U.S. International Development Finance Corporation

Annual Management Report

Fiscal Year 2023

U.S. International Development Finance Corporation

dfc.gov

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November 15, 2023

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

DFC has again successfully received an unmodified audit opinion which underscores our prudent management of exposure through sound underwriting and effective governance. Additionally, as required by OMB Circular No. A-136, I am pleased to confirm with reasonable assurance the completeness and reliability of the data presented in the FY 2023 Annual Management Report. As of the end of FY 2023, DFC had combined total projected exposure of $41.4 billion, DFC maintained corporate reserves of $6.2 billion in Treasury securities, and DFC recorded a negative net cost of $341 million. DFC achieved these excellent financial results by adding new commitments of $9.3 billion to support private sector projects and companies across its range of products - debt financing, equity commitments, technical assistance, and political risk insurance.

Looking to FY 2024, DFC is undertaking efforts to evolve from the structure it inherited from its predecessor organizations – Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA) – to one that meets DFC's structural and functional needs. Since its establishment in 2019, DFC has experienced significant growth in the scope of its work and the size of its workforce. DFC continues to grow to make full use of the authorities, resources, and tools provided by Congress. These changes will position the agency to scale in line with anticipated growth, deepen sectoral expertise and client relationships, pursue proactive planning and business development, and expand career development opportunities for DFC staff. I look forward to sharing more with you in the coming year.

Sincerely,

Scott A. Nathan
Chief Executive Officer

BACKGROUND, MISSION, AND ORGANIZATION

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

DFC is led by its Chief Executive Officer, with governance from its Board of Directors and independent oversight from its Office of Accountability and Office of Inspector General. Generally, DFC's departmental structure has reflected the types of financial products it offers. In fiscal year (FY) 2024, DFC will be shifting to a departmental structure that reflects key enduring sector priorities, which comprise the bulk of its investments. Further information regarding DFC's Executive Staff and leadership can be found online at https://www.dfc.gov/who-we-are/our-people/executive-staff.

PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

OVERVIEW

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

DFC's program funding is deployed in coordination with the Executive Branch agencies charged with implementing the private sector-focused foreign assistance programs of the United States and is targeted to support developmental projects in less developed countries. During FY 2022, DFC published its first Strategic Plan for the FYs 2022-2026. Subsequently, DFC published its 2022 Annual Report, which details DFC's impact through investments. DFC is developing the infrastructure and key performance indicators to track progress against goals and objectives.

WHAT DFC OFFERS

The tools available to DFC to support its goals are detailed below and correspond with the breakout of gross cost and revenue on DFC's Statements of Net Cost.

- **Insurance** – DFC offers political risk insurance coverage against losses due to currency inconvertibility, expropriation, and political violence including war and terrorism. DFC also offers reinsurance to increase underwriting capacity.
- **Financing** – DFC meets the long-term capital investment financing needs of any size business through the provision of loans and guaranties in a wide variety of industries such as critical infrastructure, energy, telecommunications, housing, agribusiness, financial services, and in projects that can achieve a positive developmental impact, including for underserved communities.
- **Equity –** DFC makes equity investments in funds and invests direct equity into projects in the developing world which will have developmental impact or advance U.S. foreign policy. Equity investments can be highly developmental because of their ability to support early and growth-stage companies that would otherwise not be able to take on debt. For funds, it can be difficult to find investors willing to invest in companies in low and lower-middle income countries where projected returns may not be viewed as commensurate with the risks. As a financial tool, equity provides DFC with greater flexibility to invest in strategically aligned companies and funds, partner with other financial institutions, and enable companies to scale operations more efficiently to create greater development impact.
- **Technical Assistance and Feasibility Studies –** DFC's feasibility studies and technical assistance program accelerates project identification and preparation to better attract and support private investment in

development. In most cases, grants will be designed to increase the developmental impact or improve the commercial sustainability of a project that has received, or may receive, DFC financing or insurance support. DFC determines the technical assistance, feasibility study, or training work to be provided, and the grant recipient selects an entity with relevant expertise and experience that will perform that work. In addition, the program provides technical assistance for certain development credit activities requested by other agencies by utilizing a competitively selected pool of contractors.

KEY PERFORMANCE RESULTS

FY 2023 COMMITMENTS

DFC's commitments reflect the pressing need to address many of the world's greatest challenges through the mobilization of private sector capital. With more than $9.3 billion committed to new projects in FY 2023, DFC has increased its commitments markedly year-over-year since its establishment in 2019. The 132 new transactions across the globe in FY 2023 advance developmental impact and strategic priorities around the world. The commitments align with DFC's five priority sectors: energy, infrastructure, health, agribusiness, and small business support. 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.

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

FINANCIAL POSITION

SUMMARY OF FINANCIAL POSITION AS OF, AND FOR THE YEARS ENDED SEPTEMBER 30,
(Dollars in Thousands)

Balance Sheet	**2023**	**2022**	**$ Change**	**% Change**
Assets				
Fund Balance with Treasury	$ 3,041,884	$ 2,631,003	$ 410,881	16%
Investments, Net	6,548,937	6,380,979	167,958	3%
Loans Receivable, Net	10,242,062	7,523,771	2,718,291	36%
Other	189,638	214,532	(24,894)	(12%)
Total Assets	**$ 20,022,521**	**$ 16,750,285**	**$ 3,272,236**	20%
Liabilities				
Debt	$ 10,497,580	$ 8,964,971	$ 1,532,609	17%
Liabilities to the General Fund of the US Government	580,530	392,542	187,988	48%
Other	882,568	219,349	663,219	302%
Total Liabilities	**11,960,678**	**9,576,862**	**2,383,816**	25%
Total Net Position	**8,061,843**	**7,173,423**	**888,420**	12%
Total Liabilities and Net Position	**$ 20,022,521**	**$ 16,750,285**	**$ 3,272,236**	20%

Net Position	**2023**	**2022**	**$ Change**	**% Change**
Total Unexpended Appropriations	$ 674,382	$ 400,785	$ 273,597	68%
Cumulative Results of Operations	7,387,461	6,772,638	614,823	9%
Net Position	**$ 8,061,843**	**$ 7,173,423**	**$ 888,420**	**12%**

Net Cost	**2023**	**2022**	**$ Change**	**% Change**
Gross Costs	$ 240,778	$ 465,399	$ (224,621)	(48)%
Less: Earned Revenue	(581,672)	(448,924)	(132,748)	30%
Net Cost of Operations	**$ (340,894)**	**$ 16,475**	**$ (357,369)**	**(2,169)%**

Budgetary Resources	**2023**	**2022**	**$ Change**	**% Change**
Unobligated Balance from Prior Year Budget Authority	$ 7,135,854	$ 7,363,322	$ (227,468)	(3)%
Appropriations	1,236,707	928,884	307,823	33%
Borrowing Authority	6,424,983	5,521,406	903,577	16%
Spending Authority from Offsetting Collections	1,670,355	1,401,002	269,353	19%
Total Budgetary Resources	**$ 16,467,899**	**$ 15,214,614**	**$ 1,253,285**	**8%**

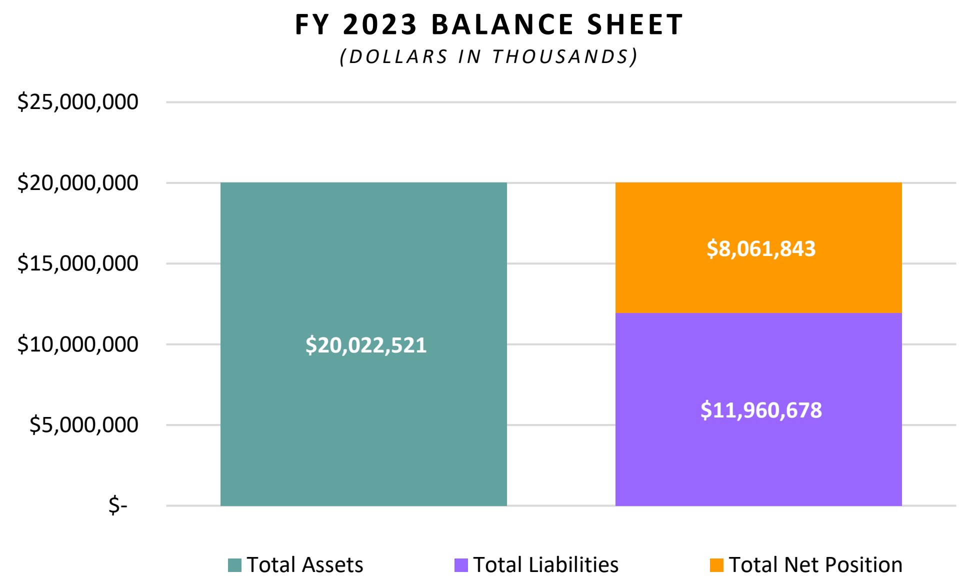
CONSOLIDATED BALANCE SHEETS

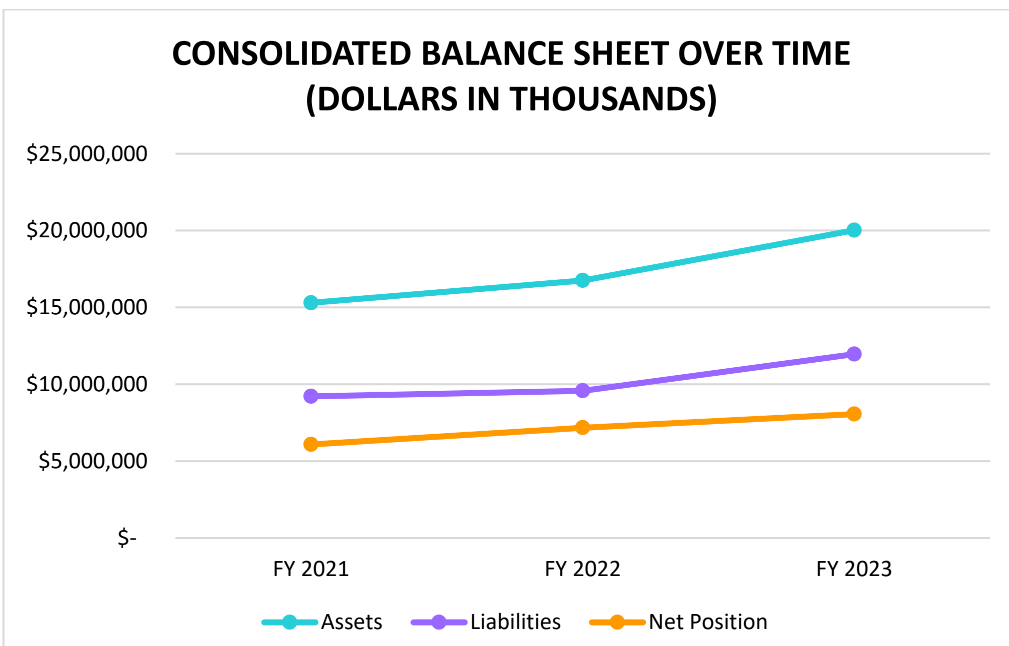
The Consolidated Balance Sheets represent DFC's financial condition at the end of the fiscal year. The Consolidated Balance Sheets show:

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

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

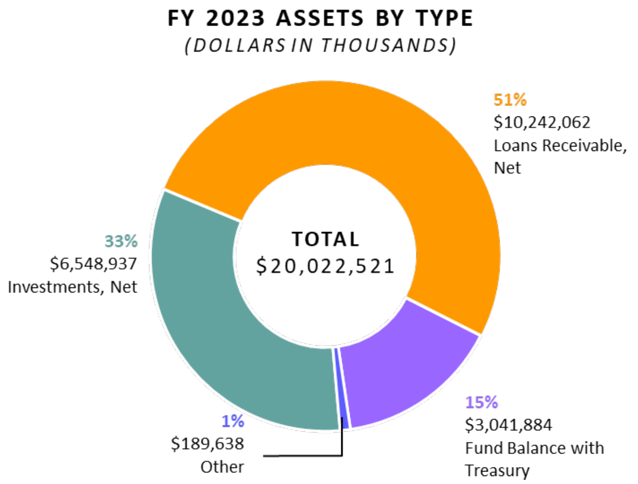
Net Position: the difference between DFC's assets and liabilities.





