DFC U.S. International Development Finance Corporation

Annual Management Report

Fiscal Year 2020

TABLE OF CONTENTS

December 8, 2020

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

I am pleased that DFC has successfully received an unmodified audit opinion which underscores our prudent management of exposure through sound underwriting and effective governance. In FY 2020, DFC's revenue exceeded its cost by $232 million, DFC had combined total exposure of $29.7 billion, and DFC maintained corporate reserves of $6.2 billion in Treasury securities. DFC achieved these excellent financial results by adding new commitments of $4.8 billion in development financing, equity commitments, technical assistance, and political risk insurance to its diverse portfolio. These achievements are a testament to the value DFC brings to U.S. taxpayers by engaging the private sector to help solve the world's most pressing development challenges.

Sincerely,

Adam S. Boehler
Chief Executive Officer

MISSION

On October 5, 2018, President Trump signed the Better Utilization of Investments Leading to Development (BUILD) Act into law—landmark legislation that reformed and strengthened U.S. development finance capabilities into a new federal agency to help address development challenges and foreign policy priorities of the United States.

U.S. International Development Finance Corporation (DFC) is a modern, consolidated agency that brings together the capabilities of Overseas Private Investment Corporation (OPIC) and the United States Agency for International Development's (USAID) Development Credit Authority (DCA), while introducing new and innovative financial products to better bring private capital to the developing world. The U.S. will have more flexibility to support investments in developing countries to drive economic growth, create stability, and improve livelihoods.

DFC makes America a stronger and more competitive leader on the global development stage, with greater ability to partner with allies on transformative projects and provide financially sound alternatives to state-directed initiatives that can leave developing countries worse off.

ORGANIZATION

BOARD OF DIRECTORS

DFC's Board of Directors consists of nine members – four from Federal government agencies, four from the private sector, and DFC's Chief Executive Officer (CEO). Government members include the Secretary of State, Administrator of the USAID, Secretary of Commerce, and the Secretary of the U.S. Department of the Treasury, or their designees. All members are appointed by the President of the United States and confirmed by the Senate.

The Board of Directors, which meets quarterly, provides policy guidance to the Corporation and approves all major insurance, project finance and investment funds projects.

DEVELOPMENT ADVISORY COUNCIL

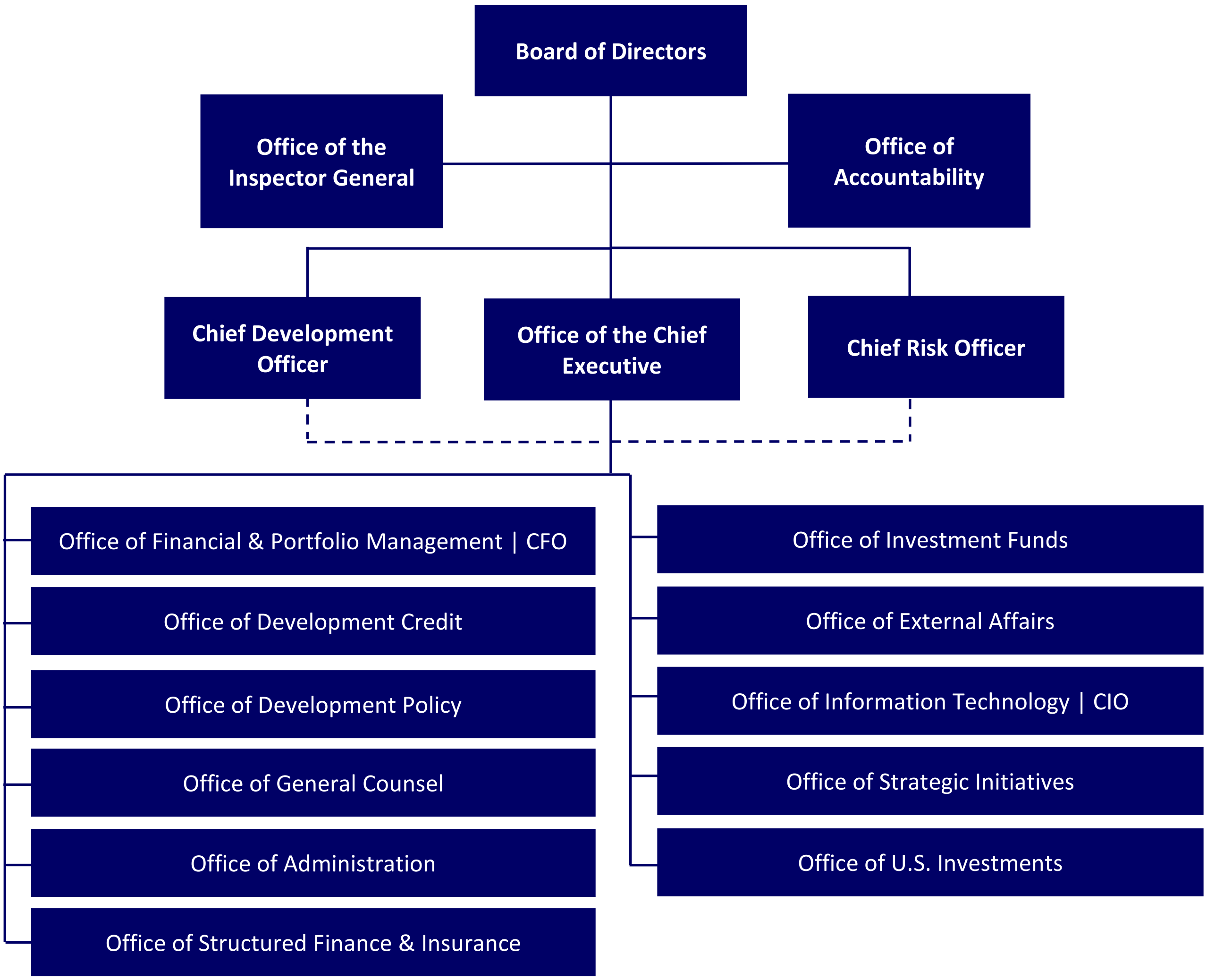
The Development Advisory Council was established by the BUILD Act, which created DFC. Members are appointed by DFC's CEO in consultation with the agency's Chief Development Officer and with the approval of its Board. Members advise the agency on ways to increase development impact. The inaugural members of the Development Advisory Council were appointed in fiscal year (FY) 2020.

