119,516
Total Gross Costs	196,474	41,331
Less: Earned Revenue	(225,855)	(156,229)
Net Financing Program Costs	(29,381)	(114,898)
Equity Program		
Gross Costs		
Operating Costs	15,236	8,935
Total Gross Costs	15,236	8,935
Less: Earned Revenue	(1,642)	-
Net Equity Program Costs	13,594	8,935
Technical Assistance Program		
Gross Costs		
Operating Costs	2,594	-
Total Gross Costs	2,594	-
Net Technical Assistance Program Costs	2,594	-
Net Cost of Operations	**$ (161,666)**	**$ (232,389)**

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

(in thousands)

For the Period Ended September 30,	**2021**	**2020**
Unexpended Appropriations		
Beginning Unexpended Appropriations	$ 105,992	$ -
Appropriations Received	594,494	286,391
Appropriations Transferred-In	30,000	122,382
Other Adjustments	-	(7,927)
Appropriations Used	(559,309)	(294,854)
Total Unexpended Appropriations	171,177	105,992
Cumulative Results of Operations		
Beginning Balance	6,066,286	-
Other Adjustments	(116)	-
Appropriations Used	559,309	294,854
Transfers In/Out Without Reimbursement	14	5,942,901
Imputed Financing	3,069	2,192
Offset to Non-entity Collections	(873,836)	(406,050)
Net Cost of Operations	161,666	232,389
Net Change	(149,894)	6,066,286
Cumulative Results of Operations	**5,916,392**	**6,066,286**
Net Position	**$ 6,087,569**	**$ 6,172,278**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

(in thousands) **For the Period Ended September 30, 2021**	**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	(783,325)	
Agency Outlays, Net	**$ (758,883)**	
Disbursements, Net		**$ 2,633,100**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

(in thousands) **For the Period Ended September 30, 2020**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	$ 6,072,305	$ 553,597
Appropriations	286,391	-
Borrowing Authority	-	4,107,290
Spending Authority from Offsetting Collections	695,603	482,066
Total Budgetary Resources	**$ 7,054,299**	**$ 5,142,953**
Status of Budgetary Resources		
New obligations and upward adjustments (total)	$ 558,128	$ 4,524,224
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	90,071	243,870
Unapportioned, unexpired accounts	6,362,427	374,859
Unexpired unobligated balance, end of year	6,452,498	618,729
Expired unobligated balance, end of year	43,673	-
Unobligated Balance, end of year (total)	6,496,171	618,729
Total Budgetary Resources	**$ 7,054,299**	**$ 5,142,953**
Outlays (Net) and Disbursements (Net)		
Outlays, net	$ (91,921)	
Distributed Offsetting Receipts	(357,761)	
Agency Outlays, Net	**$ (449,682)**	
Disbursements, Net		**$ 641,793**

The accompanying notes are an integral part of these 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. 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. On October 5, 2018, the President of the United States signed the BUILD Act (Public Law 115-254) establishing DFC. The BUILD Act specified a transition period during which the assets, liabilities, and functions of the Overseas Private Investment Corporation (OPIC) and certain functions of the United States Agency for International Development (USAID) were to be transferred to DFC. The transition period occurred during FY 2020, which coincides with DFC's first year of operation.

B. BASIS OF ACCOUNTING AND PRESENTATION

The format of the financial statements and footnotes 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). DFC's financial statements are presented on the accrual and budgetary basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Financial Accounting Standards Advisory Board (FASAB). Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of Federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government. The presentation of the FY 2020 Balance Sheet was modified to be consistent with the FY 2021 presentation.

Significant intra-agency transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Statement of Budgetary Resources, which is presented on a combined basis in accordance with A-136. As such, intra-agency transactions have not been eliminated from the Statement of Budgetary Resources.

DFC began activities in December 2019. As a result, the activities presented in these statements and notes for FY 2020 do not reflect a full twelve months of operations.

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 of 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

DFC has authority to make investments in Treasury securities and direct equity investments 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. DFC also has the authority to make equity investments in non-Treasury projects and emerging market investment funds. 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. Under ASC 321, equity investments are reported at fair value. When a readily determined fair value is not available, the equity investment can be reported 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. PROPERTY AND EQUIPMENT, NET

DFC's property and equipment consists of general-purpose equipment used by the agency. Most of DFC property and equipment was transferred from OPIC, including equipment and internal use software. DFC capitalizes property 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 and equipment acquisitions that do not meet the capitalization criteria when purchased, as well as normal repairs and maintenance. The cost of property and equipment acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 10 years.