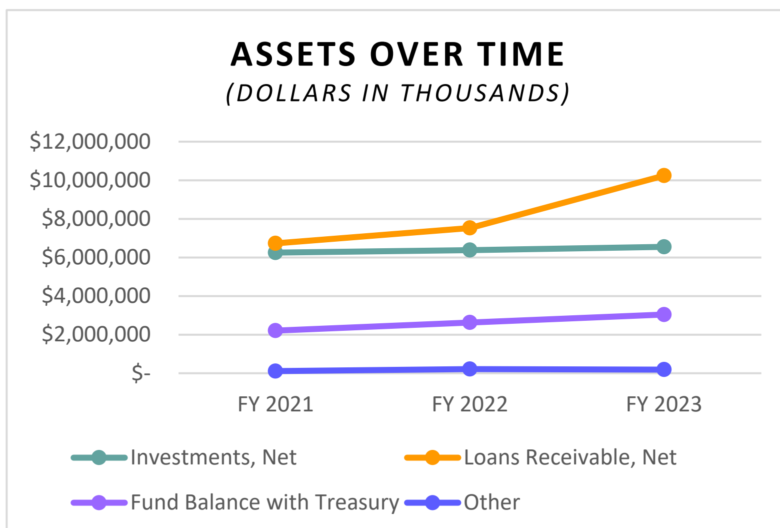
ASSETS

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



The largest category of assets in FY 2023 is Loans Receivable, Net, which represents money owed to DFC for loans it made to support its development priorities. DFC's loan portfolio generates loan interest and fees for DFC. The value of the receivable is based on the net present value of the expected future cash flows for loans made after FY 1991. For loans made prior to FY 1992, loans are valued based on the expected future cash flow. DFC estimates future cash flows for direct loans and loan guaranties using economic and financial credit subsidy models (for more information, refer to *Significant Factors Influencing Financial Results*). In FY 2023, DFC's Loans Receivable, Net balance increased by $2.7 billion, due to the expansion of DFC's investment capacities provided under the BUILD Act.

Investments, Net are comprised of U.S. Department of Treasury (Treasury) Market-based Securities and equity investments. DFC has the authority to invest funds derived from revenue related to its insurance programs, in order to support possible future insurance payments. DFC invests these funds in Treasury Securities, which are stable investments that earn a return of between 0.375% and 6%. DFC's investments in Treasury securities have increased by approximately $31 million due to the investment of fees from the insurance program. DFC's investments are enough to cover insurance exposure. To understand more about DFC's insurance, see Note 15.



The equity investments are another tool that DFC uses to invest in programs and projects to support its mission and goals. In FY 2023, DFC disbursed an additional $147 million in new equity investments, and recorded approximately $10 million in net unrealized gains and revenue on investments. Equity investments are critical to advancing development, particularly to support young, innovative businesses that may not be able to take on debt, or investment funds that have deep expertise in developing markets and where DFC can mobilize more private capital. By investing in equity, DFC can bring its expertise and U.S. interests to a project early in a project or company's lifecycle.

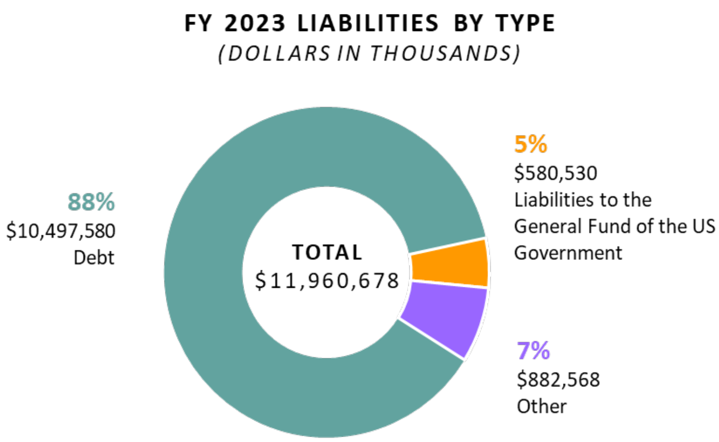
As investments are made in the future, they will increasingly drive financial performance due to market and other factors affecting investment values. DFC leverages decades of institutional experience investing in Investment Funds and comparable deals to ensure DFC is making sound investments while balancing its development objectives.

FBwT, the Federal government equivalent of cash, is made up of Congressional appropriations, loan disbursements and collections, and interest and fee collections. The increase of approximately $411 million in FBwT is due to increases in appropriated resources provided to fund DFC's financing and equity programs, increases in collections on existing loans, and increases in earnings from DFC's direct loan and loan guaranty programs, offset by increases in operating costs.

Other Assets decreased primarily due to a change in the Negative Loan Guaranty Liability. In FY 2022, DFC reported a Negative Loan Guaranty Liability of $91 million as an asset on the Consolidated Balance Sheet. In FY 2023, DFC is reporting a $710 million Loan Guaranty Liability as part of Other Liabilities on the Consolidated Balance Sheet. The change from assets to liabilities was mainly due to an adjustment in the allowance on defaulted loan guaranties and current year reestimates.

LIABILITIES

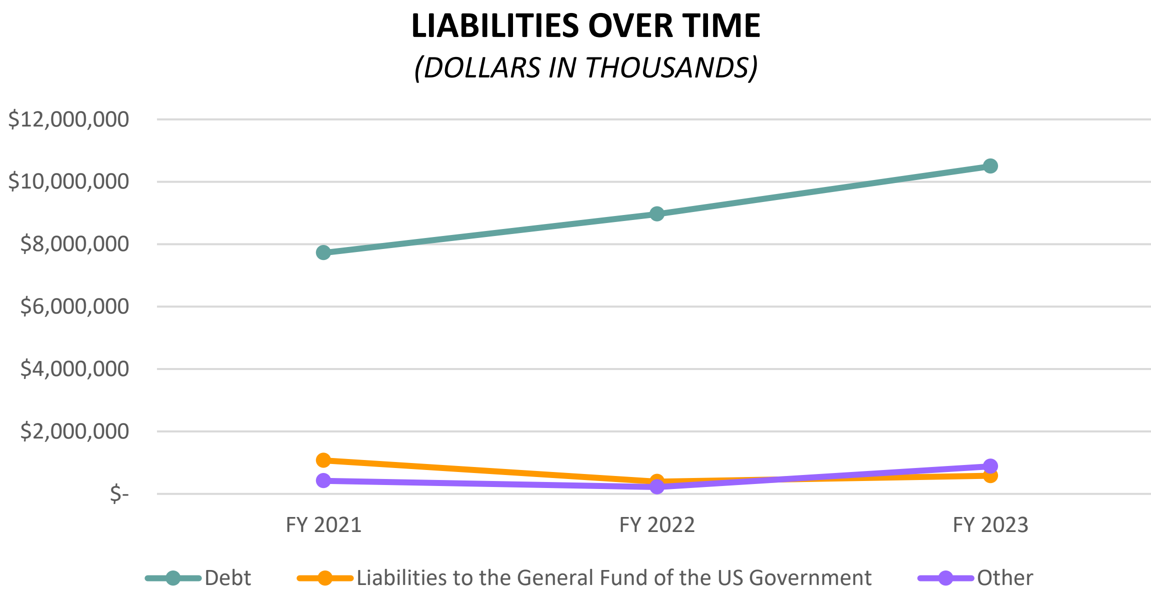
DFC's liabilities are primarily composed of Debt in the form of Borrowings from Treasury, and the Liability to the General Fund of the U.S Government.



Debt is DFC's largest liability balance, and represents amounts borrowed from the Treasury to fund loans, as discussed above for the Loans Receivable. DFC pays interest to the Treasury on the borrowings until DFC pays the funds back to the Treasury. DFC's debt balance has increased by approximately $1.5 billion from FY 2022, 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 the Treasury for downward reestimates payable to the Treasury in the next fiscal year. The liability is reduced when the Office of Management and Budget (OMB) provides authority for DFC to transfer the funds. For more information, refer to the discussion of Reestimated Subsidy Costs.

Other Liabilities primarily consists of DFC's Loan Guaranty Liability in FY 2023 of $710 million. In FY 2022, DFC reported a Negative Loan Guaranty Liability of $91 million, reported as an Other Asset on the FY 2022 Consolidated Balance Sheet.

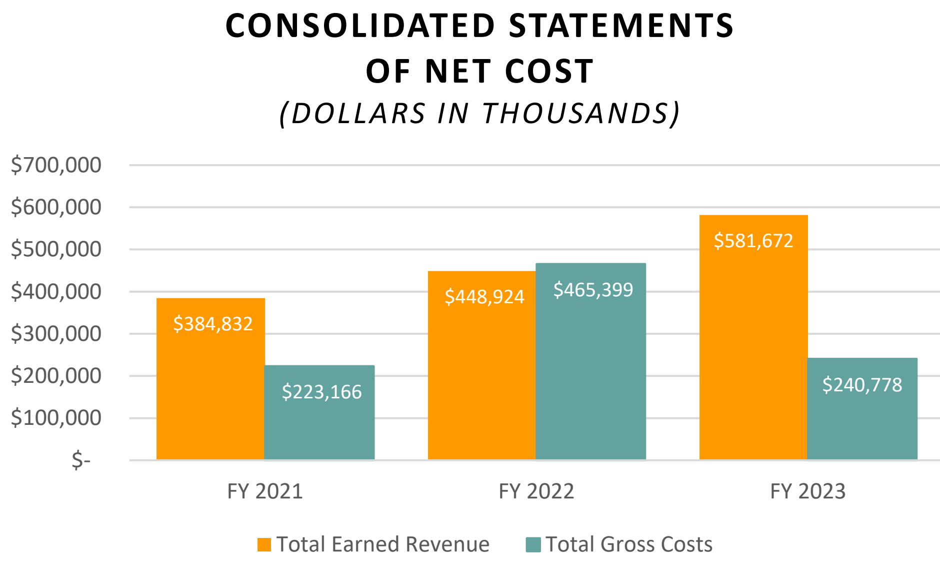


CONSOLIDATED STATEMENTS OF NET COST

The Consolidated Statements of Net Cost measure the program costs to the taxpayer. In FY 2023, DFC had net income of $340 million. In FY 2022, DFC had net costs of $16 million. When DFC generates more revenue than its gross costs it results in net income (or negative Net Cost), whereas when DFC incurs more gross costs than revenue it results in net cost. The decrease in net cost was primarily driven by the following:

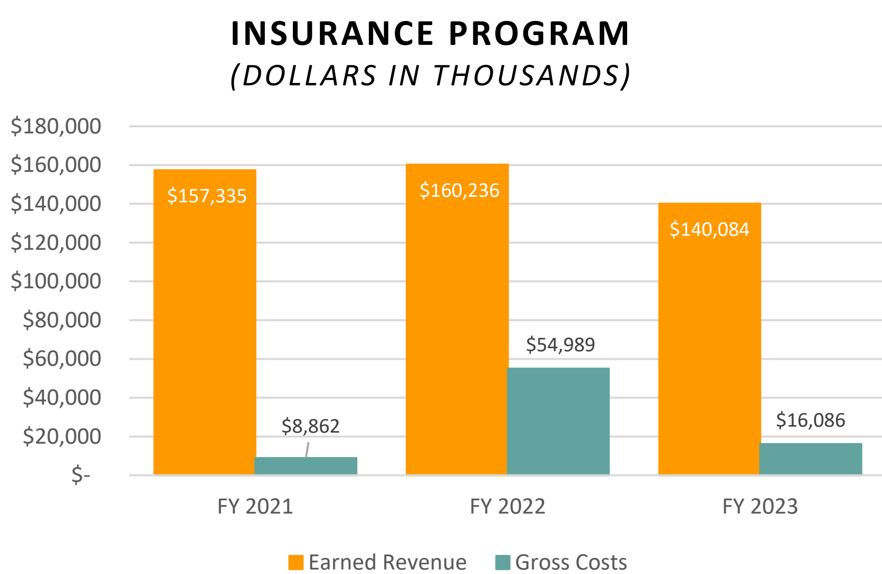
- In FY 2023, DFC recorded a net downward reestimate of $102 million compared to FY 2022 when DFC recorded a net upward reestimate of $221 million. This is an estimate reflecting that DFC expects the Debt Financing programs will cost less than previously estimated. The change in estimate is driven by the better economic outlook in FY 2023 than in FY 2022 which included cumulative economic impacts of COVID and the war in Ukraine.
- Negative subsidy earnings, net of positive subsidy costs, increased by approximately $36 million. This is the expected earnings on loans disbursed, which is recognized at the time loans disburse.
- Insurance claims expenses decreased from FY 2022 to FY 2023. FY2022 insurance claims expenses were higher due to a large claim recognized for a project in Ukraine.
- The increases in revenues were partially offset by increases in FY 2023 of administrative operating costs as DFC continues to grow and receives larger administrative budgets.