OFFICE OF ACCOUNTABILITY

The Office of Accountability is an independent office within DFC that addresses concerns, complaints, or conflicts about environmental or social issues that may arise around DFC-supported projects. The Office provides project-affected communities, project sponsors, and project workers an opportunity to have concerns independently reviewed and addressed. In FY 2020, DFC established an Independent Accountability Mechanism (IAM) to implement requirements under 22 U.S.C. § 9614. The functions of the IAM will be to: (1) annually evaluate and report to the Board and Congress regarding compliance with environmental, social, labor, human rights, and transparency standards, consistent with DFC statutory mandates; (2) provide a forum for resolving concerns regarding the impacts of specific DFC-supported projects with respect to such standards; and (3) provide advice regarding DFC projects, policies, and practices. In establishing an IAM, the DFC has reflected upon and utilized the best practices among 17 international financial institutions and bilateral investment and export assistance organizations to provide an effective mechanism for addressing concerns regarding the social and environmental impacts of proposed projects. The objective of the IAM is to improve the Corporation's effectiveness in fulfilling its mission by ensuring compliance with DFC requirements and enhancing information flow between locally impacted communities, project sponsors and decision- makers. DFC also expects to benefit from the independent advice that an IAM will be able to provide.

DFC ORGANIZATIONAL STRUCTURE

The organizational chart below is as of September 30, 2020. In November 2020, DFC created the Office of Equity Investments that reports to the Office of the Chief Executive. The Office of Equity Investments will be included on the organizational chart in the FY 2021 DFC Annual Management Report.



PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

ADMINISTRATION PRIORITIES

DFC is building on the strengths of the former development finance programs at OPIC and DCA, while introducing reforms and new tools to enhance the effectiveness of U.S. development finance efforts and improve taxpayer protections, transparency, and interagency coordination. The BUILD Act provides the DFC the authority to issue insurance or reinsurance, make loans and guaranties, and provide financing to private equity funds. In addition to these core programs, the BUILD Act provides the authority to invest in equity interests and support feasibility studies.

DFC's program funding is deployed in coordination with the Department of State (State), USAID, the Millennium Challenge Corporation (MCC), and others to support developmental projects in less developed countries. During FY 2020, Administration priorities included the following. These priorities align with DFC's strategic goals detailed on the next page.

INDO-PACIFIC STRATEGY

Seeks to promote market-based economic governance, sustainable infrastructure investment, and open, fair, and reciprocal trade. The strategy envisions a peaceful and secure region of sovereign nations, supports a framework for economic growth that is private sector-led, and encourages a governance model that promotes growth through open, transparent, and rules-based economies. Strategic partnerships forged with Japan, Australia, and others in the region to combine resources, technical expertise, and private sector funding are instrumental to DFC addressing the Indo-Pacific's economic and development needs.

2X WOMEN'S INITIATIVE (2X)

The 2X Women's Initiative aims to unlock the multi-trillion dollar opportunity that women represent by catalyzing investment in projects that support the world's women. Investments under 2X support women as entrepreneurs, leaders, employees, and consumers. Since its inception, DFC's 2X Women's Initiative has invested over $7 billion towards gender smart investments. Further, 2X plays a key role in advancing the Administration's broader Women's Global Development and Prosperity (W-GDP) Initiative, notably through a recent collaboration in the W-GDP Fund. DFC will utilize its unique investment toolkit to catalyze and scale a USAID grant funded project focused on economically empowering women.

PROSPER AFRICA

Unlocks the U.S.'s competitive advantage to accelerate two-way investment and trade with Africa. State-directed investments have left many African states with unsustainable debt or projects, making the DFC's model of private sector-led development all the more important. A focus on infrastructure, information and communications technology, value chains, and logistics can help advance African countries on their journey to self-reliance.

AMÉRICA CRECE

Promotes regional security with our close neighbors and key partners in Latin America and the Caribbean. This region accounts for almost one quarter of DFC's global portfolio and is the site of DFC investments in critical infrastructure, energy, agriculture, and financial services. The América Crece initiative is an innovative, whole-of-government approach to designing achievable energy and infrastructure growth programs that address the most pressing investment barriers in each market.

STRATEGIC GOALS

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

GOAL 1: MAXIMIZE DEVELOPMENT IMPACT

DFC mobilizes private sector investment to advance development in emerging economies around the world. DFC is prioritizing low- to middle-income countries and uses its capital to promote projects that empower women. Further, DFC promotes projects that support job creation through small business growth and supports populations with limited access to financing.

GOAL 2: DRIVE PRIVATE CAPITAL TOWARD U.S. FOREIGN POLICY OBJECTIVES

DFC serves as a critical tool of American foreign policy, mobilizing investment in regions, and industry sectors of strategic importance. DFC strives to be one of the most effective, nimble tools of the U.S. foreign policy apparatus by playing a critical role in bringing new capital to emerging market development and providing an alternative to state-led investment by authoritarian regimes.

GOAL 3: MANAGE TAXPAYER RISK THROUGH APPROPRIATE INVESTMENT GROWTH

DFC will prudently manage its portfolio and share risks with the private sector and qualifying sovereign entities through co-financing and structuring of tools. DFC promotes the creation of new sources of private capital in areas of strategic interest, as well as innovative programs and partnerships to maximize outcomes.

STRATEGIC GOALS IN PRACTICE

DFC's process of evaluating investment funds and fund managers is a prime example of how DFC uses the three strategic goals to drive investment decision-making. When evaluating funds and fund managers DFC considers several criteria to ensure that the potential investment meets DFC's three goals. The illustration below maps each criterion to the goal(s) it is aimed to evaluate the investment fund and manager against.

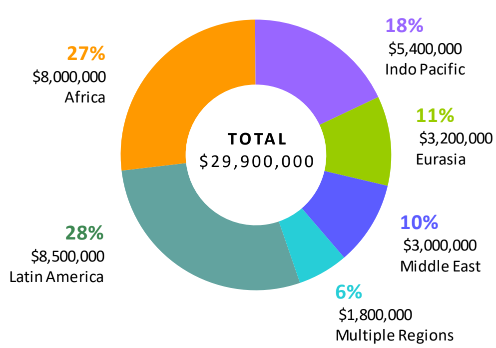
Evaluation Criteria	Goal 1	Goal 2	Goal 3
— Demonstration of how the proposed fund and its investments may have a positive developmental impact on the host country/countries	✓	✓	
— Ability of the fund manager to comply with DFC's policies related to environmental and social sustainability as well as respect for human and worker rights		✓	
— Relevant track record of the prospective management team making long-term risk investments in emerging markets, and the team's country or regional experience	✓		✓
— Viability and thoughtfulness of the proposal; consistency and clarity of the investment thesis, value creation strategy, and proposed exit strategies	✓	✓	✓
— Ability of the fund manager to raise enough equity capital to close the proposed fund in a reasonable amount of time			✓

INVESTMENT PORTFOLIO

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

- **Insurance** – DFC offers political risk insurance coverage up to $1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity.
- **Financing** – DFC meets the long-term capital investment financing needs of any size business in a wide variety of industries such as critical infrastructure, power generation, telecommunications, housing, agribusiness, financial services, and in projects that can achieve a positive impact in the host country.
- **Equity –** DFC provides direct equity into projects in the developing world which will have developmental impact or advance U.S. foreign policy. DFC also supports equity funds that help address the shortfall of private equity capital in developing countries and help these economies access long-term growth capital, management skills, and financial expertise.