F. FEDERAL EMPLOYEE BENEFITS

LEAVE

Employee annual leave is accrued as it is 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. 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.

IMPUTED FINANCING 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 (FICA), 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 Statement of Net Cost and imputed financing in the Statement of Changes in Net Position.

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.

G. INSURANCE PROGRAM

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 51, *Insurance Programs*, the Insurance 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.

H. COMMITMENTS AND CONTINGENCIES

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.

I. 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,	**2021**	**2020**
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 560,084	$ 913,202
Unavailable	33,523	43,673
Obligated Balance not yet Disbursed	1,614,964	659,251
Total FBWT	**$ 2,208,571**	**$ 1,616,126**

At September 30, 2021 and 2020, 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.

NOTE 3: INVESTMENTS

(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 Securities and Investments	**$ 6,128,423**	**$ (506)**	**$ 28,570**	**$ 6,156,487**	**$ 195,419**	**$ 6,351,906**
Other Securities and Investments						
Available for Sale Equity Securities	$ 95,318	$ -	$ -	$ 95,318	$ -	$ 95,318
Total Other Securities and Investments	**$ 95,318**	**$ -**	**$ -**	**$ 95,318**	**$ -**	**$ 95,318**

(dollars in thousands) **As of September 30, 2020**	Acquisition Value	Amortized (Premium)/ Discount	Interest Receivable	Net Investments	Unrealized Gain/(Loss)	Market Value
Treasury Non-Marketable, Market-based Securities						
Notes	$ 5,864,236	$ 1,149	$ 27,734	$ 5,893,119	$ 371,298	$ 6,264,417
Bonds	300,312	(114)	2,521	302,719	52,748	355,467
Total Intragovernmental Securities and Investments	**$ 6,164,548**	**$ 1,035**	**$ 30,255**	**$ 6,195,838**	**$ 424,046**	**$ 6,619,884**

Measurement of Non-Federal Securities

(dollars in thousands) **As of September 30, 2021**	Purchase Price	Total
Available for Sale Equity Securities	$ 95,318	$ 95,318
Total Non-Federal Securities	**$ 95,318**	**$ 95,318**

By statute, DFC is authorized to invest funds derived from fees and other revenues related to its insurance programs in Treasury non-marketable, market-based Securities and make equity investments in non-Treasury projects and emerging market investment funds. 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 Other Securities and Investments include investments in limited partnerships, preferred stock, common stock, and equity shares in investment funds. DFC began making these investments in FY 2021. As of September 30, 2021, the investments have no impairment, and there are no readily determined fair values for the investments. DFC is reporting non-Federal investments listed above at purchase price in accordance with ASC 321.

DFC's non-Federal investment activity is as follows:

(dollars in thousands)		2021
Other Securities and Investments		
Balance as of October 1, 2020	$	-
Acquisitions of investments		95,318
Balance as of September 30, 2021	**$**	**95,318**

DFC also has hybrid investments that are structed as loans that may convert to equity investments. These hybrid investments are accounted for under the Federal Credit Reform Act (FCRA) while the loans are active, and are therefore not reported in the above schedules of investments.

NOTE 4: ACCOUNTS RECEIVABLE, NET

(dollars in thousands) **As of September 30,**		**2021**		**(Reclassified) 2020**
Public Accounts Receivable				
Accounts Receivable	$	100,483	$	90,842
Insurance Settlement		20,804		20,757
Allowance for Uncollectible Amounts		(13,355)		(13,242)
Accounts Receivable, Net	**$**	**107,932**	**$**	**98,357**

Accounts receivable are amounts due to DFC from the public from fees and premiums from insurance policies, fees from loan and loan guaranty agreements, and assets acquired in insurance claims settlements. 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. 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 has 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.
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 any 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.

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, and the Economic Assistance Loan program, which were initiated prior to FY 1992.
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 FCRA governs direct loans made after fiscal year 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. FCRA also governs loan guaranties made after fiscal year 1991. The liability is determined by calculating the net present value of expected future cash flows for outstanding guaranties in a manner similar to 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 also has direct loans related to capitalized fees that are not covered under FCRA in the amount of $1,533 thousand as of September 30, 2021.

BUDGETARY ACCOUNTING FOR LOAN PROGRAMS

DFC's loan disbursements 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 reestimate increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimate 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 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 reestimate 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 Statement 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 FEDERAL CREDIT REFORM

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.

VALUATION METHODOLOGY FOR DIRECT LOANS AND LOAN GUARANTIES

The value of direct loans and loan guaranties 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. 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 Federal Credit Reform 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.