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



INSURANCE

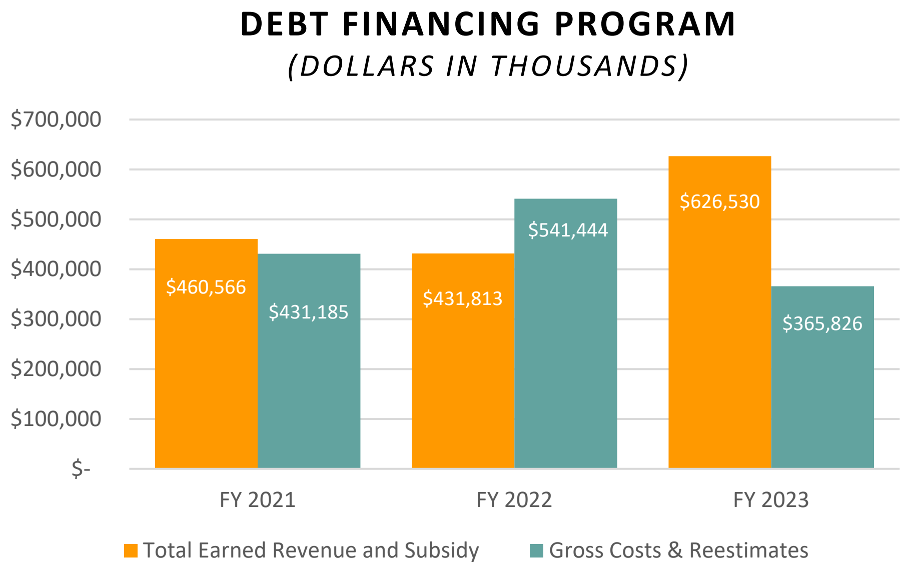
DFC's revenue over costs for its insurance program was $124 million in FY 2023 and $105 million in FY 2022. The increase in net revenue was driven primarily by a reduction in operating costs. In FY 2023 DFC had less insurance claims which were recorded as part of Gross Costs, than in FY 2022, when a large insurance claim was recorded related to political violence in Ukraine. DFC provides Political Risk Insurance for overseas investments against several risk types. For detailed information about the insurance program, refer to Note 15 in the Financial Section. Administrative expenses include allocations of indirect operating costs that support the insurance program.



DEBT FINANCING

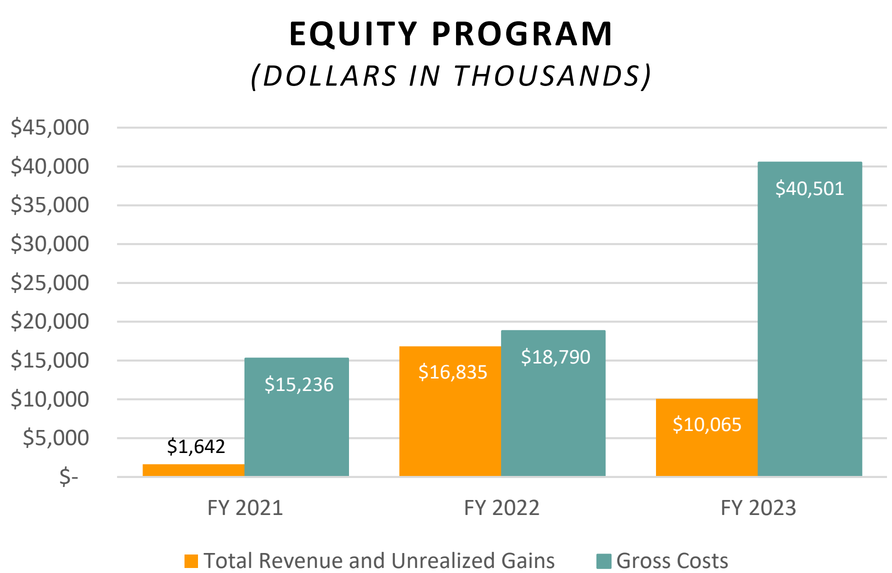
The debt financing program had a net income in FY 2023 of $261 million, compared to net cost in FY 2022 of $110 million. The increase was driven primarily by the reestimates of the direct loans and loan guaranties recorded. In FY 2023 DFC recorded a net downward reestimate of $102 million, in comparison to a net upward reestimate of $221 million recorded in FY 2022. The debt financing program also had a $159 million increase in fees and interest revenue on its loans and loan guaranties which were partially offset by increases in administrative execution costs.

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



EQUITY

In FY 2023, DFC recognized approximately $1 million in net unrealized gains on investments as reflected on the Consolidated Statements of Net Cost, compared to $7 million in unrealized gains in FY 2022. The Equity program also generated $9 million of revenues from dividends on DFC's equity investments in FY 2023 compared to $10 million in dividend revenues in FY 2022. In FY 2023 there were $41 million in administrative costs related to identifying and evaluating potential investments, compared to $19 million in administrative costs in FY 2022. The increase in expenses was driven by an expanding equity office that is building up the infrastructure for DFC's future equity investments.



COMBINED STATEMENTS OF BUDGETARY RESOURCES

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

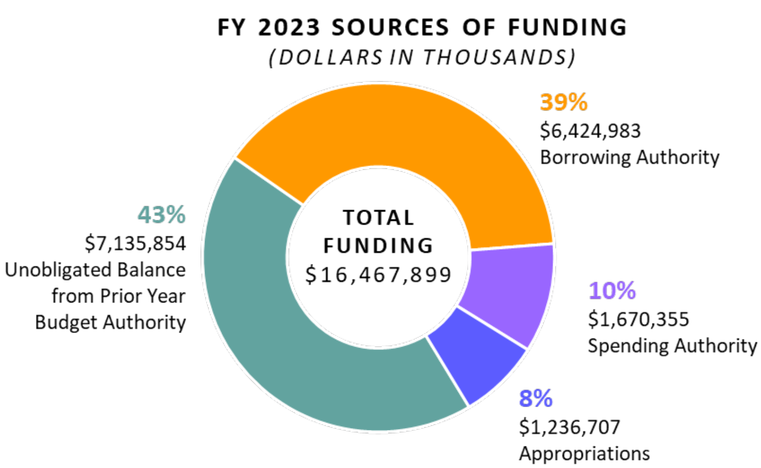
BUDGETARY RESOURCES

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



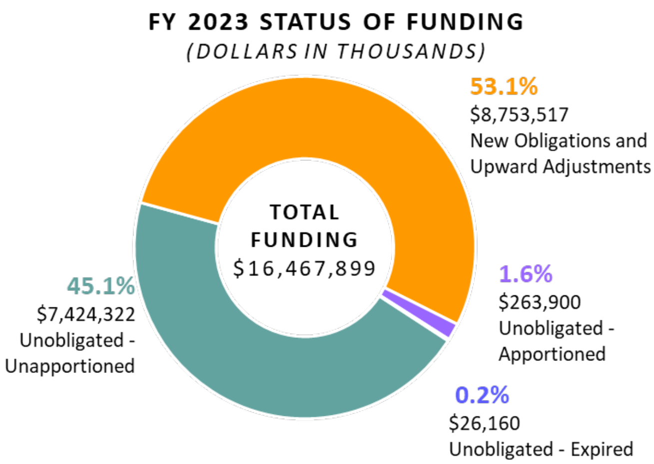
In FY 2023 and FY 2022, DFC's largest source of funding was the Unobligated Balance from Prior Year Budget Authority which includes unused budget authority since DFC's inception, including collections from DFC's insurance program, revenues from investments, prior year recoveries of obligations, as well as Budget Authority transferred in from OPIC and USAID under the BUILD Act to continue administering the programs, loans, and loan guaranties from the respective agencies.

Borrowing Authority allows DFC to borrow funds from the Treasury to make its loans. The borrowings are reflected on the balance sheet as Debt, and the loans are reflected on the balance sheet as Loans Receivable, Net. DFC's increase in Borrowing Authority in FY 2023 is due to the expansion of DFC's Debt Financing program.

DFC receives the following appropriations:

- Annual appropriations from the General Fund to fund subsidy on loans and loan guaranties, equity, technical assistance, and for operations. Except for the appropriation for the Office of the Inspector General, DFC reduces its annual appropriation from the General Fund, in an amount equal to offsetting collections received during the fiscal year. In FY 2023, DFC reduced its annual appropriations of $1,010 million by $387 million, resulting in a net appropriation of $623 million. In FY 2022, DFC received $706 million in annual appropriations and returned $359 million, resulting in a net appropriation from the General Fund of $347 million.
- Permanent and indefinite appropriations are made available to DFC to pay for upward reestimates of subsidy on loans and loan guaranties. In FY 2023, DFC received $614 million in permanent and indefinite appropriations to pay for upward reestimates compared to $582 million in FY 2022.

STATUS OF FUNDING

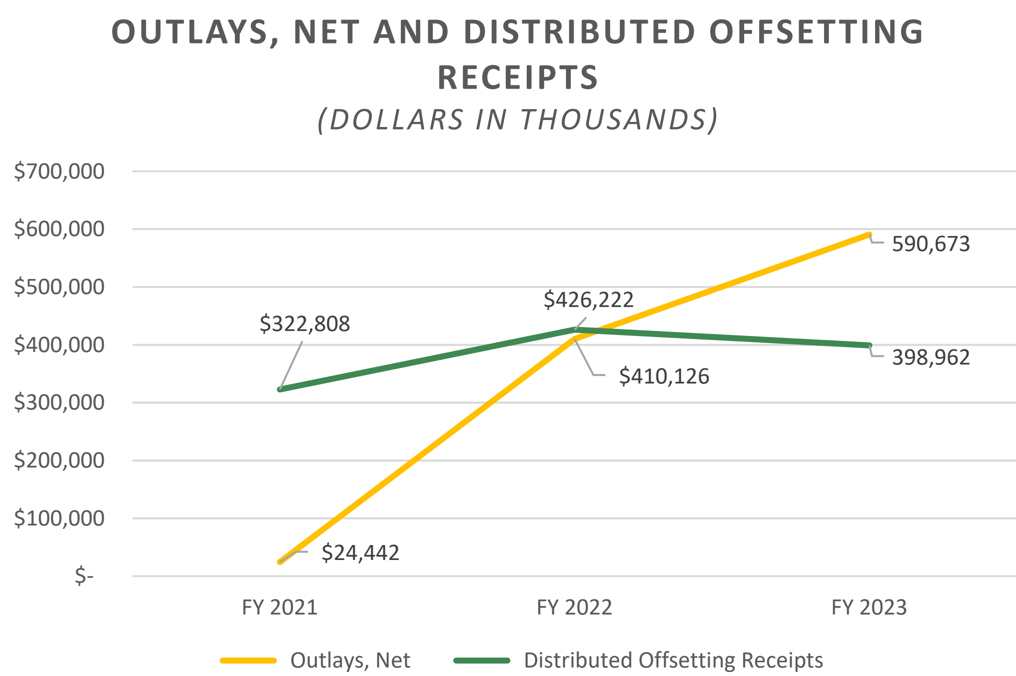


New obligations and Upward Adjustments represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments, and other reservations of funds to operate the agency to meet its mission and goals. New Obligations and Upward Adjustments increased by approximately $1.3 billion in FY 2023 mainly due to increases in direct loans obligated, as DFC continues to expand the Debt Financing Program through direct loans.

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

NET OUTLAYS

Net Outlays displays budgetary outlays for DFC, reduced by collections of interest, fees, and other revenue. In FY 2023, DFC had net outlays of $591 million, compared to $410 million in FY 2022. Net Outlays were further reduced by Distributed Offsetting Receipts of $399 million and $426 million in fiscal years 2023 and 2022, respectively. Distributed Offsetting Receipts are comprised of negative subsidy and downward reestimates on direct loan and loan guaranty programs that DFC pays to the Treasury.



DISBURSEMENTS

Non-budgetary disbursements are related to direct loans and loan guaranty programs covered under the Federal Credit Reform Act of 1990 (FCRA). DFC had net disbursements of $1.6 billion in FY 2023 and $1.2 billion in FY 2022 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 the Treasury reflected on the balance sheet.

SIGNIFICANT FACTORS INFLUENCING FINANCIAL RESULTS

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

SUBSIDY COSTS OF NEW DISBURSEMENTS

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

REESTIMATED SUBSIDY COSTS

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

Reevaluation of Risk Ratings

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

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

Updates to Loan Level Discount Rates

Discount rates are used to calculate the net present value of the estimated cash flows to determine the subsidy cost. In accordance with OMB Circular No. 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 more accurate assumptions of future cash flows from disbursements, collections of principal, interest, fees, and recoveries.

INSURANCE PROGRAM CLAIMS

Insurance claims are assessed for probability of becoming an actual payment, and when payment is probable, claims are recorded, net of estimated recoveries, as expenses on the Consolidated Statement of Net Cost, and as Insurance and Guaranty Program Liabilities on the Consolidated Balance Sheet. In FY 2023, DFC recorded new insurance claims of approximately $6 million, compared to approximately $44 million in FY 2022. In FY 2023, $49 million of insurance claims were paid, reducing the insurance liabilities. The payments are reflected on the Statement of Budgetary Resources as part of Disbursements in FY 2023.