INVESTMENT COMMITMENTS BY REGION
(DOLLARS IN THOUSANDS)



DFC's investment portfolio by region is presented at left and demonstrates the agency's commitment to the Administration's priorities in Latin America, Africa, and the Indo-Pacific regions. The largest project for each prioritized region is detailed below.

Latin America

DFC supports lending to micro, small, and medium enterprises (MSMEs) in Ecuador that are owned by, led by, or support women through a finance agreement for a $100 million loan to Banco Pichincha. This will enable Banco Pichincha to expand its lending portfolio for MSMEs. The project is expected to reach 53,000 female entrepreneurs in its first five years and will help address a significant credit gap for MSMEs owned or led by women. Despite employing approximately 40 percent of the country's workforce, MSMEs in Ecuador suffer an estimated shortfall in access to credit of $18 billion, equivalent to 17 percent of the gross domestic product (GDP). The credit gap is particularly wide for women, who own only 14 percent of the country's MSMEs.

Africa

DFC is supporting Phanes Energy Renewables with a loan up to $50 million to develop, construct, and operate a 37 megawatt (MW) solar photovoltaic power project located in the Nkhotakota district of the Republic of Malawi. This project is expected to have a highly developmental impact by expanding Malawi's capacity to generate clean energy. The country has an installed power capacity of only 450 MW, and this limited supply is frequently subject to load shedding and blackouts. Estimates for the country suggest at least a 100 MW gap between peak demand and power supply in the country. This project is one of the first utility scale photovoltaic solar power plants in Malawi and has the potential to attract future solar power investments in a low-income country.

Indo-Pacific

The COVID-19 pandemic and stay-at-home orders have exacerbated the challenges of providing affordable quality education in India. In a country where 800 million of the country's 1.3 billion people live on less than $2.50 a day, many families have limited access to computers and smart phones and the schools serving these low-income communities often lack the technology to pivot to online learning. DFC financing helps Varthana support thousands of small affordable private schools that fill the gap government schools cannot meet. When the COVID-19 pandemic forced these schools to close their doors, Varthana stepped in to help them put together online learning plans that would be accessible to families with the most basic phones. By curating lessons that are available online and helping schools organize live online classes and asynchronous learning that could be delivered over low-tech devices, Varthana has helped students in 1,300 schools continue their education.

STRATEGIC GOAL 1: MAXIMIZE DEVELOPMENT IMPACT

GOAL PROGRESS

DFC is committed to focusing on maximizing impact in low-income countries (LIC), lower-middle income (LMIC) countries, and fragile states. For additional information, including project-specific details and commitment amounts, refer to DFC's Active Projects Database at https://www.dfc.gov/our-impact/all-active-projects. This database is updated approximately 45 days after the end of each quarter.

DFC is committed to supporting projects that deliver impactful benefits to people across developing countries. To better evaluate the development potential of a project, the agency designed Impact Quotient (IQ), a modernized tool that measures impact throughout the life of the project. IQ supports DFC in its mission to finance solutions to the most critical challenges facing the developing world today. DFC uses IQ to inform decisions to support projects, track development impact of projects over time, report development outcomes to key stakeholders, and use findings to inform future projects and maximize impact.

Development Snapshot:

55 out of 82 projects (67 percent) DFC has approved between January 2020 and September 30, 2020 are focused in LICs, LMICs, or fragile states.

A team of DFC economists and environmental and social policy analysts implement IQ to provide an objective and systematic assessment of potential and current projects. This team also analyzes data on expected and actual impact to further calibrate the tool and guide future investment decisions. IQ enables DFC to classify projects into three categories: highly developmental, developmental, and intermediate. For additional information, visit https://www.dfc.gov/our-impact/impact-quotient-iq.

SUPPORTING A FEMALE ENTREPRENEUR IN MONGOLIA

Challenge

Mongolia's mining sector accounts for almost one-quarter of the national GDP but this strong concentration in a single industry leaves the country vulnerable to economic shocks. With a national poverty rate of almost 30 percent, Mongolia is seeking to diversify its economy and provide more opportunity for workers in rural communities.

Solution and Impact

DFC's $5 million loan is helping Goyol Cashmere, a local producer of wool and cashmere knitwear, construct a new factory and purchase additional equipment in order to expand production. Cashmere is the third largest export in Mongolia, where cashmere goats are well suited for the harsh climate. The country's cashmere industry, which represents 28 percent of the world's cashmere market, provides stable incomes to over 100,000 people across the country. Goyol Cashmere sources 50 percent of its raw cashmere materials from rural herders to produce high-quality knitwear that is exported to bolster Mongolia's economy.

Photo Credit: DFC

The project advances DFC's 2X Women's Initiative to support businesses that economically empower women. Goyol Cashmere was founded by Ariunaa Byambakhuu, an entrepreneur who started to create her own knitwear as a teenager while working at a cashmere factory. She launched her business in 2005 and has expanded from five employees to more than 100, 80 percent of whom are women. Byambakhuu remains a majority shareholder in the business today and supports the many working mothers she employs, with onsite childcare and employee housing.

STRATEGIC GOAL 2: DRIVE PRIVATE CAPITAL TOWARD U.S. FOREIGN POLICY OBJECTIVES

GOAL PROGRESS

In crafting the BUILD Act, Congress recognized that DFC could play a key role in advancing U.S. foreign policy creating economic opportunities for citizens in developing countries, including in fragile and conflict-affected areas, and promoting an alternative to predatory finance.

Predatory investors can weaken confidence in democratic and free-market systems, saddle countries with unsustainable debt, erode sovereignty, and ignore the needs of local communities. This approach stands in stark contrast to what DFC offers. DFC supports infrastructure projects that are developmentally and financially sound, without displacing the private sector, and DFC supports small and medium-sized enterprises (SMEs), enabling entrepreneurship often ignored by state-led competitors.

DFC exemplifies the United States' comparative advantage over non-transparent financing models supported by some countries by highlighting transparency in procurement processes, free-market economic principles, financial sustainability, high environmental, social, and worker rights standards, and a willingness to invest in SMEs. Engagement with the private sector spurs sustainable development, achieves better outcomes, and leverages the vast resources of commercial enterprise throughout the world. Alongside our government and international partners, the U.S. approach to development finance seeks to uplift societies, building stable and prosperous futures for their citizens. DFC investments support transparent, competitive markets and the rule of law.

BOLSTERING GABON'S CRITICAL INFRASTRUCTURE

Challenge

Gabon requires significant investment in infrastructure to support trade and diversify its economy. The country ranks 150 out of 160 on the World Bank's Logistics Performance Index. Although oil accounts for the majority of its exports, oil reserves are declining and the government is focused on strengthening its non-oil economy, including mining, wood-processing, agribusiness and services.