B. DIRECT LOANS, NET

(dollars in thousands) **As of September 30, 2021**	**Loans Receivable, Gross**	**Fees & Interest Receivable**	**Allowance for Loan Loss (or Present Value Allowance)**	**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 Loans Receivable	**$ 7,248,010**	**$ 525,354**	**$ (535,868)**	**$ (949,034)**	**$ 6,288,462**

(dollars in thousands) **As of September 30, 2020**	**Loans Receivable, Gross**	**Fees & Interest Receivable**	**Allowance for Loan Loss (or Present Value Allowance)**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Loans Obligated Prior to FY 1992					
Legacy Loans	$ 593,361	$ 389,345	$ (535,868)	$ -	$ 446,838
Loans Obligated After FY 1991					
Direct Loans	3,659,289	97,775	-	(238,276)	3,518,788
Legacy Loans	655,960	21,206	-	(838,249)	(161,083)
Total Loans Receivable	**$ 4,908,610**	**$ 508,326**	**$ (535,868)**	**$ (1,076,525)**	**$ 3,804,543**

C. TOTAL AMOUNT OF DIRECT LOANS DISBURSED

(dollars in thousands) **As of September 30,**	**2021**	**2020**
Direct Loan Disbursements	$ 3,140,075	$ 919,700

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

(dollars in thousands) **As of September 30,**	**2021**	**2020**
Subsidy Expense for New Direct Loans Disbursed		
Interest Differential	$ (4,744)	$ (1,883)
Defaults	96,633	85,974
Fees and Other Collections	(212,563)	(193,080)
Other	(36,484)	18,456
Total Subsidy Expense for New Direct Loans Disbursed	(157,158)	(90,533)
Modifications and Reestimates		
Total modifications	(967)	-
Interest Rate Reestimates	(45,493)	14,751
Technical Reestimates	79,423	59,234
Total Reestimates	33,930	73,985
Total Direct Loan Subsidy Expense	**$ (124,195)**	**$ (16,548)**

E. SCHEDULE FOR RECONCILING DIRECT LOAN SUBSIDY COST ALLOWANCE

(dollars in thousands) **As of September 30,**	**2021**	**2020**
Beginning balance of the subsidy cost allowance	$ (1,076,525)	$ -
Subsidy cost allowance transferred-in		(962,425)
Add: subsidy expense for direct loans disbursed during the year	157,158	90,533
Adjustments:		
Loan modifications	967	-
Fees accrued	(2,829)	(508)
Loans written off	109,099	3,196
Subsidy allowance amortization	(102,964)	(134,329)
Other	(10)	993
Total adjustments	3,296	(130,648)
Ending balance of the subsidy cost allowance before reestimates	(915,104)	(1,002,540)
Add or subtract subsidy reestimates	(33,930)	(73,985)
Ending balance of the subsidy cost allowance	**$ (949,034)**	**$ (1,076,525)**

F. DEFAULTED LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2021**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss (or Present Value Allowance)**	**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**

(dollars in thousands) **As of September 30, 2020**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss (or Present Value Allowance)**	**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	$ 85,046	$ 11,671	$ (40,609)	$ -	$ 56,108
Loans Obligated After FY 1991					
Loan Guaranties	366,371	18,103	-	(263,354)	121,120
Legacy Loan Guaranties	77,174	53,839	-	-	131,013
Total	**$ 528,591**	**$ 83,613**	**$ (40,609)**	**$ (263,354)**	**$ 308,241**

G. GUARANTIED LOANS OUTSTANDING

GUARANTIED LOANS OUTSTANDING

(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**

(dollars in thousands) **As of September 30, 2020**	**Outstanding Principal of Guarantied Loans, Face Value**	**Amount of Outstanding Principal Guarantied**
Loan Guaranties	$ 10,629,819	$ 10,322,937
Legacy Loan Guaranties	186,560	186,560
Total	**$ 10,816,379**	**$ 10,509,497**

NEW LOAN GUARANTIES DISBURSED

(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
Legacy Loan Guaranties	-	-
Total	**$ 1,353,910**	**$ 1,082,922**

(dollars in thousands) **As of September 30, 2020**	**Principal of Guarantied Loans, Face Value**	**Amount of Principal Guarantied**
Loan Guaranties	$ 1,331,896	$ 1,246,620
Legacy Loan Guaranties	-	-
Total	**$ 1,331,896**	**$ 1,246,620**