EQUITY VALUATIONS

DFC's equity investments are valued in accordance with accounting standards that require recording unrealized gains and losses during the year. Unrealized gains and losses result from recording adjustments to the valuation of the investments and are not the result of selling or disposing of the investments. The unrealized gains and losses are recorded on the Consolidated Statements of Net Cost and can change year to year depending on the performance of the individual investments. In FY 2023 and FY 2022, several of the investments have been adjusted to net asset value as determined by the fund manager and provided to DFC. Net asset value is the amount of net assets attributable to each share of capital stock outstanding at the close of a period. In FY 2023 and FY 2022, DFC recorded approximately $1 million and $7 million, respectively, in net unrealized gains on investments. DFC expects these investments to continue to grow in value and ultimately produce realized gains when DFC eventually sells investments.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position, financial condition, and results of operations of DFC, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FISCAL YEAR 2023 CHIEF EXECUTIVE OFFICER STATEMENT OF ASSURANCE

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

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

DFC provides reasonable assurance that its internal controls over operations, reporting, and compliance met the objectives of agency management, complied with applicable requirements, and were operating effectively as of September 30, 2023. DFC did not identify any material weaknesses in the design or operating effectiveness of the controls.

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

SUMMARY OF INTERNAL CONTROL ASSESSMENT

In FY 2023, DFC continued to exhibit strength and increasing maturity in its risk and control environments. DFC evaluated its entity and transaction level internal controls using a risk-based assessment approach that was adopted by the agency's Senior Management Council and developed pursuant to OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Controls* and its associated guidance. Risk was assessed both at the enterprise and business process levels based on both quantitative as well as qualitative factors, including but not limited to financial materiality, mission orientation, the complexity and frequency of transactions, and exposure to fraud. DFC continues to test the design and operating effectiveness of its controls pursuant to a rotational testing plan that is influenced by recurring updates to agency risk assessments. No material weaknesses in internal control were identified in FY 2023, 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 2024, DFC will continue to mature its Enterprise Risk Management program and further strengthen its internal controls over operations, reporting, and compliance through continued risk-based assessments and monitoring activities.

SYSTEMS COMPLIANCE

DFC's Financial Management unit establishes funds controls in the Oracle financial system. All obligations are centralized in the Oracle system, and through those processes, DFC maintains control of its funding. Lending records and operations are maintained in an Oracle extension with direct integration to Oracle Government Financials.

LEGAL COMPLIANCE

Anti-Deficiency Act

DFC maintains compliance with the Anti-Deficiency Act (codified as amended in 31 U.S.C. §§ 1341, 1342, 1351, 1517) through several tiers of process and system controls to maintain funds control. Apportionments are developed in consultation with OMB and designed to provide DFC with funds consistent with DFC's authorities in appropriations and authorizing legislation. DFC's financial management system records apportionments and establishes automated funds controls. All obligations are centralized in the financial management system, and through those processes, DFC maintains control of its funding.

Federal Credit Reform Act of 1990

The Federal Credit Reform Act (FCRA) of 1990 (Public Law 101-508) establishes the accounting, budgeting, analysis, and display of loans and guaranties (i.e. Credit Reform). Credit Reform is therefore central to the budgetary and financial operation of the Corporation and its operations with the Treasury. The Corporation maintains several key processes and platforms in support of its Credit Reform implementation, and maintains data and modeling capabilities for each stage of its life cycle from budgetary formulation, to obligation, and throughout actual execution to ensure DFC maintains compliance with the Federal Credit Reform Act of 1990.

FORWARD-LOOKING INFORMATION

CLIMATE-RELATED RISKS

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

- **Climate Action Plan** - DFC has published its Climate Action Plan in accordance with Executive Order 14008.
- **Climate Adaptation Reports** – DFC has published Climate Adaptation Reports, reporting on its progress against its Climate Action Plan, in accordance with Executive Order 14057.

- **Green House Gas (GHG) Emissions Inventory Report** - P.L. 111-117 Sec 7079(a) required that OPIC (now DFC) reduce the GHG emissions associated with its projects by at least 30% over 10 years and 50% over 15 years. This report tracks progress on achievement of those emission reduction goals. The most recent report issued in FY 2022 addresses portfolio emission in FY 2021.

DIVIDEND

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

EVOLUTION OF PROGRAMS

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

Office of Inspector General

U.S. International Development Finance Corporation

MEMORANDUM:

DATE: November 15, 2023

TO: MR. SCOTT NATHAN
CHIEF EXECUTIVE OFFICER

MS. MILDRED CALLEAR
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

FROM: Mr. Anthony "Tony" Zakel
Inspector General

SUBJECT: DFC's Consolidated Financial Statements for Fiscal Years 2023 and 2022
(Report Number DFC-24-003-C)

Enclosed is the Fiscal Year 2023 Consolidated Financial Statement opinion audit report. We contracted with the independent public accounting firm RMA Associates, LLC (RMA) to audit the consolidated financial statements of the United States International Development Finance Corporation (DFC) for the fiscal years ended September 30, 2023 and 2022, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's Financial Audit Manual.

In its audit of DFC, RMA reported

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

RMA is responsible for the attached auditor's report dated November 15, 2023 and the conclusions expressed therein. We do not express opinions on DFC's consolidated financial statements, or report on internal control over financial reporting, or report on compliance and other matters.

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

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[1] A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

[2] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Independent Auditor's Report

Chief Executive Officer, Chief Financial Officer, and Inspector General
United States International Development Finance Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of the United States International Development Finance Corporation (DFC), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, statement of changes in net position, and the combined statements of budgetary resources, for the years then ended, and the related notes to the financial statements (collectively referred to as 'consolidated financial statements').

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the DFC as of September 30, 2023 and 2022 and its net cost, changes in net position, and combined budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the DFC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the fiscal year 2023 Annual Management Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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Required Supplementary Information

U.S. generally accepted accounting principles require management's discussion and analysis be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Management Report. The other information comprises the *Table of Contents*, *Agency Head Letter, Inspector General's Transmittal Letter, Other Information Section, and Appendix* but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, we considered the DFC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DFC's internal control. Accordingly, we do not express an opinion on the effectiveness of the DFC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a

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material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DFC's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

DFC's Response to Audit

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

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

The purpose of the communication described in the Report on Internal Control over Financial Reporting and Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DFC's internal control or compliance. This section is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DFC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2023

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Exhibit 1: DFC Response

DFC U.S. International Development Finance Corporation

MEMORANDUM November 14, 2023

TO: Anthony Zakel
Inspector General
DFC – Office of the Inspector General

FROM: Mildred Callear
Vice President and Chief Financial Officer

SUBJECT: DFC's Management Comments to "DFC's Consolidated Financial Statements for Fiscal Year 2023 (Report Number DFC-)"

DFC wishes to thank the Office of the Inspector General (OIG) for the deep level of collaboration and cooperation that was realized throughout this audit yet again this year. As stewards of federal funds, DFC takes very seriously its responsibility to uphold high standards of internal control over financial reporting. We greatly appreciate the recognition from RMA Associates that DFC's financial statements fairly present the financial position of DFC for FY 2023.

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CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

As of September 30,	**2023**	**2022**
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 3,041,884	$ 2,631,003
Investments, Net (Note 3)	6,237,010	6,206,042
Accounts Receivable, Net (Note 4)	21,627	609
Total Intragovernmental	9,300,521	8,837,654
With the Public:		
Accounts Receivable, Net (Note 4)	167,807	121,155
Loans Receivable, Net (Note 5)	10,242,062	7,523,771
General Property, Plant and Equipment, Net (Note 6)	21	155
Advances and Prepayments (Note 7)	183	1,247
Investments, Net (Note 3)	311,927	174,937
Other Assets:		
Negative Loan Guaranty Liabilities (Note 5)	-	91,366
Total With the Public	10,722,000	7,912,631
Total Assets	**$ 20,022,521**	**$ 16,750,285**
Liabilities (Note 8)		
Intragovernmental:		
Debt (Note 9)	$ 10,497,580	$ 8,964,971
Advances from Others and Deferred Revenue (Note 10)	1,267	3,561
Other Liabilities:		
Liability to the General Fund of the U.S. Government for Other Non-Entity Assets (Note 11)	580,530	392,542
Other Liabilities (Note 12)	390	431
Total Intragovernmental	11,079,767	9,361,505
With the Public:		
Accounts Payable (Note 13)	2,389	7,045
Federal Employee Benefits Payable (Note 14)	7,344	6,247
Loan Guaranty Liabilities (Note 5)	710,092	-
Insurance and Guaranty Program Liabilities (Note 15)	11,183	56,192
Advances from Others and Deferred Revenue (Note 10)	144,524	141,514
Other Liabilities (Note 12)	5,379	4,359
Total With the Public	880,911	215,357
Total Liabilities	**11,960,678**	**9,576,862**
Commitments and Contingencies (Note 1)		
Net Position		
Unexpended Appropriations – Funds Other Than Dedicated Collections	674,382	400,785
Cumulative Results of Operations – Funds Other than Dedicated Collections	7,387,461	6,772,638
Total Net Position	**8,061,843**	**7,173,423**
Total Liabilities and Net Position	**$ 20,022,521**	**$ 16,750,285**

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

CONSOLIDATED STATEMENTS OF NET COST

(dollars in thousands)

For the Years Ended September 30,	2023	2022
Insurance Program		
Gross Costs		
Operating Costs	$ 16,086	$ 54,989
Total Gross Costs	16,086	54,989
Less: Earned Revenue	(140,084)	(160,236)
Net Insurance Program Costs	(123,998)	(105,247)
Debt Financing Program		
Gross Costs		
Operating Costs	468,415	320,233
Subsidy Costs/(Reduction) (Note 5)	(195,307)	(159,960)
Net Reestimates (Note 5)	(102,589)	221,211
Total Gross Costs	170,519	381,484
Less: Earned Revenue	(431,223)	(271,853)
Net Debt Financing Program Costs	(260,704)	109,631
Equity Program		
Gross Costs		
Operating Costs	40,501	18,790
Total Gross Costs	40,501	18,790
Less: Net Unrealized (Gains)	(931)	(6,723)
Less: Earned Revenue	(9,134)	(10,112)
Net Equity Program Costs	30,436	1,955
Technical Assistance Program		
Gross Costs		
Operating Costs	13,672	10,136
Total Gross Costs	13,672	10,136
Less: Earned Revenue	(300)	-
Net Technical Assistance Program Costs	13,372	10,136
Net Cost of Operations	**$ (340,894)**	**$ 16,475**

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

(dollars in thousands)

For the Years Ended September 30,	**2023**	**2022**
Unexpended Appropriations		
Beginning Balance	$ 400,785	$ 171,177
Appropriations Received	1,236,707	928,884
Appropriations Transferred-In	12,388	9,322
Other Adjustments	(1,361)	-
Appropriations Used	(974,137)	(708,598)
Net Change in Unexpended Appropriations	273,597	229,608
Total Unexpended Appropriations	**$ 674,382**	**$ 400,785**
Cumulative Results of Operations		
Beginning Balance	6,772,638	5,916,392
Adjustments:		
Changes in Accounting Principles (Note 1)	-	656,763
Beginning Balance as Adjusted	6,772,638	6,573,155
Appropriations Used	974,137	708,598
Imputed Financing	6,189	3,520
Offset to Non-entity Collections	(728,286)	(496,160)
Other Adjustments	21,889	-
Net Cost of Operations	340,894	(16,475)
Net Change in Cumulative Results of Operations	614,823	199,483
Total Cumulative Results of Operations	**$ 7,387,461**	**$ 6,772,638**
Net Position	**$ 8,061,843**	**$ 7,173,423**

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

(dollars in thousands) **For the Year Ended September 30, 2023**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	$ 6,486,341	$ 649,513
Appropriations	1,236,707	-
Borrowing Authority	-	6,424,983
Spending Authority from Offsetting Collections	685,457	984,898
Total Budgetary Resources	**$ 8,408,505**	**$ 8,059,394**
Status of Budgetary Resources		
New Obligations and Upward Adjustments	$ 1,732,011	$ 7,021,506
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	263,900	-
Unapportioned, Unexpired Accounts	6,386,434	1,037,888
Unexpired Unobligated Balance, End of Year	6,650,334	1,037,888
Expired Unobligated Balance, End of Year	26,160	-
Unobligated Balance, End of Year (Total)	6,676,494	1,037,888
Total Budgetary Resources	**$ 8,408,505**	**$ 8,059,394**
Outlays, Net and Disbursements, Net		
Outlays, Net	$ 590,673	
Distributed Offsetting Receipts	(398,962)	
Agency Outlays, Net	**$ 191,711**	
Disbursements, Net		**$ 1,609,419**

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION AND ACCOUNTING

BASIS OF PRESENTATION

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

BASIS OF ACCOUNTING

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

Budgetary accounting is based on concepts set forth by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, as amended, which provides instructions on budget execution. Budgetary accounting is designed to recognize the budgetary resources and the related status of those budgetary resources, including the obligation and outlay of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

COMBINED STATEMENTS OF BUDGETARY RESOURCES

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

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

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

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

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

INTRAGOVERNMENTAL AND WITH THE PUBLIC TRANSACTIONS

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

USE OF ESTIMATES

DFC management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses and disclosures in the notes. Uncertainties associated with these estimates exist and actual results may differ from these estimates; however, DFC estimates are based on historical experience, current events and other assumptions that are believed to be reasonable under the facts and circumstances. Significant estimates underlying the accompanying financial statements as of the date of these financial statements include allowances for loans receivable and loan guaranty liabilities (see Note 5 for additional information), subsidy expense, liability for losses on remaining coverage of insurance programs, and recoveries on insurance claims (see Note 15 for additional information).