Solution and Impact

Political risk insurance is supporting construction of a mineral and specialized bulk terminal port, which will advance economic growth by increasing the country's ability to import and export goods. This project supports the development, construction, operation and maintenance of a mineral and specialized bulk terminal port, Gabon Special Economic Zone (GSEZ) Mineral Port, in the city of Owendo near Libreville, Gabon. The port will be a viable logistics solution for the export and import of minerals and other products.

The GSEZ Mineral Port is part of Plan Gabon Emergent, an initiative by the Government of Ghana to diversify the economy and promote public and private investment. A stronger and more diversified economy will also help address significant income inequality in Gabon, where the unemployment rate is 28 percent, and more than one-third of the people live below the poverty line.

Investments in Gabon help promote regional security and advance U.S. interest in a region of critical strategic importance.

STRATEGIC GOAL 3: MANAGE TAXPAYER RISK THROUGH APPROPRIATE INVESTMENT GROWTH

GOAL PROGRESS

In addition to providing direct loans and loan guaranties for investments, as a result of the BUILD Act, DFC is also equipped to provide equity financing, either directly into projects or to support emerging market investment funds. Equity funding allows DFC to more effectively drive development, while capturing returns for the taxpayer in out-years if the investments are financially successful.

DFC can provide direct equity into projects in the developing world which will have developmental impact or advance U.S. foreign policy. An equity investment can be particularly important when operating in credit constrained environments or early stage companies. DFC's ability to make equity investments will allow to play a catalytic role in mobilizing private sector capital on behalf of U.S. interests abroad.

DFC-supported funds help address the shortfall of private equity capital in developing countries and help these economies access long-term growth capital, management skills, and financial expertise, all of which are key factors in expanding economic development and creating new opportunities for people in low-income and developing nations.

Through direct loan and loan guaranty programs, DFC continues to build on the strengths of the existing development finance programs by introducing reforms and new tools to enhance the effectiveness of U.S. development finance efforts and improve taxpayer protections. Some of these improvements include:

- An Office of Inspector General (OIG) devoted to DFC oversight;
- Risk-sharing with the private sector through co-financing and structuring of tools such that private sector partners have sufficient "skin in the game" alongside the U.S. Government;
- Additionality to private sector resources (i.e. mobilizing investment that would not otherwise have occurred);
- Enhanced risk management through concentration risk limitations and diversification of the overall exposure of DFC's portfolio; and,
- More modern and transparent monitoring and evaluation framework.

ANALYSIS OF THE FINANCIAL STATEMENTS

FINANCIAL POSITION

In accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, DFC prepares financial statements, which include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. The following table summarizes DFC's financial position as of September 30, 2020 across key metrics in each of the four principal financial statements.

The BUILD Act created DFC as a new federal agency, combining the capabilities of OPIC and the Development Credit Authority, which had previously been housed in the USAID. DFC operations began after receipt of the FY 2020 appropriation in December 2019; therefore, the financial data presented in this section does not reflect a full year of activity. Comparative data will be provided in upcoming years.

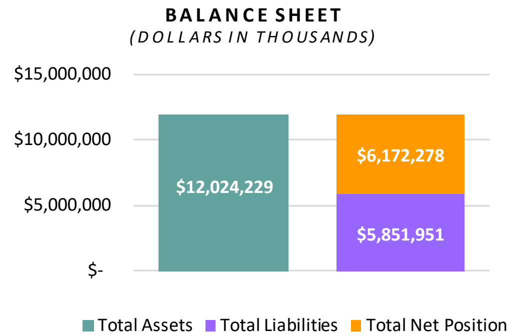
SUMMARY OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2020
(Dollars in Thousands)

Balance Sheet		
Assets		
Fund Balance with Treasury	$	1,616,126
Investments		6,195,838
Credit Program Receivable		4,201,086
Other		11,179
Total Assets	$	12,024,229
Liabilities		
Borrowings from Treasury	$	4,677,759
Liability for Reestimates and Capital Transfers to Treasury		999,425
Other		174,767
Total Liabilities		5,851,951
Total Net Position		6,172,278
Total Liabilities and Net Position	$	12,024,229
Net Position		
Total Unexpended Appropriations	$	105,992
Cumulative Results of Operations		6,066,286
Net Position	$	6,172,278
Net Cost		
Gross Costs	$	65,397
Less: Earned Revenue		(297,786)
Net Cost of Operations	$	(232,389)
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority	$	6,625,902
Appropriations		286,391
Borrowing Authority		4,107,290
Spending Authority from Offsetting Collections		1,177,669
Total Budgetary Resources	$	12,197,252

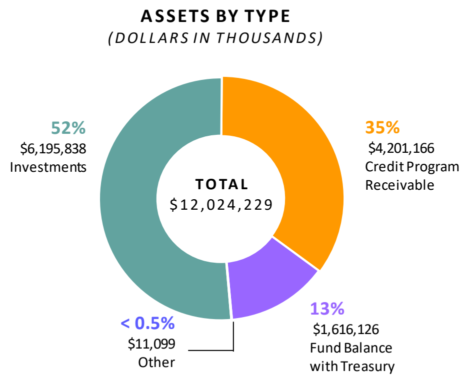
BALANCE SHEET

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

+ **Assets**: the resources available to meet DFC's statutory requirements;
- **Liabilities**: the amounts DFC owes that will require payment from the available resources; and,
= **Net Position**: the difference between DFC's assets and liabilities.



ASSETS



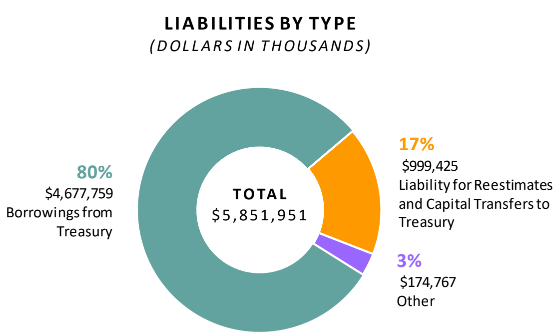
As of September 30, 2020, DFC held $12 billion in assets. DFC's assets are primarily composed of Investments, Credit Program Receivable, and Fund Balance with Treasury.

The largest category of assets is Investments at $6.2 billion, which represents 52 percent of all DFC assets. DFC's investments as of September 30, 2020 comprised of Treasury Market-based Securities. DFC has the authority to invests funds derived from revenue related to its insurance programs. DFC also has the authority to make equity investments into funds or projects as partnerships with other entities. These investments help fulfill DFC's strategic goals of maximizing development impact and managing taxpayer risk. During FY 2020, DFC entered into agreements to make $120 million in equity investments, which are scheduled for FY 2021.

Credit Program Receivable is DFC's second largest asset category at $4.2 billion or 35 percent of total assets. This category represents receivables for loans made to support critical infrastructure, energy, and other projects requiring large investments. The value of the receivable is based on the net present value of the expected future cash flows. DFC estimates future cash flows for direct loans and loan guaranties using economic and financial credit subsidy models. For more information, refer to *Significant Factors Influencing Financial Results* on page 13.