H. LIABILITY FOR LOAN GUARANTIES

(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**

(dollars in thousands) **As of September 30, 2020**	**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	$ (1,924)	$ -	$ (1,924)
Loans Obligated After FY 1991			
Loan Guaranties	-	(149,006)	(149,006)
Legacy Loan Guaranties	-	163,982	163,982
Total Liability for Loan Guaranties	**$ (1,924)**	**$ 14,976**	**$ 13,052**

I. SUBSIDY EXPENSE FOR LOAN GUARANTIES BY PROGRAM AND COMPONENT

(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 Reestimates	135,092	(2,184)	132,908
Total Loan Guaranty Subsidy Expense	**$ 58,506**	**$ (2,184)**	**$ 56,322**

(dollars in thousands) **As of September 30, 2020**	**Loan Guaranties**	**Legacy Loan Guaranties**	**Total**
Subsidy Expense for New Loan Guaranties Disbursed			
Defaults	$ 110,386	$ -	$ 110,386
Fees and Other Collections	(288,339)	-	(288,339)
Other	55,548	-	55,548
Total Subsidy Expense for New Loan Guaranties Disbursed	(122,405)	-	(122,405)
Reestimates			
Interest Rate Reestimates	(9,627)	(3,317)	(12,944)
Technical Reestimates	59,234	(759)	58,475
Total Reestimates	49,607	(4,076)	45,531
Total Loan Guaranty Subsidy Expense	**$ (72,798)**	**$ (4,076)**	**$ (76,874)**

J. SCHEDULE FOR RECONCILING THE LOAN GUARANTY LIABILITY

(dollars in thousands) **As of September 30,**	**2021**	**2020**
Beginning balance of the loan guaranty liabilities	$ 14,976	$ -
Loan guaranty liability transferred-in		(51,531)
Less claims paid to lenders	(265,904)	(180,524)
Add fees accrued	281,183	192,058
Add loans acquired	159,121	107,966
Add subsidy expense for guarantied loans disbursed during the year	25,900	15,143
Less negative subsidy payments	(103,385)	(137,548)
Add upward reestimate	371,740	293,863
Less downward reestimate	(238,832)	(248,332)
Subsidy allowance amortized	5,064	23,553
Loan guaranty modifications	899	-
Other	-	328
Ending balance of the loan guaranty liability	**$ 250,762**	**$ 14,976**

K. SUBSIDY RATES BY PROGRAM AND COMPONENT

As of September 30, 2021	**Defaults, net of recoveries**	**Interest**	**Fees**	**Other**	**Total**
Direct Loans					
Direct Loans	9.64%	-	-14.79%	-	-5.15%
Direct Loan Investment Funds	4.68%	-4.37%	-9.04%	-	-8.73%
Loan Guaranties					
USAID Mission-led Guaranties	5.07%	-	-2.02%	-	3.05%
Loan Guaranties	9.21%	-	-21.69%	-	-12.48%
Limited Arbitral Award Coverage	4.38%	-	-8.07%	-	-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 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 $93,462 and $64,119 thousand for the period ended September 30, 2021 and 2020, respectively.

NOTE 6: PROPERTY AND EQUIPMENT, NET

(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**

(dollars in thousands) **As of September 30, 2020**	**Acquisition Cost**	**Accumulated Depreciation**	**Net Book Value**
Equipment	$ 3,925	$ (3,443)	$ 482
Internal-Use Software	9,584	(9,584)	-
Total Property and Equipment, Net	**$ 13,509**	**$ (13,027)**	**$ 482**

(dollars in thousands)	**Acquisition Cost**	**Accumulated Depreciation**	**Net Book Value**
Balance as of October 1, 2019	$ -	$ -	$ -
Transfers In	13,509	(12,882)	627
Depreciation Expense	-	(145)	(145)
Balance as of September 30, 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

(dollars in thousands) **As of September 30,**	**2021**	**2020**
Advances	$ 3,794	$ 642
Total Advances and Prepayments	**$ 3,794**	**$ 642**

DFC's advances are related to the Legacy Loan Guaranty programs. The amounts represent advances for claims that DFC pays to a bank that processes the loan guaranties. DFC processes an advance when a claim payment request is received from the bank, and recognizes the decrease to the loan guaranty liability when the claim reconciliation information is received from the bank.