PUBLIC PRIVATE PARTNERSHIPS

SFFAS 49, *Public-Private Partnerships*, requires the disclosure of risk-sharing arrangements with expected lives greater than five years between public and private sector entities. The intent of SFFAS 49 is to capture and disclose off-balance sheet activity and potential risk-sharing arrangements or transactions the government is exposed to for these activities. Many of DFC's transactions share many of the characteristics of public-private partnerships as defined by SFFAS 49. All of DFC's services and products (insurance, credit, and equity investments) which are provided to the 'private sector' and expose DFC to risk-sharing transactional agreements are all captured on the Consolidated Balance Sheets, along with any estimated losses, and disclosed in the accompanying notes to the financial statements. See the principal financial statements and Note 1, Note 3, Note 5, and Note 15.

CHANGES IN ACCOUNTING PRINCIPLE

In FY 2022, DFC changed its accounting method for loans and loan guaranties made prior to FY 1992, as allowed under U.S. GAAP and the Treasury's guidance. In FY 2021 and prior, DFC reported a Liability for Capital Transfers to the General Fund of the Treasury. Direct loans and loan guaranties made prior to FY 1992 are not covered under FCRA, and excess funding not obligated is required to be transferred to the Treasury in the form of a capital transfer. The accounting guidance for the year-end closing entries for liquidating funds is set by the Treasury. The Treasury allows agencies to close such activity to cumulative results of operations, or to a liability account for capital transfers due to the Treasury. Either method is allowable. In FY 2021, DFC recorded a liability for capital transfers due to the Treasury, which represented a liability for future proceeds to be paid to the Treasury. In FY 2022, DFC changed its accounting method to close its annual revenues, activities, and transfers to cumulative results of operations, which resulted in reducing DFC's liability to the Treasury and increasing the cumulative results of operations. The change in accounting principle was reported on DFC's Consolidated Statements of Changes in Net Position as of September 30, 2022, as an adjustment to the FY 2022 beginning balance of Cumulative Results of Operations.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

SFFAS 61, *Omnibus Amendments 2023: Leases-Related Topics II;* SFFAS 61 amends SFFAS 54 and SFFAS 60 by providing additional guidance along with technical corrections and clarifications.

C. FUND BALANCE WITH TREASURY

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

D. INVESTMENTS, NET

DFC has authority to invest its corporate reserve funds in Treasury non-marketable, market-based securities. Corporate reserve funds are derived from fees and other revenues related to its insurance program and funds transferred into DFC from OPIC in FY 2020. Investments in Treasury securities are carried at face value, net of unamortized discount or premium. Premiums or discounts are amortized using the effective yield method. Interest income is compounded semi-annually by the 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.

Pursuant to 22 U.S.C. § 9621 and 22 U.S.C. § 9672, DFC is authorized to purchase equity securities as a minority investor in projects that have a clearly defined development and foreign policy purpose. DFC's investment into a project cannot exceed 30 percent of the aggregate amount of all equity investment made into the project at the time DFC approves the investment. Investments must supplement and encourage, but not compete with private sector support. DFC must seek to sell and liquidate its equity investments as soon as commercially feasible, commensurate with other similar investor into the project and taking into consideration the national security interest of the United States. Since fair value is not defined in Federal accounting standards, DFC follows the accounting and reporting in Financial Accounting Standards Codification (ASC) 321 *Investments – Equity Securities* to report fair value of equity investments with the public. Fair value is determined under ASC 820, which establishes a three-level valuation hierarchy based upon observable and non-observable inputs.

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

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

E. ACCOUNTS RECEIVABLE, NET

Accounts receivable are reported at net realizable value, measured as the carrying amount less an allowance for loss provision. Allowances are based on management's periodic evaluations of the underlying assets, considering factors including, but not limited to, materiality of the balance, general economic conditions, asset composition, and prior loss experience. Direct loan and loan guaranty fees receivable allowances are based on the same percentage of the allowances for the underlying direct loan or loan guaranty. Receivables from other Federal entities are deemed to be fully collectible.

F. DIRECT LOANS AND LOAN GUARANTIES

FCRA governs direct loans made after FY 1991. In accordance with SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, SFFAS 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS 2*, and SFFAS 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS 2*, FCRA direct loans are valued at the net 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 direct loans receivable balance and the net present value of the estimated cash flows of the direct loans over their remaining term. The subsidy allowance is subtracted from the outstanding direct loans receivable balance to obtain the net direct loans receivable balance. DFC holds direct loans that it issues and does not sell direct loans. DFC issues direct loans in U.S. dollars as well as in foreign currencies. FCRA also governs loan guaranties made after FY 1991. The guaranty liability is determined by calculating the net present value of expected future cash flows for outstanding guaranties in a manner like that used to determine the subsidy allowance for direct loans. Loan guaranty liability can be positive or negative, and if negative, is reported as an asset on the Balance Sheet as Other Assets, Negative Loan Guaranty Liability. 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.

In accordance with SFFAS 2, DFC's loans and loan guaranties made prior to FY 1992 are reported under the allowance-for-loss method. Under the allowance-for-loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts and the liability for loan guarantees is the amount the entity estimates will more likely than not require a future cash outflow to pay default claims.

DIRECT LOANS WITH FOREIGN GOVERNMENTS

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

BUDGETARY ACCOUNTING FOR LOAN PROGRAMS

DFC's loan disbursements under FCRA are financed by appropriation authority for long-term loan subsidy cost and borrowings from the 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 the Treasury, is repaid from collections of loan fees, loan repayments, and default recoveries. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to the Treasury and are unavailable to DFC. As required by the FCRA, DFC uses budgetary "program accounts" to account for appropriation authority in its credit programs and non-budgetary "financing accounts" to account for credit program cash flow. Estimates and reestimates of credit program subsidy expenses are recorded in DFC's program accounts.

NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS

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

SUBSIDY FUNDING UNDER FCRA

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

INTEREST RECEIVABLE

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

G. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

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

LEASES

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

H. LIABILITIES

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

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Liabilities covered by budgetary resources include liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources include: (1) new budget authority, (2) appropriations, (3) borrowing authority, (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (5) spending authority from offsetting collections, and (6) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities covered by budgetary resources also includes liabilities that are to be funded by permanent indefinite appropriations and may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. See Note 8 for additional information.

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

LIABILITIES NOT REQUIRING BUDGETARY RESOURCES

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

CURRENT AND NON-CURRENT LIABILITIES

DFC discloses its other liabilities between current and noncurrent liabilities in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*. The current liabilities represent liabilities that DFC expects to settle within 12 months of the Consolidated Balance Sheet dates. Noncurrent liabilities represent liabilities that DFC does not expect to be settled within 12 months of the Consolidated Balance Sheet dates (see Note 12, Other Liabilities).

I. DEBT

DFC's debt results from direct borrowings from the Treasury to fund the portion of direct loans not covered by subsidy appropriations, disbursements of downward subsidy reestimates, and payment of claims in excess of the amount of subsidy and collections maintained in the non-budgetary financing funds. DFC makes periodic principal repayments to the Treasury based on the analysis of its cash balances and future disbursement needs. The balance of the borrowings from the Treasury are reported as Debt on the Consolidated Balance Sheets.

J. ADVANCES FROM OTHERS AND DEFERRED REVENUE

DFC charges retainer and other fees in conjunction with individual projects. The fees are received in advance and earned over time in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Facility fees collected exceeding $50,000 are amortized over the life of the project, starting when the loan has disbursed. DFC maintains fees for use in future years. Advances and deferred revenue also consist of unearned rent incentives that are amortized against rent expense, as well as advances from other Federal agencies for reimbursable agreements.

K. ACCOUNTS PAYABLE

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

L. FEDERAL EMPLOYEE BENEFITS PAYABLE

LEAVE

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

EMPLOYEE HEALTH AND LIFE INSURANCE BENEFITS

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

EMPLOYEE PENSION BENEFITS

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

FEDERAL EMPLOYEES’ COMPENSATION ACT

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

M. INSURANCE AND GUARANTY PROGRAM LIABILITIES

In accordance with SFFAS 51, *Insurance Programs*, the Insurance and Guaranty Program liability represents the liability for unearned premiums and fees, claims incurred but not reported, claims submitted but not yet paid, and estimated losses on remaining coverage. The losses on remaining coverage includes the estimated amounts to be paid to settle claims, including claim adjustment expenses for the remaining open arrangement period, net of unearned premiums as of the end of the fiscal year, and net of future premiums due after the end of the fiscal year that relate to the remaining open arrangement period.

N. COMMITMENTS AND CONTINGENCIES

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5*, *Accounting for Liabilities of the Federal Government* recognizes contingent liabilities in DFC's Consolidated Balance Sheets and Consolidated Statements of Net Cost when the loss is determined to be probable and reasonably estimable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Treasury. DFC evaluates all contingent liabilities based on three criteria: probable, reasonably possible, and remote. DFC recognizes that the estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recorded. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is recorded and the range and a description of the nature of the contingency are disclosed. DFC records an accrual for contingent liabilities if the liability is probable and reasonably estimable and discloses those contingencies that are reasonably possible. DFC does not disclose or record contingent liabilities when the loss is considered remote. For matters where DFC's Counsel is unable to express an opinion regarding the likely outcome of the case and an estimate of the potential liability cannot be made, the total amount claimed against the government is classified as "Reasonably Possible" and disclosed if available. DFC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. There are substantial factual and legal issues that might bar any recovery in these matters. It is not possible to evaluate the likelihood of any unfavorable outcome, nor is it possible to estimate the amount of compensation, if any, that may be determined to be owed in the context of a settlement as of and for the years ended September 30, 2023 and 2022. Management believes that the resolution of these claims will not have a material adverse impact on DFC.

O. NET POSITION

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

UNEXPENDED APPROPRIATIONS

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

CUMULATIVE RESULTS OF OPERATIONS

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

P. REVENUE AND OTHER FINANCING SOURCES AND USES

EXCHANGE AND NON-EXCHANGE REVENUE

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

OTHER FINANCING SOURCES AND USES

Other financing sources include additional inflows of resources that increase the results of operations during the reporting period. DFC's other financing sources come from unexpended appropriation transfers-in and non-expenditure transfers-in and are recognized as financing sources when used. Other financing sources and uses also include: (1) Offset to Non-Entity Collections; and (2) Imputed Financing with respect to costs subsidized by another Federal entity. Offset to Non-Entity Collections include capital transfers of excess funding for direct loan and loan programs made prior to FY 1992, as well as negative subsidy and downward reestimates of direct loans and loan guaranties that are transferred to general fund receipt accounts of the Treasury.

IMPUTED FINANCING AND IMPUTED COST

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

Q. EXPENSES

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

R. 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

DFC's Fund Balance with Treasury (FBwT) consists of the following:

(dollars in thousands)

As of September 30,	**2023**	**2022**
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 1,559,361	$ 1,554,950
Unavailable	26,160	32,157
Obligated Balance not yet Disbursed	1,456,363	1,043,896
Total Fund Balance with Treasury	**$ 3,041,884**	**$ 2,631,003**

As of September 30, 2023, and 2022 there were no unreconciled differences between the Treasury records and balances reported on DFC's general ledger. DFC'S FBwT is classified as unobligated balance available, unobligated balance unavailable, and obligated balance not yet disbursed. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated unavailable balances represent amounts that are in expired appropriations and not available for incurring new obligations. Obligated balances not yet disbursed include undelivered orders or delivered orders received but not yet paid. Obligated balances for loans and loan guaranties are supported by borrowing authority, and DFC borrows funds from the Treasury prior to making the disbursements.