Fund Balance with Treasury (FBWT) was $1.6 billion or 13 percent of DFC's total assets. Congressional appropriations, loan disbursements and collections, and interest and fee collections all impact the balance of FBWT.

LIABILITIES



As of September 30, 2020, DFC owed $5.9 billion in liabilities. DFC's liabilities are primarily composed of Borrowings from Treasury and the Liability for Reestimates and Capital Transfers to Treasury.

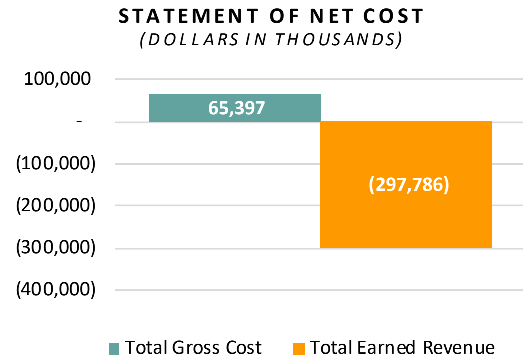
Borrowings from Treasury is DFC's largest liability balance at $4.7 billion or 80 percent of total liabilities. These borrowings are used to fund credit program loans, as discussed above for the Credit Program Receivable.

Liability for Reestimates and Capital Transfers to Treasury is DFC's second largest liability at $1 billion or 17 percent of total liabilities. This category represents amounts owed to Treasury for excess funding per Federal credit program requirements. 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 on page 14.

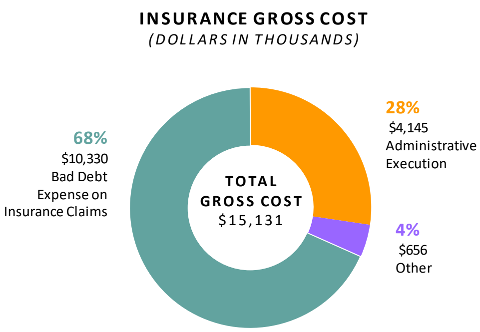
STATEMENT OF NET COST

The Statement of Net Cost captures the use of appropriated funds and measures the program costs to the taxpayer. In FY 2020, DFC operated in a "negative net cost" to the taxpayer and effectively contributed to the overall reduction of the budget deficit. DFC's net excess revenue over cost for FY 2020 was $232 million, as illustrated by the graphic at right. Subject to the appropriations process, some of the funds were used to cover administrative and program expenses.

DFC categorizes cost and revenue into three components based on the agency's investment portfolio: 1) Insurance, 2) Financing, and 3) Equity. The highest costing, or earning, activities within each category are highlighted below.

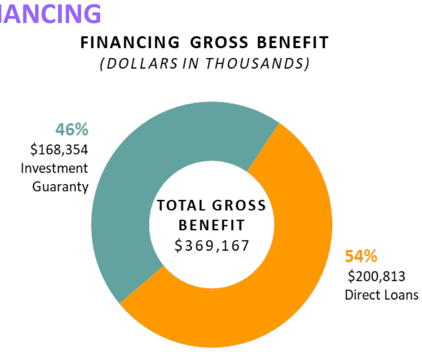


INSURANCE



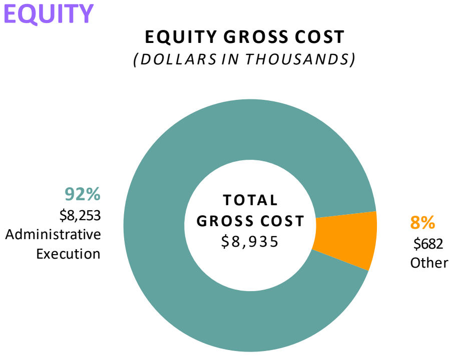
Gross cost for the insurance category was $15.1 million, driven primarily by an increase in bad debt expense on insurance claims receivable that were paid by OPIC and transferred into the DFC, and administrative execution costs, which comprised 96 percent of total insurance gross cost. DFC provides Political Risk Insurance for overseas investments against several risk types. For detailed information about the insurance program, refer to Note 11 in the Financial Section. Administrative execution costs are an allocation of indirect operating costs that support the insurance program.

FINANCING



The financing category is the primary driver for DFC's "negative net cost" as it experienced a gross benefit of $369 million, which reflects a strong return on the agency's investments. The financing gross benefit is comprised of revenue and negative subsidy expenses on the Investment Guaranty and Direct Loan programs. Negative subsidy on loans and loan guaranties helps drive the generation of revenue and reflects that the estimated net present value of the future projected cash flows is reducing costs for the agency.

EQUITY

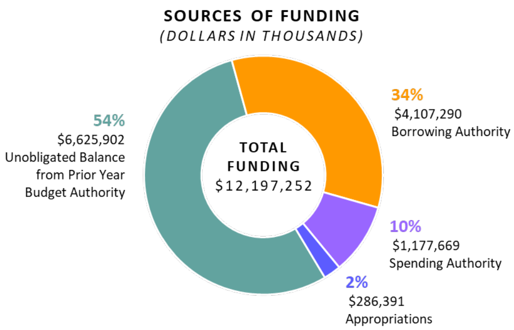


Gross cost for the equity category was $8.9 million, driven primarily by administrative execution costs related to identifying and evaluating potential investments, which comprised 92 percent of total equity gross cost. The equity investment category is newly developed, having been authorized under the BUILD Act. The first round of equity investments were approved for $120 million by the Board of Directors in 2020, supporting initiatives that will advance DFC's 2X Women's Initiative, as well as development in the regions of Africa, Latin America, the Indo-Pacific in accordance with the agency priorities detailed in the preceding Performance Section. As of September 30, 2020, equity investments have been authorized, but not executed; therefore, revenue has not yet been generated. In future years we expect this program to show strong investment returns.

STATEMENT OF BUDGETARY RESOURCES

In accordance with Federal statutes and regulations, DFC may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Statement of Budgetary Resources (SBR) presents the sources of DFC's budgetary resources, their status at the end of the year, and net outlays.

SOURCES OF FUNDING

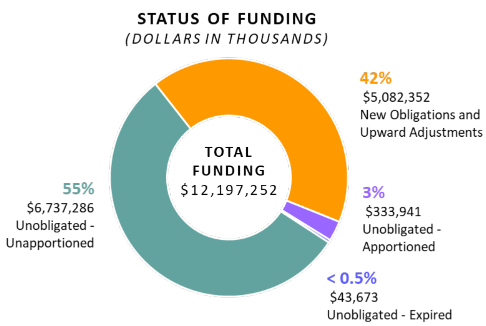


In FY 2020, DFC's largest source of funding was the Unobligated Balance from Prior Year Budget Authority at $6.6 billion or 54 percent of total funding. This consists of Budget Authority transferred in from OPIC and USAID under the BUILD Act to continue administering the programs, loans, and loan guaranties from the respective agencies.