NOTE 8: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(dollars in thousands) **As of September 30,**	**2021**	**(Reclassified)** **2020**
Intragovernmental		
Unfunded FECA Liability	$ 386	$ 301
Total Intragovernmental	386	301
With the Public		
Federal Employee Benefits Payable	6,134	5,643
Insurance and Guaranty Program Liabilities	132	-
Total With the Public	6,266	5,643
Total Liabilities Not Covered by Budgetary Resources	6,652	5,944
Total Liabilities Covered by Budgetary Resources	9,049,701	5,833,398
Total Liabilities Not Requiring Budgetary Resources	159,279	12,609
Total Liabilities	**$ 9,215,632**	**$ 5,851,951**

Liabilities of Federal agencies are classified as liabilities covered, liabilities not covered by budgetary resources, and liabilities not requiring budgetary resources.

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.

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 it 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 accrued unfunded annual leave.

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. During FY 2020 borrowings from Treasury were transferred in from OPIC and USAID to DFC.

(dollars in thousands)

As of September 30,		**2021**		**2020**
Debt to the Treasury				
Beginning Balance	$	4,677,759	$	-
Borrowings Transferred In		-		5,341,670
Net Borrowings		3,046,002		(663,911)
Ending Balance	**$**	**7,723,761**	**$**	**4,677,759**

NOTE 10: FEDERAL EMPLOYEE BENEFITS PAYABLE

(dollars in thousands)

As of September 30,		**2021**		**2020**
Accrued Unfunded Annual Leave	$	5,705	$	5,215
Employer Contributions and Payroll Taxes Payable		1,354		-
Actuarial FECA Liability		428		428
Total Federal Employee Benefits Payable:	**$**	**7,487**	**$**	**5,643**

DFC employees accrue annual leave, which DFC records as a liability to 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 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 11: INSURANCE PROGRAM LIABILITIES

DFC provides Political Risk Insurance for overseas investments against five different risks: (1) inconvertibility of currency; (2) expropriation; (3) bid, performance, advance payment, and other guaranty coverages; (4) political violence; and (5) breach of contract for capital markets. On a case-by-case basis, DFC may rewrite and renew insurance coverage beyond the initial term of the original insurance contract issued. 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.

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.

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. Payments made under insurance contracts that result in recoverable assets are included in Accounts Receivable net of an allowance for uncollectible amounts.

DFC's Insurance Program liabilities consists of the following:

(dollars in thousands) **As of September 30,**		**2021**		**(Reclassified) 2020**
Unearned Insurance Premiums	$	13,594	$	15,717
Unpaid Insurance Claims		133		-
Total Insurance Program Liabilities:	**$**	**13,727**	**$**	**15,717**

In FY 2021, DFC has unpaid insurance claims that are recorded as unfunded liabilities. DFC did not have any claims incurred or paid, or claims recoveries received during FY 2020. DFC's liability for unpaid insurance claims and activity for FY 2021 is as follows:

(dollars in thousands)		**2021**
Unpaid Insurance Claims as of October 1, 2020	$	-
Claims Expense		259
Less: Claims Paid		(126)
Unpaid Insurance Claims as of September 30, 2021	**$**	**133**

The liability for losses on remaining coverage 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 it is the period the insurance is in-force and unexpired. DFC has no liability for losses on remaining coverage as of September 30, 2021.

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, or Current Exposure to Claims at September 30, 2021 was $2.6 billion. DFC's broader measure of exposure is limited to Maximum Contingent Liability of $5.7 billion at September 30, 2021.

This amount is DFC's estimate of maximum exposure to insurance claims, which includes standby coverage for which DFC is committed but not currently at risk.

NOTE 12: ADVANCES FROM OTHERS AND DEFERRED REVENUE

(dollars in thousands) **As of September 30,**		**2021**		**(Reclassified) 2020**
Finance Retainer Fees and Deferred Facility Fees	$	127,750	$	122,054
Rent Incentives		12,791		12,609
Total Advances from Others and Deferred Revenue	**$**	**140,541**	**$**	**134,663**

DFC's advances from others and deferred revenue is the result of their ability to charge a retainer and other working capital fees in conjunction with each project. Working capital fees are maintained in funds for DFC's use in future years. Facility fees collected in excess of $50,000 are amortized over the life of the project.