NOTE 3: INVESTMENTS, NET

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

(dollars in thousands) **As of September 30, 2023**	**Acquisition Value**	**Amortized (Premium)/ Discount**	**Interest Receivable**	**Net Investments**	**Unrealized Gain/(Loss)**	**Market Value**
Treasury Non-Marketable, Market-based Intragovernmental Securities						
Notes	$ 5,308,880	$ (12)	$ 29,374	$ 5,338,242	$ (474,170)	$ 4,864,072
Bonds	888,225	4,276	6,267	898,768	(125,532)	773,236
Total Intragovernmental Investments, Net	**$ 6,197,105**	**$ 4,264**	**$ 35,641**	**$ 6,237,010**	**$ (599,702)**	**$ 5,637,308**

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

DFC's investments, net with the public consist of:

(dollars in thousands) **As of September 30,**	**2023 Other**	**2022 Other**
Equity Securities Valued at Net Asset Value	$ 211,938	$ 128,934
Equity Securities Valued at Cost less Impairment	99,989	46,003
Total Securities and Investments, Net	**$ 311,927**	**$ 174,937**

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

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

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

(dollars in thousands)	2023	2022
Other Securities and Investments		
Beginning Balance as of October 1	$ 174,937	$ 95,318
Valuation Adjustments	931	6,723
Loss on Investments	(10,000)	-
Return of Investments	(780)	(5,276)
Acquisitions of Investments	146,839	78,172
Ending Balance as of September 30	**$ 311,927**	**$ 174,937**

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

NOTE 4: ACCOUNTS RECEIVABLE, NET

DFC's accounts receivable, net consist of:

(dollars in thousands) **As of September 30,**	2023	2022
Intragovernmental Accounts Receivable		
Defense Production Act Receivables	$ 140	$ -
Subsidy Receivable from the Treasury	21,487	609
Total Intragovernmental Accounts Receivable, Net	21,627	609
With the Public Accounts Receivable		
Fees Receivable	160,128	111,400
Insurance Premiums Receivable	2,447	1,866
Insurance Settlements Receivable	60,971	21,071
Other Receivables	128	128
Allowance for Uncollectible Amounts	(55,867)	(13,310)
Total With the Public Accounts Receivable, Net	167,807	121,155
Total Accounts Receivable, Net	**$ 189,434**	**$ 121,764**

Intragovernmental accounts receivable consist of amounts due from the Department of Defense for activities related to the Defense Production Act and amounts due from the Treasury for subsidy on modified direct loans receivable in the Legacy loan program for loans made prior to FY 1992. With the public accounts receivable are primarily amounts due to DFC for fees for insurance policies, fees from loan and loan guaranty agreements, premiums from insurance policies, and assets acquired in insurance claims settlements.

NOTE 5: LOANS RECEIVABLE, NET AND LOAN GUARANTY LIABILITIES

A. DIRECT LOAN AND LOAN GUARANTY PROGRAMS

DFC administers the following direct loan and loan guaranty programs:

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

VALUATION METHODOLOGY FOR DIRECT LOANS AND LOAN GUARANTIES

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

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

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

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

DFC's total net subsidy reestimates for direct loan and loan guaranties for FY 2023 is ($103) million, a net downward reestimate. Some of the key drivers of the reestimates include a higher interest rate environment as well as a decrease in the value of the dollar. These factors as well as individual project drivers resulted in a net downward reestimate. Six projects had a significant downward reestimate due to increases in interest rates and changes to discount rates. These projects disbursed into higher interest rates than those assumed at the time of obligation. DFC has several loans denominated in foreign currencies. The decrease in value of the US dollar resulted in projected gains in value of the foreign currencies against the dollar, which decreased the reestimates. Additionally, one loan had a risk rating upgrade, and one loan had a substantial prepayment, both contributing to a net downward reestimate.

B. DIRECT LOANS, NET

(dollars in thousands) **As of September 30, 2023**	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Direct Loans Obligated Prior to FY 1992	$ 319,788	$ 443,442	$ (537,414)	$ -	$ 225,816
Direct Loans Obligated After FY 1991	9,758,433	152,468	-	(896,661)	9,014,240
Total Direct Loans Receivable	10,078,221	595,910	(537,414)	(896,661)	9,240,056
Defaulted Loan Guaranties Receivable (Table F)	1,367,487	126,856	(54,376)	(437,961)	1,002,006
Total Loans Receivable, Net	**$ 11,445,708**	**$ 722,766**	**$ (591,790)**	**$ (1,334,622)**	**$ 10,242,062**

(dollars in thousands) **As of September 30, 2022**	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Direct Loans, Net**
Direct Loans Obligated Prior to FY 1992	$ 353,569	$ 421,356	$ (510,361)	$ -	$ 264,564
Direct Loans Obligated After FY 1991	7,850,317	125,816	-	(1,036,643)	6,939,490
Total Direct Loans Receivable	8,203,886	547,172	(510,361)	(1,036,643)	7,204,054
Defaulted Loan Guaranties Receivable (Table F)	1,265,125	112,991	(56,658)	(1,001,741)	319,717
Total Loans Receivable, Net	**$ 9,469,011**	**$ 660,163**	**$ (567,019)**	**$ (2,038,384)**	**$ 7,523,771**

C. TOTAL AMOUNT OF DIRECT LOANS DISBURSED

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Direct Loan Disbursements	$ 2,432,096	$ 1,953,927

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

(dollars in thousands) **As of September 30**	**2023**	**2022**
Subsidy Expense for New Direct Loans Disbursed		
Interest Differential	$ (15,978)	$ (7,852)
Defaults, Net of Recoveries	194,587	156,636
Fees and Other Collections	(379,639)	(275,013)
Other	20,821	13,639
Total Subsidy Expense for New Direct Loans Disbursed	(180,209)	(112,590)
Modifications and Reestimates		
Total Modifications	(1,011)	637
Net Interest Rate Reestimates	367	23,582
Net Technical Reestimates	(141,076)	49,304
Total Net Reestimates	(140,709)	72,886
Total Direct Loan Subsidy Expense	**$ (321,929)**	**$ (39,067)**

E. SCHEDULE FOR RECONCILING DIRECT LOAN SUBSIDY COST ALLOWANCE

(dollars in thousands) **As of September 30**	**2023**	**2022**
Beginning Balance of the Subsidy Cost Allowance	$ (1,036,643)	$ (949,034)
Add: Subsidy Expense for Direct Loans Disbursed During the Year	180,209	112,590
Adjustments:		
Loan Modifications	1,011	(637)
Fees Accrued	(4,968)	(5,090)
Loans Written Off	34,255	66,195
Subsidy Allowance Amortization	(211,857)	(187,759)
Other	623	(22)
Total Adjustments	(180,936)	(127,313)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	(1,037,370)	(963,757)
Add or Subtract Subsidy Net Reestimates	140,709	(72,886)
Ending Balance of the Subsidy Cost Allowance	**$ (896,661)**	**$ (1,036,643)**

F. DEFAULTED LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2023**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Defaulted Loan Guaranties Receivable, Net**
Loans Obligated Prior to FY 1992					
Loan Guaranties	$ 86,425	$ 14,016	$ (54,376)	$ -	$ 46,065
Loans Obligated After FY 1991					
Loan Guaranties	1,281,062	112,840	-	(437,961)	955,941
Total	**$ 1,367,487**	**$ 126,856**	**$ (54,376)**	**$ (437,961)**	**$ 1,002,006**

(dollars in thousands) **As of September 30, 2022**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Defaulted Loan Guaranties Receivable, Net**
Loans Obligated Prior to FY 1992					
Loan Guaranties	$ 90,490	$ 13,344	$ (56,658)	$ -	$ 47,176
Loans Obligated After FY 1991					
Loan Guaranties	1,174,635	99,647	-	(1,001,741)	272,541
Total	**$ 1,265,125**	**$ 112,991**	**$ (56,658)**	**$ (1,001,741)**	**$ 319,717**

G. GUARANTIED LOANS OUTSTANDING

GUARANTIED LOANS OUTSTANDING

(dollars in thousands) **As of September 30, 2023**	**Outstanding Principal of Guarantied Loans, Face Value**	**Amount of Outstanding Principal Guarantied**
Loan Guaranties	$ 10,090,783	$ 9,715,403
Total	**$ 10,090,783**	**$ 9,715,403**

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

NEW LOAN GUARANTIES DISBURSED

(dollars in thousands) **As of September 30, 2023**	**Principal of Guarantied Loans, Face Value**	**Amount of Principal Guarantied**
Loan Guaranties	$ 1,807,040	$ 1,604,024
Total	**$ 1,807,040**	**$ 1,604,024**

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

H. LIABILITY FOR LOAN GUARANTIES

(dollars in thousands) **As of September 30**	**2023**	**2022**
Loans Obligated After FY 1991		
Loan Guaranties	$ 710,092	$ (91,366)
Total Liability for Loan Guaranties	**$ 710,092**	**$ (91,366)**

As of September 30, 2023 and 2022, DFC had no balances for liabilities for losses on pre-1992 guaranties.

I. SUBSIDY EXPENSE FOR LOAN GUARANTIES BY PROGRAM AND COMPONENT

(dollars in thousands)

As of September 30,	**2023**	**2022**
Subsidy Expense for New Loan Guaranties Disbursed		
Defaults, Net of Recoveries	$ 45,534	$ 48,017
Fees and Other Collections	(69,651)	(99,704)
Other	10,115	6,505
Total Subsidy Expense for New Loan Guaranties Disbursed	(14,002)	(45,182)
Modifications and Reestimates		
Total Modifications	(85)	(2,824)
Net Interest Rate Reestimates	6,614	33,999
Net Technical Reestimates	31,507	114,326
Total Net Reestimates	38,121	148,325
Total Loan Guaranty Subsidy Expense	**$ 24,034**	**$ 100,319**

J. SCHEDULE FOR RECONCILING THE LOAN GUARANTY LIABILITY

(dollars in thousands)

As of September 30,	**2023**	**2022**
Beginning Balance of the Loan Guaranty Liabilities	$ (91,366)	$ 250,762
Less: Claims Paid to Lenders	(407,698)	(721,173)
Add: Fees Accrued	263,353	249,006
Add: Subsidy Expense for Guarantied Loans Disbursed During the Year	18,757	22,387
Less: Negative Subsidy Payments	(32,759)	(67,569)
Add: Upward Reestimates	244,777	344,533
Less: Downward Reestimates	(206,657)	(196,209)
Subsidy Allowance Amortized	921,795	29,745
Loan Guaranty Modifications	(85)	(2,824)
Other	(25)	(24)
Ending Balance of the Loan Guaranty Liability	**$ 710,092**	**$ (91,366)**

K. SUBSIDY RATES BY PROGRAM AND COMPONENT

As of September 30, 2023	**Defaults, Net of Recoveries**	**Interest**	**Fees**	**Other**	**Total**
Direct Loans					
Direct Loans	16.19%	-	(25.40)%	-	(9.21)%
Direct Loan Investment Funds	3.92%	(9.91)%	(3.14)%	-	(9.13)%
Direct Loans in Foreign Currencies	13.26%	16.09%	(17.33)%	(2.01)%	10.01%
Loan Guaranties					
USAID Mission-led Guaranties	7.41%	-	(1.50)%	-	5.91%
Loan Guaranties	13.57%	-	(21.77)%	-	(8.20)%
Limited Arbitral Award Coverage	5.30%	-	(8.99)%	-	(3.69)%

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

L. ADMINISTRATIVE EXPENSES

DFC incurs administrative expenses to carry out its credit reform programs. This amount is determined by annual appropriation legislation. The administrative expense for direct loan and loan guaranties is $142,646 thousand and $108,597 thousand for the period ended September 30, 2023, and 2022, respectively.

M. LOANS RECEIVABLE

Loans Receivable, Net, reported on the Consolidated Balance Sheet for all direct loans and defaulted guaranteed loans receivable include the activity in the following table. In FY 2022, DFC presented $187,759 thousand for subsidy allowance amortization. In FY 2023, subsidy allowance amortization is broken out between interest received ($395,686 thousand), interest earned on uninvested funds ($77,197 thousand), interest expense ($215,476 thousand), and other increase/decrease to subsidy allowance ($72,205 thousand).