DFC's second largest source of funding was Borrowing Authority at $4.1 billion or 34 percent of total funding. This source of funding is closely tied to DFC's Credit Program Receivable and Borrowings from Treasury liability.

DFC's other sources of funding included Spending Authority from Offsetting Collections at $1.2 billion or ten percent, followed by Congressional Appropriations.

STATUS OF FUNDING



In FY 2020, DFC obligated $5.1 billion or 42 percent of its total funding. New obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments, and other reservations of funds to operate the agency to meet its mission and goals.

Unobligated unapportioned funds of $6.7 billion are mostly from funds transferred in from OPIC's Insurance program. $6 billion of these funds are represented on the Balance Sheet as investments in Treasury securities.

SIGNIFICANT FACTORS INFLUENCING FINANCIAL RESULTS

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

SUBSIDY COSTS OF NEW DISBURSEMENTS

To calculate subsidy costs for new loans or guaranties, estimates are developed of the expected cash outflows and inflows over the life of the direct loans obligated or loan guaranties committed. Historical information and various assumptions are used, including the probabilities of default, borrower prepayments, or recoveries, and the projected timing of these events, to make informed predictions about expected future cash flows. These expected cash flows are then discounted to the point of loan disbursement to determine the net present value. If the present value of estimated cash outflows exceeds cash inflows, there is a positive subsidy cost. If the present value of estimated cash inflows exceeds cash outflows, there is a negative subsidy. When loans are disbursed DFC recognizes this subsidy cost (or negative subsidy) in the Statement of Net Costs. In FY 2020, DFC recognized net subsidy costs reductions of $213 million.

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. Reestimates that increase subsidy costs are referred to as upward reestimates, while reestimates that decrease subsidy costs are referred to as downward reestimates. The following are the primary drivers of DFC's annual reestimated subsidy costs.

Reevaluation of Risk Ratings

In fulfilling its mission to partner with the private sector to finance solutions to the most critical challenges facing the developing world, DFC must balance the risks associated with assuming credit and other emerging market risks that the private sector is unable or unwilling to accept. 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. Each year, these factors are considered and ratings on all active loans are reevaluated and corresponding default and recovery assumptions are updated accordingly.

> Credit Risk: The risk that a borrower may not have sufficient funds to service its debt or may not be willing to service its debt 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 as a result of expropriation of the obligor's property, war, or inconvertibility of the borrower's currency into U.S. dollars.

Updates to Loan Level Discount Rates

Actual project cash flows and the estimation of the timing of future inflows and outflows are discounted with respect to the time value of money using the OMB's Credit Subsidy Calculator (CSC). The CSC is a tool that converts actual and future projected cash flows to their net present value in order to determine the reestimated credit subsidy cost. The CSC produces the single effective rate, equivalent to the rate at which DFC owes interest on debt held by the Treasury and earns interest on cash balances held at the Treasury. This single effective rate is a loan-specific discount rate first calculated at obligation. 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, using actual loan activity, updated forecasts, and all available actual interest rates. While on a portfolio level, revised discount rates are calculated annually, each loan only receives a revised discount rate once in its lifetime.

Updates to Interest Rates

Each year, OMB updates the President's Economic Assumptions (PEA) and releases their associated PEA curves, one for Treasury and one for LIBOR rates according to those assumptions. These rates are used to project future interest for loans with floating interest rates. Updating these rates will only have an effect on loans with floating Treasury or floating LIBOR interest rates which need to be updated each year.

Updates to Projected Cash Flows with Actual Data

Loan level accounting transactions are captured from the general ledger and used in the current year of the cash flows. This replaces the projections developed from the prior year reestimates and thus captures all amortization changes including timing of disbursements; collection of principal, interest, fees, and recoveries; as well as write-off and the realization of defaults.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT'S STATEMENT OF ASSURANCE

The DFC management is responsible for establishing and maintaining effective internal controls and financial management systems to ensure efficient and effective operations, reliable reporting, and compliance with laws and regulations. DFC evaluated its internal control processes using OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, as a framework and provides reasonable assurance that its system of internal control over operations, reporting, and compliance, including considerations of fraud, met management's objectives and was operating effectively as of September 30, 2020. DFC is not aware of any material weaknesses in internal control. As DFC continues to establish and mature its operations, the agency will continue to implement its Enterprise Risk Management program and build and strengthen its internal controls over reporting.

SUMMARY OF INTERNAL CONTROL ASSESMENT

The DFC internal control program is guided by OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, to support the agency's strategic, operational, compliance, and reporting objectives. FY 2020 was a year of transition for DFC as the corporation integrated the operations of the OPIC and USAID DCA pursuant to the BUILD Act of 2018. As part of that transition, DFC issued new operational directives which necessitated changes to policies, procedures, and processes. Given these operational changes and time needed to allow new processes to be designed, implemented, and mature, DFC focused its internal control resources on various activities designed to enhance and strengthen DFC's ability to identify and respond to risk, including but limited to its risk assessment, risk register, entity level control assessment, fraud risk profiles, payment integrity testing, service organization monitoring, and data quality planning. No material weaknesses were identified, and the results of this year's activities, combined with management's role in the daily execution and monitoring of internal controls, allows the agency to assert there is reasonable assurance that internal controls were properly designed and operating effectively during the year to support efficient and effective operations, reliability of reporting, and compliance with laws and regulations. In FY 2021, DFC will continue to implement its Enterprise Risk Management program and build and strengthen its internal controls over reporting.

FORWARD-LOOKING INFORMATION

COVID-19

The COVID-19 pandemic continues to have an impact on the global economy and creates uncertainty regarding the future performance of DFC projects. During FY 2020 DFC reviewed the potential effect of COVID-19 on its portfolio and worked with borrowers to mitigate adverse impact on project performance. Potential impacts on the portfolio have been considered in DFC's risk assessment of project performance and are incorporated into accounting estimates in the financial statements. DFC continues to closely monitor the possible effects on the portfolio due to the COVID-19 pandemic.

DIVIDEND

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

EVOLUTION OF PRODUCTS

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

DFC is authorized to take equity stakes in its project companies to fulfill its development mandate. In FY 2020 DFC agreed to make $120 million dollars in equity investments in several projects. These are not reflected in the balance sheet as of September 30, 2020 as these have not yet disbursed. As equity investments are made in the future these will increasingly drive financial performance due to market and other factors affecting investment values. DFC leverages it decades of institutional experience investing in Investment Funds and comparable deals to ensure DFC is making sound, investments while balancing its development objectives.