NOTE 13: OTHER LIABILITIES

(dollars in thousands) **As of September 30,**		**2021**		**(Reclassified) 2020**
Intragovernmental				
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	$	1,071,893	$	999,425
Other Liabilities				
Employer Contributions & Payroll Taxes Payable		639		1,165
Unfunded FECA Liability		386		301
Total Intragovernmental		1,072,918		1,000,891
With the Public				
Accrued Funded Payroll and Benefits		5,972		3,376
Liability for Deposit Funds		91		91
Total With the Public		6,063		3,467
Total Other Liabilities	**$**	**1,078,981**	**$**	**1,004,358**

DFC's liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets consists of amounts due to Treasury for downward reestimates and capital transfers due to Treasury. Federal credit programs are required to transfer to Treasury excess funding. Loans and loan guaranties made after FY 1991 that are covered under FCRA are reestimated each year. The loans and loan guaranties where the reestimate indicates 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. Loan and loan guaranties made prior to FY 1992 are not covered under the Federal Credit Reform Act, however, excess funding is required to be transferred to Treasury in the form of a capital transfer.

NOTE 14: LEASES

OPERATING LEASES

DFC leases commercial facilities under a multi-year operating lease agreement, as amended, which expires in April 2029. 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 Balance Sheet and are amortized to recognize rent expense on a straight-line basis over the life of the lease. Rental expense was approximately $8.6 million and $6.9 million for fiscal years 2021 and 2020, respectively. The following table presents future non-cancelable rental payments.

(dollars in thousands) **For the Years Ending:**		**Non-Federal Lease Payments**
2022	$	9,638
2023		9,660
2024		9,901
2025		10,148
2026		10,401
After 2026		28,082
Total Future Lease Payments	**$**	**77,830**

NOTE 15: BUDGETARY RESOURCES

A. PERMANENT INDEFINITE APPROPRIATIONS

The Federal Credit Reform Act of 1990 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.

B. ANNUAL APPROPRIATIONS

DFC receives an annual appropriation for operations and programs. Under current law (Public Law 116-94, 133 Stat. 2840), DFC's offsetting collections derived from investment earnings, non-insurance fees, and negative subsidy are to be used to reduce DFC's annual appropriation from the General Fund to zero.

C. 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 in excess of the amount of subsidy and collections maintained in the financing funds. As of September 30, 2021 and 2020, DFC had $8,084 million and $5,534 million, respectively, in borrowing authority carried over to fund direct loans and pay future claims.

D. 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) **As of September 30, 2021**	**Federal**	**Non-Federal**	**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**

(dollars in thousands) **As of September 30, 2020**	**Federal**	**Non-Federal**	**Total**
Unpaid	$ 1,042,158	$ 4,694,430	$ 5,736,588
Paid	-	642	642
Total Obligations	**$ 1,042,158**	**$ 4,695,072**	**$ 5,737,230**

E. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

(dollars in millions) **For the Period Ended September 30, 2020**	**Budgetary Resources**	**New Obligations and Upward Adjustments**	**Distributed Offsetting Receipts**	**Net Outlays**
Combined Statement of Budgetary Resources	$ 12,197	$ 5,082	$ (358)	$ 550
Expired Funds not reported in 2022 President's Budget	(50)	-	-	-
Variances as a result of OPIC Transfer to DFC	-	-	(57)	(8)
Rounding	(5)	(2)	-	1
Budget of the U.S. Government	**$ 12,142**	**$ 5,080**	**$ (415)**	**$ 543**

Agencies are required to explain material differences between their 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 2021 SBR will be reconciled to the actual balances per the 2023 Budget of the U.S. Government which will be released in FY 2022. The Budget with the actual amounts for this current year will be available at a later date at https://www.whitehouse.gov/omb/budget/.

Balances reported in the FY 2020 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. Additionally, differences exist as a result of the mid-fiscal year creation of DFC during FY 2020 during which some funds remained in OPIC fund symbols, while others were transferred to DFC. Other minor differences are the result of rounding variances.

NOTE 16: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. In accordance with OMB Circular 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 Statement of Net Cost and the consolidated Balance Sheet. Loans Receivable and Loan Guaranty Liability activity is reported below for the liquidating funds for loans and loan guaranties made prior to FY 1992.

(dollars in thousands) **For the Period Ended September 30, 2021**	**Intra governmental**	**With the public**	**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 Re-estimates	(168,649)	-	(168,649)
Increase/(decrease) in assets:			
Accounts Receivable	-	(13,990)	(13,990)
Loans Receivable	-	(178,197)	(178,197)
Investments	773	95,318	96,091
Advances	-	1,239	1,239
(Increase)/decrease in liabilities:			
Accounts Payable	-	758	758
Federal Employee Benefits Payable	-	(491)	(491)
Loan Guaranty Liability	-	2,757	2,757
Insurance Program Liabilities	-	1,991	1,991
Advances from Others and Deferred Revenue	-	(10,817)	(10,817)
Subsidy Payable to the Financing Account	462,178	-	462,178
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**	**(104,199)**	**186,122**
Components of Net Outlays That Are Not Part of Net Cost:			
Transfers out (in) without reimbursement	(286,733)	-	(286,733)
Distributed Offsetting Receipts	(783,325)	-	(783,325)
Total Components of Net Outlays That Are Not Part of Net Cost	**(1,070,058)**	**-**	**(1,070,058)**
Net Outlays (calculated)	**(681,048)**	**(77,835)**	**(758,883)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			24,442
Distributed Offsetting Receipts			(783,325)
Total Agency Outlays, Net			**$ (758,883)**