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Beginning Balance of the Loans Receivable, Net	$ 7,523,771	$ 6,730,788
Add: Loan Disbursements	2,432,096	1,953,927
Less: Principal Payments Received	(894,295)	(1,109,368)
Less: Interest Received	(395,686)	-
Add: Loan Guaranty Claim Payments Converted to Loans Receivable	494,623	723,683
Add: Interest Accruals	58,330	61,576
Less: Fees Accrued	(4,968)	(5,090)
Add: Capitalized Fees to Loan Principal	35,391	20,966
Less Interest Revenue on Uninvested Funds	(77,197)	-
Add interest expense on entity borrowings	215,476	-
Less: Subsidy Expense	(17,963)	(14,784)
Add: Negative Subsidy Payments	198,172	127,374
Less: Upward Reestimates	(233,163)	(269,220)
Add: Downward Reestimates	373,872	196,334
Less: Subsidy allowance amortization	-	(187,759)
Other Increase/Decrease to Subsidy Allowance	72,205	-
Loan Modifications	1,011	(637)
Allowance for Loan and Interest Loss Adjustments	460,387	(704,019)
Ending Balance of Loans Receivable, Net	**$ 10,242,062**	**$ 7,523,771**

NOTE 6: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

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

(dollars in thousands) **As of September 30, 2023**	**Acquisition Cost**	**Accumulated Depreciation**	**Net Book Value**
Equipment	$ 3,925	$ (3,904)	$ 21
Internal-Use Software	9,584	(9,584)	-
Total Property, Plant and Equipment, Net	**$ 13,509**	**$ (13,488)**	**$ 21**

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

Roll forward of General Property, Plant and Equipment, Net

(dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Balance as of October 1, 2022	$ 13,509	$ (13,354)	$ 155
Depreciation Expense	-	(134)	(134)
Balance as of September 30, 2023	**$ 13,509**	**$ (13,488)**	**$ 21**

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

NOTE 7: ADVANCES AND PREPAYMENTS

DFC's advances and prepayments consist of the following:

(dollars in thousands) **As of September 30,**	2023	2022
Advances for Claim Payments	$ 183	$ 1,247
Total Advances and Prepayments	**$ 183**	**$ 1,247**

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

NOTE 8: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(dollars in thousands) **As of September 30,**	2023	2022
Intragovernmental		
Unfunded FECA Liability	$ 27	$ 144
Total Intragovernmental	27	144
With the Public		
Federal Employee Benefits Payable	7,221	6,149
Insurance and Guaranty Program Liabilities	192	43,685
Other	131	-
Total With the Public	7,544	49,834
Total Liabilities Not Covered by Budgetary Resources	7,571	49,978
Total Liabilities Covered by Budgetary Resources	11,796,325	9,369,303
Total Liabilities Not Requiring Budgetary Resources	156,782	157,581
Total Liabilities	**$ 11,960,678**	**$ 9,576,862**

Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. DFC's liabilities covered by budgetary resources primarily consist of borrowings payable to the Treasury, loan guaranty liabilities and downward reestimates payable to the Treasury. 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, the Treasury will finance the liquidation in the same way that the Treasury finances all other disbursements, which is to borrow from the public if the Government has a budget deficit, and to use current receipts if the Government has a budget surplus. DFC's liabilities not covered by budgetary resources primarily consist of accrued unfunded annual leave in FY 2023. In FY 2022, DFC's liabilities not covered by budgetary resources consisted of insurance claims payable and accrued unfunded annual leave. DFC had liabilities for insurance in FY 2022 primarily due to the wartime activities in Ukraine impacting insured energy projects, that were paid in FY 2023.

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

In FY 2023 and 2022, DFC increased borrowings to finance the increased direct loans portfolio. DFC's debt consists of:

(dollars in thousands)
As of September 30,

Source of Debt	2022 Beginning Balance	2022 Net Borrowing	2022 Ending Balance	2023 Net Borrowing	2023 Ending Balance
Debt Owed to the Treasury other than FFB	$ 7,723,761	$ 1,241,210	$ 8,964,971	$ 1,532,609	$ 10,497,580
Total Debt	**$ 7,723,761**	**$ 1,241,210**	**$ 8,964,971**	**$ 1,532,609**	**$ 10,497,580**

NOTE 10: ADVANCES FROM OTHERS AND DEFERRED REVENUE

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

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Intragovernmental Advances from Others and Deferred Revenue		
Advances from Other Federal Agencies	$ 1,267	$ 3,561
Total Intragovernmental Advances from Others and Deferred Revenue	1,267	3,561
With the Public Advances from Others and Deferred Revenue		
Finance Retainer Fees and Deferred Facility Fees	126,153	127,320
Rent Incentives	18,371	14,194
Total With the Public Advances from Others and Deferred Revenue	144,524	141,514
Total Advances from Others and Deferred Revenue	**$ 145,791**	**$ 145,075**

NOTE 11: NON-ENTITY REPORTING

Non-entity assets are assets held by DFC but not available to be used by DFC. These are funds that DFC will transfer to the Treasury general fund receipt accounts for downward reestimates, and negative subsidy amounts for DFC's direct loan and loan guaranties made under FCRA, as well as excess funds related to direct loan and loan guarantees made prior to FY 1992. During the year, DFC transfers funds to the Treasury's general fund receipt accounts, and at year-end the Treasury sweeps the funds, reducing the balance of FBwT in the general fund receipts accounts to zero.

At year-end, DFC accrues current year reestimates. Direct loans and loan guaranties made after FY 1991 that are covered under FCRA are reestimated each year. The loans and loan guaranties where the reestimates indicate that the amount of subsidy needed will be less than the prior year, or where the present value of the cash flows is positive, are downward reestimates, requiring funds to be transferred to the Treasury. DFC cannot transfer these funds until it receives authority from OMB, which will occur in the succeeding fiscal year. When recording downward reestimate accruals, DFC records a payable to the Treasury general fund receipt account for the downward reestimates payable from its financing funds. DFC also records an accounts receivable in the general fund receipt account for the receivable from DFC's financing funds. For consolidated financial statements presentation, DFC eliminates the payables to the non-entity fund and the non-entity Treasury general fund receipt accounts receivable from the DFC entity funds, leaving a payable to the General Fund of the US Government for the downward reestimates. The downward reestimates payable is a current liability to be paid in the subsequent fiscal year. The table below shows the balance of the entity and non-entity assets and liabilities for the downward reestimates accrued as of September 30, 2023, and 2022.

(dollars in thousands)

As of September 30,	**2023**	**2022**
Entity		
Intragovernmental Liabilities		
Financing Funds Payable to the General Fund Receipt Account	$ (580,530)	$ (392,542)
Non-Entity		
Intragovernmental Assets		
General Fund Receipt Accounts Receivable	580,530	392,542
Intragovernmental Liabilities		
Liability to the General Fund of the US Government for Other Non-Entity Assets - Downward Re-estimate Payable to the Treasury	(580,530)	(392,542)
Liability to the General Fund of the U.S. Government for Other Non-Entity Assets	**$ (580,530)**	**$ (392,542)**

NOTE 12: OTHER LIABILITIES

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

(dollars in thousands)

As of September 30,	**2023**	**2022**
Intragovernmental:		
Other Liabilities		
Employer Contributions & Payroll Taxes Payable	$ 363	287
Unfunded FECA Liability	27	144
Total Intragovernmental	390	431
With the Public:		
Accrued Funded Payroll and Benefits	5,248	4,359
Other	131	-
Total With the Public	5,379	4,359
Total Other Liabilities	**$ 5,769**	**$ 4,790**

NOTE 13: ACCOUNTS PAYABLE

DFC's accounts payable consist of other payables with the public for services as of September 30, 2023. In FY 2022 accounts payable consisted of a direct loan disbursement in transit and other payables with the public for services.

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Disbursements in transit	$ -	$ 6,771
Other	2,389	274
Total Accounts Payable	**$ 2,389**	**$ 7,045**

NOTE 14: FEDERAL EMPLOYEE BENEFITS PAYABLE

Federal employee benefits payable consists of:

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Accrued Unfunded Annual Leave	$ 7,221	$ 6,149
Employer Contributions and Payroll Taxes Payable	123	98
Total Federal Employee Benefits Payable	**$ 7,344**	**$ 6,247**

NOTE 15: INSURANCE AND GUARANTY PROGRAM LIABILITIES

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

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

In general, pricing is determined based on the individual coverage issues and the unique risk profile of the investment project. DFC's cost of the Insurance program are $16,086 thousand and $54,989 thousand for the fiscal years ended September 30, 2023, and 2022, respectively. DFC collected $13,841 thousand and $21,901 thousand in insurance premiums for the fiscal years ended September 30, 2023, and 2022, respectively. DFC's Insurance program is self-funded, uses no appropriated funds in the administration of the program, and did not borrow any funds from the Treasury for the fiscal years ended September 30, 2023, and 2022.

DFC is able to invest proceeds from its insurance program in Treasury non-marketable, market-based securities. See Note 1 for additional information.

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

(dollars in thousands) **As of September 30,**	**2023**	**2022**
Unearned Insurance Premiums	$ 10,991	$ 12,507
Unpaid Insurance Claims	192	43,685
Total Insurance Program Liabilities	**$ 11,183**	**$ 56,192**

DFC has unpaid insurance claims that are recorded as unfunded liabilities. DFC's liability for unpaid insurance claims and activity for FY 2023 and 2022 consists of:

(dollars in thousands)	**2023**	**2022**
Unpaid Insurance Claims as of October 1	$ 43,685	$ 133
Claims Expense	5,793	43,837
Less: Claims Paid	(49,032)	(285)
Less: Claims Withdrawn	(254)	-
Unpaid Insurance Claims as of September 30	**$ 192**	**$ 43,685**

The increase in claims paid in FY 2023 is primarily related to a claim for political violence in the Ukraine due to the current war in Ukraine. The claim expense in FY 2022 for the Ukraine policy included the gross claim amount of $45 million less $4.5 million in estimated recoveries. The amount paid was the full $45 million. In FY 2023, the claims paid related to projects started under OPIC. In FY 2022 the claims paid were related to contracts started under DFC.

The liability for losses on remaining coverage as of September 30, 2023, and 2022, 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's analysis of estimated losses on remaining coverage incorporated a review of maximum contingent liabilities, current exposure to claims, historic claims, anticipated recoveries, and anticipated premiums. The analysis includes the past 14 years of historic coverages and claims, and assumes historic experience is analogous to current conditions. Anticipated claims were discounted using the 1-year Treasury rates. DFC assumes that recovery payments will begin four years after the claim is paid and the recovery payment period will last 2 years. DFC is not anticipating recoveries on claims paid prior to 2019. The estimated discounted claims on the portfolio are $159,677 thousand and $68,916 thousand for FY 2023 and 2022, respectively. The estimated discounted unearned premiums on the portfolio are $8,169 thousand and $10,634 thousand for FY 2023 and 2022, respectively, and the estimated discounted recoveries are $105,311 thousand and $61,882 thousand for FY 2023 and 2022, respectively. As of September 30, 2023, and 2022, DFC had no liability for losses on remaining coverage.

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

DFC's current exposure for all policies in force for the elected coverage periods, or Current Exposure to Claims as of September 30, 2023, was \$3.6 billion, of which \$1.0 billion is shared by third parties as a result of reinsurance arrangements. The current exposure to claims as of September 30, 2022, was \$3.5 billion, of which \$415 million was shared by third parties as a result of reinsurance arrangements.

NOTE 16: LEASES

OPERATING LEASES

DFC leases commercial facilities under a multi-year operating lease agreement, as amended, which expires in February 2035. Under the terms of the lease, DFC receives a tenant improvement allowance for space refurbishment as well as other incentives. The value of these incentives is deferred in the Consolidated Balance Sheets and are amortized to recognize rent expense on a straight-line basis over the life of the lease. Rental expense was approximately \$14.3 million and \$8.3 million for the fiscal years ended September 30, 2023, and 2022, respectively. The following table presents future non-cancelable rental payments.

(dollars in thousands) **For the Years Ending:**	**Non-Federal Lease Payments**
2024	$ 10,726
2025	11,540
2026	16,260
2027	18,497
2028	18,959
After 2028	125,963
Total Future Lease Payments	**$ 201,945**

NOTE 17: BUDGETARY RESOURCES

A. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD

(dollars in thousands) **For the Periods Ended September 30,**	**2023**		**2022**	
	Budgetary	**Non-Budgetary Credit Reform Financing Accounts**	**Budgetary**	**Non-Budgetary Credit Reform Financing Accounts**
Unobligated Balance, Prior Year	$ 6,469,761	$ 1,297,219	$ 6,521,648	$ 1,316,876
Borrowing Authority Withdrawn	-	(223,273)	-	(644,589)
Repayments of Borrowings to the Treasury	-	(648,696)	-	(505,860)
Capital Transfers to the General Fund of the Treasury	(6,882)	-	(8,077)	-
Recoveries of Prior Year Obligations	11,423	224,263	24,351	649,653
Transfers in of Prior Year Authority	12,388	-	9,322	-
Cancelled Authority	(349)	-	-	-
Unobligated Balance from Prior Year Budget Authority, Net	**$ 6,486,341**	**$ 649,513**	**$ 6,547,244**	**$ 816,080**

Differences between the Unobligated Balance, end of year, and the Unobligated Balance from Prior Year Budget Authority, as presented on the FY 2023 Combined Statement of Budgetary Resources are primarily due to the following:

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

B. PERMANENT INDEFINITE APPROPRIATIONS

FCRA authorizes permanent, indefinite appropriations from the 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 the 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 the Treasury should funds in DFC's reserves be insufficient to discharge obligations arising under its insurance program.