Independent Auditors' Report

Chief Executive Officer
United States International Development Finance Corporation

In our audit of the fiscal year 2020 financial statements of the United States International Development Finance Corporation (DFC), we found:

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

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

Report on the Financial Statements

We have audited DFC's financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). DFC's financial statements comprise the balance sheet as of September 30, 2020; the related statements of net cost, changes in net position, and combined budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

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

[1]The RSI consists of Management's Discussion and Analysis and the Combining Statement of Budgetary Resources, which are included with the financial statements.
[2]Other information consists of all the other information included with the financial statements, other than the RSI and the auditors' report.

Management's Responsibility
DFC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Other Matters

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

and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

<u>Other Information</u>
DFC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. In addition, management has included references to information on websites or other data outside of the Annual Management Report. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on DFC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

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

<u>Management's Responsibility</u>
DFC management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing assurance statement on the overall effectiveness on internal control over financial reporting included in management's discussion and analysis (MD&A).

<u>Auditors' Responsibility</u>
In planning and performing our audit of DFC's financial statements as of and for the year ended September 30, 2020, in accordance with *Government Auditing Standards*, we considered DFC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DFC's internal control over financial reporting. Accordingly, we do not express an opinion on the DFC's internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of DFC's internal control over financial reporting. Given these limitations, material weaknesses and/or significant deficiencies may exist that have not been identified. However, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. We did identify a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency, described below and in Exhibit A.

- *Controls Over Reconciliation of SF 132s to SF 133s Need Improvement*

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

During our 2020 audit, we identified deficiencies in DFC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DFC management's attention. We have communicated these matters to DFC management and, where appropriate, will report on them separately.

Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

<u>Auditors' Responsibility</u>
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to DFC that have a direct effect on the determination of material amounts and disclosures in DFC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DFC.

<u>Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters</u>
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2020 that would be reportable under *Government Auditing Standards*.

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

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

DFC's Response to Audit Findings and Recommendations

DFC's management responded that they concur with the audit report and agree to implement the auditor's recommendation. DFC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
December 4, 2020

Controls Over Reconciliation of SF 132s to SF 133s Need Improvement

Condition

The SF 132 is the Apportionment and Reapportionment Schedule which documents the Office of Management and Budget's (OMB) apportionment approval. The SF 133 is the Report on Budget Execution and Budgetary Resources and should agree to the DFC's financial statements. The SF 132s and SF 133s should be reconciled monthly as this is a key control to ensure proper monitoring of the budgetary authority received and the status of funds. The reconciliations provide assurance that DFC has properly reported the SF 133s monthly to Treasury and OMB as required, the Statement of Budgetary Resources to external readers and could prevent potential antideficiency violations.

DFC did not complete entering all the beginning balances to stand up the new agency until June 2020 and it was DFC's plan to complete the SF 132 to SF 133 reconciliation for June and September of 2020. However, the June 30, 2020 SF 132 to SF 133 reconciliation was not prepared for the following four Treasury Account Symbols (TAS) listed below:

- 071-2018-2020-0100
- 077-2020-2022-0110
- 071-2019-2021-0100
- 077-X-4483

Due to the lack of these key interim reconciliations, DFC was delayed in completing its yearend financial statements and reconciliations. If DFC had completed the reconciliations sooner and communicated with OMB sooner the issues could have been resolved more timely and delays avoided. DFC plans to complete SF 132 to SF 133 reconciliations monthly beginning in fiscal year 2021.

Criteria

Government Accountability Office's (GAO's) Standard for Internal Control in the Federal Government (Green Book), section 0V4.08, *Documentation Requirements*, states, in part:

> *"Documentation is a necessary part of an effective internal control system…Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system…"*

Office of Management and Budget (OMB) Number A-11, *Preparation, Submission, and Execution of the Budget*, section 15.4 states:

> *"The Antideficiency Act requires OMB to apportion the accounts and to monitor spending; prohibits agencies from spending more than the amounts appropriated or apportioned, whichever is lower; requires that agencies control their spending; and provides penalties for overspending.*
> *Specifically, agencies may not:*
> - *Purchase services and merchandise before appropriations are enacted and accounts are apportioned;*
> - *Enter into contracts that exceed the appropriation for the year or the amount apportioned by OMB, whichever is lower; or*
> - *Pay bills when there is no cash in the appropriation or fund account."*

Cause

The DFC was formed in fiscal year 2020 and the staff were challenged with many additional tasks.

Due to time constraints four of the SF 132 to SF 133 reconciliations were only done at year-end.

Effect

If the SF 132s and SF 133s do not reconcile the DFC is at risk of improperly reporting their budgetary accounts and potentially being antideficient.

Recommendations

We recommend that DFC management prepare the SF 132 to SF 133 reconciliations monthly for all TASs. The reconciliations should include evidence of supervisory review, and resolutions to any reconciling items including communications to Treasury and OMB when significant differences are identified and resolved.

BALANCE SHEET

(dollars in thousands)

As of September 30, 2020		**2020**
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$	1,616,126
Investments (Note 3)		6,195,838
Total Intragovernmental		7,811,964
With the Public:		
Accounts Receivable, Net (Note 4)		10,055
Credit Program Receivable, Net (Note 5)		4,201,086
Property and Equipment, Net (Note 6)		482
Other Assets		642
Total Assets	**$**	**12,024,229**
Liabilities		
Intragovernmental:		
Borrowings from Treasury (Note 8)	$	4,677,759
Liability for Reestimates and Capital Transfers to Treasury (Note 9)		999,425
Other Liabilities (Note 12)		1,466
Total Intragovernmental		5,678,650
With the Public:		
Loan Guaranty Liability (Note 5)		13,052
Unearned Revenue (Note 10)		133,843
Insurance Program Liabilities (Note 11)		16,537
Other Liabilities (Note 12)		9,869
Total Liabilities	$	5,851,951
Net Position		
Unexpended Appropriations		105,992
Cumulative Results of Operations		6,066,286
Total Net Position		6,172,278
Total Liabilities and Net Position	**$**	**12,024,229**

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

(in thousands)

For the Period Ended September 30, 2020	**2020**
Insurance Program	
Gross Costs	
Operating Costs	$ 15,131
Total Gross Costs	15,131
Less: Earned Revenue	(141,557)
Net Insurance Program Costs	(126,426)
Financing Program	
Gross Costs	
Operating Costs	134,753
Subsidy Costs/(Reduction)	(212,938)
Reestimates	119,516
Total Gross Costs	41,331
Less: Earned Revenue	(156,229)
Net Financing Program Costs	(114,898)
Equity Program	
Gross Costs	
Operating Costs	8,935
Total Gross Costs	8,935
Net Equity Program Costs	8,935
Net Cost of Operations	**$ (232,389)**

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

(in thousands)