(dollars in thousands) **For the Period Ended September 30, 2020**	**(Reclassified) Intra governmental**	**(Reclassified) With the public**	**(Reclassified) Total**
Net Cost	**$ 47,009**	**$ (25,288)**	**$ 21,721**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(145)	(145)
Year-end Credit Reform subsidy Re-estimates	(118,200)	-	(118,200)
Increase/(decrease) in assets:			
Accounts Receivable	-	10,055	10,055
Loans Receivable	-	(53,288)	(53,288)
Investments	68,067	-	68,067
(Increase)/decrease in liabilities:			-
Accounts Payable	-	(759)	(759)
Federal Employee Benefits Payable	(428)	(5,214)	(5,642)
Loan Guaranty Liability	-	1,924	1,924
Insurance Program Liabilities	-	(15,717)	(15,717)
Advances from Others and Deferred Revenue	-	(133,434)	(133,434)
Subsidy Payable to the Financing Account	284,391	-	284,391
Liability to the General Fund of the US Government for Other Non-Entity Assets	(656,763)	-	(656,763)
Other Liabilities	(1,466)	(3,467)	(4,933)
Other Financing Sources:			-
Imputed Costs	(2,192)	-	(2,192)
Total Components of Net Cost That Are Not Part of Net Outlays	**(426,591)**	**(200,045)**	**(626,636)**
Components of Net Outlays That Are Not Part of Net Cost:			
Transfers out (in) without reimbursement	512,994	-	512,994
Distributed Offsetting Receipts	(357,761)	-	(357,761)
Total Components of Net Outlays That Are Not Part of Net Cost	**155,233**	**-**	**155,233**
Net Outlays (calculated)	**(224,349)**	**(225,333)**	**(449,682)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			(91,921)
Distributed Offsetting Receipts			(357,761)
Total Agency Outlays, Net			**$ (449,682)**

NOTE 17: RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COSTS, AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORTING COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, 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 FR 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 FR line items. The GTAS balances on the Reclassified Balance Sheet and Statement of Changes in Net Position require additional manual adjustments in order to accurately reflect DFC's activity. A copy of the 2020 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2021 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.

FY 2021 DFC Statement of Net Cost		**Line Items Used to Prepare FY 2021 Government-wide Statement of Net Cost**			
Financial Statement Line	**Amounts** *(in thousands)*	**All Other Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Gross Costs	$ -	$ 50,032	$ 272	$ 50,304	**Non-Federal Gross Cost**
Operating Costs	291,039	-	-	-	
Subsidy costs	(234,711)	-	-	-	
Reestimates	166,838	-	-	-	
	-	11,409	-	11,409	Benefit Program Costs
	-	3,069		3,069	Imputed Costs
	-	2,808	-	2,808	Buy/Sell Costs
	-	155,576		155,576	Borrowing and Other Interest Expense
Total Gross Costs	**223,166**	**222,894**	**272**	**223,166**	**Total Reclassified Gross Costs**
Earned Revenue	(384,832)	(185,332)	-	(185,332)	**Non-Federal Earned Revenue**
		(6,169)	-	(6,169)	Buy/Sell Revenue
		(131,499)	-	(131,499)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		(61,832)	-	(61,832)	Borrowing and Other Interest Revenue
		(199,500)	-	(199,500)	*Total Federal Earned Revenue*
Total Earned Revenue	**(384,832)**	**(384,832)**	**-**	**(384,832)**	**Total Reclassified Earned Revenue**
Net Cost	**$ (161,666)**	**$ (161,938)**	**$ 272**	**$ (161,666)**	**Net Cost**