C. ANNUAL APPROPRIATIONS

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

D. BORROWING AUTHORITY

DFC is required to borrow from the Treasury's Bureau of the Fiscal Service to fund the unsubsidized portion of direct loan disbursements. DFC is authorized to borrow funds to disburse negative subsidy or pay claims exceeding the amount of subsidy and collections maintained in the financing funds. As of September 30, 2023, and 2022, DFC had $9,705 million and $8,545 million, respectively, in borrowing authority carried over to fund direct loans and pay future claims.

E. USE OF UNOBLIGATED BALANCES

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

F. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

(dollars in thousands)

As of September 30, 2023	**Intragovernmental**	**With the Public**	**Total**
Unpaid	$ 1,082,155	$ 10,390,842	$ 11,472,997
Paid	-	183	183
Total Obligations	**$ 1,082,155**	**$ 10,391,025**	**$ 11,473,180**

(dollars in thousands)

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

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

(dollars in millions) **For the Year Ended September 30, 2022**	**Budgetary Resources**	**New Obligations and Upward Adjustments**	**Distributed Offsetting Receipts**	**Net Outlays**
Combined Statement of Budgetary Resources	$ 15,215	$ 7,448	$ (426)	$ 1,605
Expired Funds not reported in 2023 President's Budget	(32)	-	-	-
Variances as a Result of OPIC funds transferred to DFC	-	-	-	(2)
Differences from OMB Distributed Offsetting Receipts Report			11	-
Budget of the U.S. Government	**$ 15,183**	**$ 7,448**	**$ (415)**	**$ 1,603**

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

For example, DFC's FY 2023 SBR will be reconciled to the actual balances per the 2025 Budget of the U.S. Government which will be released in FY 2024. The Budget with the actual amounts for this current year will be available later at whitehouse.gov/omb/budget.

Balances reported in the FY 2022 Combined Statement of Budgetary Resources and the related President's Budget are shown in the table above for Budgetary Resources, Obligations, Distributed Offsetting Receipts, Net Outlays, and any related differences. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations. Differences in Distributed Offsetting Receipts include differences in funds that OMB uses to calculate the amount on a quarterly report. OMB includes clearing accounts and does not include negative subsidy amounts. Other minor differences are the result of rounding variances.

H. DISTRIBUTED OFFSETTING RECEIPTS

Distributed Offsetting Receipts are amounts transferred to the Treasury and credited to a General Fund Receipt Account that offset DFC budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts. DFC's Distributed Offsetting Receipts consist of negative subsidies from the direct loan and loan guaranty programs and downward reestimates from the prior fiscal year, both of which are transferred to the Treasury General Fund Receipt Accounts. The Treasury publishes a report each month of each agencies' Distributed Offsetting Receipts (fiscal.treasury.gov/reports-statements/mts/quarterly). The report excludes DFC's negative subsidies for direct and loan guaranty programs, which have been reported on the Statement of Budgetary Resources.

NOTE 18: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

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

In FY 2023 and 2022, the key reconciling differences between the net cost and net outlays for DFC included: (1) the accrual of the reestimates in the program funds. The accruals impact the current year net cost but have an impact on the net outlays in the succeeding year; (2) collections of pre-1992 loans receivable that are recorded as offsets to net outlays but have no impact on the net cost; (3) a decrease in the prior year subsidy payable from the DFC credit program funds to the DFC financing funds. The subsidy was recorded as a payable in the prior year and paid in the current year, which impacts the net outlays, but has no current year impact on the net cost; (4) acquisition of investments, which are investments in non-intragovernmental projects that are recorded on the balance sheet. The investments impact net outlays but have no impact on the net cost; (5) transfers in without reimbursement represent DFC transfers of funds into the operating funds that do not have an impact on the net cost of operations, but are included in net outlays; and (6) distributed offsetting receipts which are funds that DFC has sent to the General Fund of the Treasury for its credit programs under FCRA. These amounts reduce the net outlays on the Combined Statements of Budgetary Resources but have no impact on the net cost to DFC.

(dollars in thousands) **For the Period Ended September 30, 2023**	**Intra-governmental**	**With the Public**	**Total**
Net Cost	**$ (117,745)**	**$ 79,532**	**$ (38,213)**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(134)	(134)
Year-end Credit Reform Subsidy Accrual Reestimates	102,589	-	102,589
Net Gains/(Losses) on Investments	-	(9,069)	(9,069)
Increase/(decrease) in assets:			
Accounts Receivable, Net	140	803	943
Loans Receivable, Net	-	(39,941)	(39,941)
Investments, Net	1,922	-	1,922
Advances and Prepayments	-	(417)	(417)
(Increase)/decrease in liabilities:			
Accounts Payable	-	(2,115)	(2,115)
Subsidy Payable to the Financing Account	613,753	-	613,753
Federal Employee Benefits Payable	-	(1,073)	(1,073)
Insurance and Guaranty Program Liabilities	-	45,008	45,008
Advances from Others and Deferred Revenue	2,295	1,734	4,029
Other Liabilities	17	(888)	(871)
Other Financing Sources:			
Imputed Costs	(6,189)	-	(6,189)
Total Components of Net Cost That Are Not Part of Net Outlays	**714,527**	**(6,092)**	**708,435**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Investments	-	146,839	146,839
Return of Investments	-	(780)	(780)
Effect of Prior Year Credit Reform Subsidy Re-estimates	(8)	-	(8)
Total Components of Net Outlays That Are Not Part of Net Cost	**(8)**	**146,059**	**146,051**
Financing Sources:			
Transfers in Without Reimbursement	(225,600)	-	(225,600)
Total Financing Sources	**(225,600)**	**-**	**(225,600)**
Miscellaneous Items:			
Distributed Offsetting Receipts	(398,962)	-	(398,962)
Total Miscellaneous Items	**(398,962)**	**-**	**(398,962)**
Net Outlays	**$ (27,788)**	**$ 219,499**	**$ 191,711**
Agency Outlays, Net			**$ 191,711**

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

NOTE 19: RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. The Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. The Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows DFC's financial statements and DFC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2022 Financial Report (FR) can be found here: fiscal.treasury.gov/reports-statements and a copy of the 2023 FR will be posted to this site as soon as it is released.

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

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments. Amounts shown in the DFC Statement of Net Cost column are totals from the FY 2023 Consolidated Statement of Net Cost by program. Unrealized gains and losses are reported as a net number on the FY 2023 Consolidated Statement of Net Cost.

FY 2023 DFC Statement of Net Cost		**Line Items Used to Prepare FY2023 Government-wide Statement of Net Cost**	
Financial Statement Line	**Amounts** *(dollars in thousands)*	**Other Than Dedicated Collections** *(dollars in thousands)*	**Reclassified Financial Statement Line**
Gross Costs			**Non-Federal Costs**
Operating Costs	$ 538,674	$ (29,551)	Non-Federal Gross Costs
Subsidy Costs	(195,307)	**(29,551)**	**Total Non-Federal Costs**
Re-estimates	(102,589)		
Unrealized Losses	12,650		
			Intragovernmental Costs
		17,370	Benefit Program Costs
		6,189	Imputed Costs
		4,627	Buy/Sell Costs
		254,793	Borrowing and Other Interest Expense
		282,979	**Total Intragovernmental Costs**
Total Gross Costs	**253,428**	**253,428**	**Total Reclassified Gross Costs**
Earned Revenue	(571,607)	(339,781)	**Non-Federal Earned Revenue**
Investment Revenue	(9,134)		**Intragovernmental Revenue**
Unrealized Gains	(13,581)	(7,490)	Buy/Sell Revenue
		(138,442)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		(108,609)	Borrowing and Other Interest Revenue
		(254,541)	**Total Intragovernmental Earned Revenue**
Total Earned Revenue	**(594,322)**	**(594,322)**	**Total Reclassified Earned Revenue**
Net Cost	**$ (340,894)**	**$ (340,894)**	**Net Cost**

FY 2023 DFC Statement of Changes in Net Position		**Line Items Used to Prepare FY 2023 Government-wide Statement of Changes in Net Position**	
Financial Statement Line	**Amounts** *(dollars in thousands)*	**Other Than Dedicated Collections** *(dollars in thousands)*	**Reclassified Financial Statement Line**
Unexpended Appropriations			**Unexpended Appropriations**
Unexpended Appropriations, Beginning Balance	$ 400,785	$ 400,785	Unexpended Appropriations, Beginning Balance
	-	(1,011)	Total Reclassified Corrections of Errors
Appropriations Received	1,236,707	1,236,707	Appropriations Received
Appropriations Transferred in/Out	12,388	12,388	Appropriations Transferred in/Out
Appropriations Used	(974,137)	(974,137)	Appropriations Used
Other Adjustments	(1,361)	(350)	Adjustment of Appropriation Received
Total Unexpended Appropriations	**674,382**	**674,382**	**Total Unexpended Appropriations**
Cumulative Results of Operations			**Cumulative Results of Operations**
Cumulative Results, Beginning Balance	6,772,638	6,772,638	Cumulative Results, Beginning Balance
	-	1,011	Total Reclassified Corrections of Errors
Appropriations Used	974,137	974,137	Appropriations Used
Imputed Financing Sources	6,189	6,189	Imputed Financing Sources
Offset to Non-entity Collections	(728,286)	(728,286)	Offset to Non-entity Collections
Other	21,889	20,878	Other
Net Cost of Operations	340,894	340,894	Net Cost of Operations
Cumulative Results of Operations	**7,387,461**	**7,387,461**	**Cumulative Results of Operations**
Total Net Position	**$ 8,061,843**	**$ 8,061,843**	**Net Position**

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

(dollars in thousands) For the Year Ended September 30, 2023	Budgetary				
	Insurance Budgetary	Debt Financing Budgetary	Equity Budgetary	Inspector General Budgetary	Non-Budgetary Credit Reform Accounts
Budgetary Resources					
Unobligated Balance from Prior Year Budget Authority, Net	$ 6,287,152	$ 90,188	$ 107,589	$ 1,412	$ 649,513
Appropriations	-	617,745	613,379	5,583	-
Borrowing Authority	-	-	-	-	6,424,983
Spending Authority from Offsetting Collections	253,243	265,593	166,621	-	984,898
Total Budgetary Resources	**$ 6,540,395**	**$ 973,526**	**$ 887,589**	**$ 6,995**	**$ 8,059,394**
Status of Budgetary Resources					
New obligations and upward adjustments (total)	$ 220,064	$ 764,229	$ 742,500	$ 5,218	$ 7,021,506
Unobligated Balance, End of Year					
Apportioned, unexpired accounts	203,036	58,906	589	1,369	-
Unapportioned, unexpired accounts	6,116,140	125,386	144,500	408	1,037,888
Unexpired unobligated balance, end of year	$ 6,319,176	$ 184,292	$ 145,089	$ 1,777	$ 1,037,888
Expired unobligated balance, end of year	1,155	25,005	-	-	-
Unobligated Balance, end of year (total)	6,320,331	209,297	145,089	1,777	1,037,888
Total Budgetary Resources	**$ 6,540,395**	**$ 973,526**	**$ 887,589**	**$ 6,995**	**$ 8,059,394**
Outlays, net	$ (143,262)	$ 353,497	$ 375,957	$ 4,481	
Distributed Offsetting Receipts	-	(398,962)	-	-	
Agency Outlays, Net	**$ (143,262)**	**$ (45,465)**	**$ 375,957**	**$ 4,481**	
Disbursements, Net					**$ 1,609,419**

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

REPORT ON THE PAYMENT INTEGRITY INFORMATION ACT

In accordance with OMB guidance on the implementation of the Payment Integrity Information Act (PIIA) of 2019, DFC performed a risk assessment on payment integrity and determined that its programs present a low risk and not susceptible to significant improper payments. In addition, DFC's Office of the Inspector General found in its audit that DFC's payment integrity program complied with PIIA but identified one control deficiency that management has since resolved. For additional information on payment integrity see PaymentAccuracy.gov.

ACRONYM LISTING

ACRONYM	DEFINITION
ASC	Financial Accounting Standards Codification
BUILD	Better Utilization of Investments Leading to Development
CSC	Credit Subsidy Calculator
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
DOL	Department of Labor
FASAB	Financial Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FY	Fiscal year
GHG	Green House Gas
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
MOV	Maintenance of Value
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
Treasury	U.S. Department of Treasury
U.S.	United States
U.S. GAAP	Generally Accepted Accounting Principles
USAID	United States Agency for International Development