FY 2021 DFC Statement of Changes in Net Position		**Line Items Used to Prepare FY 2021 Government-wide**			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustments** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Unexpended Appropriations					**Unexpended Appropriations**
Unexpended Appropriations, Beginning Balance	$ 105,992	$ 115,782	$ (9,790)	$ 105,992	Net Position, Beginning of Period
Corrections of Errors	-	(10,343)	10,343	-	Corrections of Errors
Appropriations received	594,494	594,494	-	594,494	Appropriations Received as Adjusted
Appropriations transferred in/out	30,000	30,000	-	30,000	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
Appropriations Used	(559,309)	(558,864)	(445)	(559,309)	Appropriations Used
Total Unexpended Appropriations	**171,177**	**171,069**	**108**	**171,177**	**Total Unexpended Appropriations**
Cumulative Results, Beginning Balance	6,066,286	6,056,225	10,061	6,066,286	Net Position, Beginning of Period
Corrections of Errors	-	10,343	(10,343)	-	Corrections of Errors
Other Adjustments	(116)	(116)	-	(116)	Other Adjustments
Appropriations Used	559,309	558,864	445	559,309	Appropriations Expended
Transfers In/Out without Reimbursement	14	14	-	14	Transfers In/Out without Reimbursement
Imputed Financing	3,069	3,069	-	3,069	Imputed Financing Sources
Offset to Non-entity Collections	(873,836)	(873,836)	-	(873,836)	Non-entity collections transferred to the General Fund of the U.S. Government
Net (Cost)/Benefit of Operations	161,666	161,937	(271)	$161,666	Reclassified Net Cost of Operations
Net Change	(149,894)	(150,068)	174	(149,894)	
Ending Balance - Cumulative Results of Operations	**5,916,392**	**5,916,500**	**(108)**	**5,916,392**	**Net Position - Ending Balance**
Total Net Position	**$ 6,087,569**	**$ 6,087,569**	**$ -**	**$ 6,087,569**	**Total Net Position**

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

(in thousands) **For the Year Ended September 30, 2021**	**Insurance Budgetary**	**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	-	(783,325)	-	-	
Agency Outlays, Net	**$ (67,168)**	**$ (539,000)**	**$ (154,401)**	**$ 1,686**	
Disbursements, Net					**$ 2,633,100**

(in thousands) **For the Year Ended September 30, 2020**	**Insurance Budgetary**	**Finance Budgetary**	**Equity Budgetary**	**Inspector General Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources					
Unobligated Balance from Prior Year Budget Authority, Net	$ 5,993,819	$ 78,486	$ -	$ -	$ 553,597
Appropriations	-	284,391	-	2,000	-
Borrowing Authority	-	-	-	-	4,107,290
Spending Authority from Offsetting Collections	278,043	267,560	150,000	-	482,066
Total Budgetary Resources	**$ 6,271,862**	**$ 630,437**	**$ 150,000**	**$ 2,000**	**$ 5,142,953**
Status of Budgetary Resources					
New obligations and upward adjustments (total)	$ 113,418	$ 324,288	$ 120,000	$ 422	$ 4,524,224
Unobligated Balance, End of Year					
Apportioned, unexpired accounts	40,079	18,414	30,000	1,578	243,870
Unapportioned, unexpired accounts	6,118,171	244,256	-	-	374,859
Unexpired unobligated balance, end of year	$ 6,158,250	$ 262,670	$ 30,000	$ 1,578	$ 618,729
Expired unobligated balance, end of year	194	43,479	-	-	-
Unobligated Balance, end of year (total)	6,158,444	306,149	30,000	1,578	618,729
Total Budgetary Resources	**6,271,862**	**630,437**	**150,000**	**2,000**	**5,142,953**
Outlays, net	$ (121,452)	$ 179,531	$ (150,000)	$ -	
Distributed Offsetting Receipts	-	(357,761)	-	-	
Agency Outlays, Net	**$ (121,452)**	**$ (178,230)**	**$ (150,000)**	**$ -**	
Disbursements, Net					**$ 641,793**

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, in addition, tested the design and operating effectiveness of various payment disbursement controls. DFC determined that its programs present a low risk and not susceptible to significant improper payments.

ACRONYM LISTING

ACRONYM	DEFINITION
ASC	Accounting Standards Codification
BUILD	Better Utilization of Investments Leading to Development
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CSC	Credit Subsidy Calculator
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
DFI	Development finance institution
DOL	Department of Labor
FASAB	Financial Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
FR	Financial Report of the U.S. Government
FY	Fiscal year
GAAP	Generally accepted accounting principles
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
IQ	Impact quotient
MOV	"Maintenance of Value"
NGO	Non-governmental Organization
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management
PIIA	Payment Integrity Information Act
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SME	Small and medium-sized enterprises
SNC	Statement of Net Cost
Treasury	U.S. Department of Treasury
U.S.	United States
USAID	United States Agency for International Development