For the Period Ended September 30, 2020	**2020**
Unexpended Appropriations	
Beginning Unexpended Appropriations	$ -
Appropriations Received	286,391
Appropriations Transferred-In	122,382
Other Adjustments	(7,927)
Appropriations Used	(294,854)
Total Unexpended Appropriations	105,992
Cumulative Results of Operations	
Beginning Balance	-
Budgetary Financing Sources	
Appropriations Used	294,854
Transfers In/Out Without Reimbursement	(2,585,265)
Other Financing Sources (Non-exchange)	
Transfers In/Out Without Reimbursement	8,528,166
Imputed Financing	2,192
Offset to Non-entity Collections	(406,050)
Total Financing Sources	5,833,897
Net Cost of Operations	232,389
Net Change	6,066,286
Cumulative Results of Operations	**6,066,286**
Net Position	**$ 6,172,278**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

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

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The DFC is a U.S. Government corporation created under the BUILD Act. DFC facilitates U.S. private investment in developing countries and emerging market economies, primarily by providing direct loans, loan guaranties, equity investments, technical assistance, and political risk insurance. On October 5, 2018, the President of the United States signed the BUILD Act (Public Law 115-254) establishing DFC. The BUILD Act specified a transition period during which the assets, liabilities, and functions of OPIC and certain functions of the USAID were to be transferred to DFC. The transition period occurred during FY 2020, which coincides with DFC's first year of operation. The creation of DFC extends the authority for OPIC and USAID legacy programs through 2025.

B. BASIS OF ACCOUNTING AND PRESENTATION

The format of the financial statements and footnotes are presented in accordance with the form and content guidance provided in OMB Circular No. A-136, *Financial Reporting Requirements* (A-136). DFC's financial statements are presented on the accrual and budgetary basis of accounting in accordance with U.S. GAAP promulgated by the Financial Accounting Standards Advisory Board (FASAB). Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of Federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

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

DFC began activities after receipt of the current year appropriation to fund the agency, in December 2019. As a result, the activities presented in these statements and notes do not reflect a full twelve months of operations. Additionally, only one year of the financial statements and notes is presented for FY 2020, DFC's first partial fiscal year of operation.

C. FUND BALANCE WITH TREASURY

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

D. INVESTMENTS

DFC has investments in Treasury securities and is authorized to make direct equity investments in specific projects and emerging market investment funds. As of September 30, 2020, DFC only has investments in Treasury securities, with pending direct equity investments for FY 2021. Investments in Treasury securities are carried at face value, net of unamortized discount or premium, and are held to maturity. DFC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

E. PROPERTY AND EQUIPMENT, NET

DFC's property and equipment consists of general-purpose equipment used by the agency. The majority of DFC property and equipment was transferred from OPIC, including equipment and internal use software. DFC capitalizes property and equipment at historical cost for acquisitions that have an estimated useful life of two years or more. DFC has a capitalization threshold of $50,000 for equipment, furniture, vehicles, and leasehold improvements, and

$250,000 for internal use software. DFC expenses property and equipment acquisition that do not meet the capitalization criteria when purchased, as well as normal repairs and maintenance. The cost of property and equipment acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. Depreciation and amortization of property and equipment are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 10 years.

F. FEDERAL EMPLOYEE BENEFITS

LEAVE

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

EMPLOYEE HEALTH AND LIFE INSURANCE BENEFITS

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

EMPLOYEE PENSION BENEFITS

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

IMPUTED FINANCING COSTS

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

FEDERAL EMPLOYEES' COMPENSATION ACT

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

G. INSURANCE PROGRAM

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

H. COMMITMENTS AND CONTINGENCIES

DFC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. There are substantial factual and legal issues that might bar any recovery in these matters. It is not possible to evaluate the likelihood of any unfavorable outcome, nor is it possible to estimate the amount of compensation, if any, that may be determined to be owed in the context of a settlement. Management believes that the resolution of these claims will not have a material adverse impact on DFC.

I. CLASSIFIED ACTIVITIES

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

NOTE 2: FUND BALANCE WITH TREASURY

(dollars in thousands)

As of September 30,		**2020**
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$	913,202
Unavailable		43,673
Obligated Balance not yet Disbursed		659,251
Total FBWT	**$**	**1,616,126**

At September 30, 2020, there were no unreconciled differences between Treasury records and balances reported on DFC's general ledger. DFC'S FBWT is classified as unobligated balance available, unobligated balance unavailable, and obligated balance not yet disbursed. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated unavailable balances represent amounts that are in expired appropriations and not available for incurring new obligations. Obligated balances not yet disbursed include undelivered orders or delivered orders received but not yet paid.

NOTE 3: INVESTMENTS

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

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

NOTE 4: ACCOUNTS RECEIVABLE, NET

(dollars in thousands) **As of September 30,**	**2020**
Public Accounts Receivable	
Accounts Receivable	$ 2,540
Insurance Settlement	20,757
Allowance for Uncollectible Amounts	(13,242)
Accounts Receivable, Net	**$ 10,055**

Accounts receivable are amounts due to DFC from the public and other Federal agencies. Receivables from the public result from fees and premiums from insurance policies, and assets acquired in insurance claims settlements. Accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. Allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, and prior loss experience.

NOTE 5: DIRECT LOANS AND LOAN GUARANTIES, NON-FEDERAL BORROWERS

A. DIRECT LOAN AND LOAN GUARANTY PROGRAMS

DFC has the following direct loan and loan guaranty programs:

Name of Program	Description
Direct Loan Program	Direct loans by DFC, and loans transferred from OPIC and USAID's DCA to DFC. Loans are for critical infrastructure, energy, and other projects requiring large investments.
Loan Guaranties	Loan Guaranties by DFC, and agreements transferred from OPIC and DCA to DFC. Loan guaranties are for critical infrastructure, energy, and other projects requiring large investments.
Legacy Loans	DFC administers loans that were previously initiated by USAID under the Debt Reduction Loan program, initiated after FY 1991, and the Economic Assistance Loan program, which were initiated prior to FY 1992.
Legacy Loan Guaranties	DFC administers loan guaranties that were previously administered by USAID under the Microenterprise and Small Enterprise Development Guarantied Loan program; the Urban and Environmental Credit Guarantied Loan programs, and the Housing and Other Credit Guaranty programs. These programs include loans that were initiated before FY 1992 and after FY 1991.

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

BUDGETARY ACCOUNTING FOR LOAN PROGRAMS

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

NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS

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

Budgetary Resources and the Budget of the United States and are excluded from the determination of the budget deficit or surplus.

SUBSIDY FUNDING UNDER FEDERAL CREDIT REFORM

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

INTEREST RECEIVABLE

Interest receivable is comprised of accrued interest on loans receivable (direct loans and defaulted loan guaranties). Initial unpaid interest on defaulted loan guaranties that DFC acquires with the loan is treated as part of the principal of the loan receivable. Interest income is accrued at the contractual rate on the outstanding principal. Purchased interest is carried at cost.

VALUATION METHODOLOGY FOR DIRECT LOANS AND LOAN GUARANTIES

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

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

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

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

B. DIRECT LOANS, NET

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

C. TOTAL AMOUNT OF DIRECT LOANS DISBURSED

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

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

(dollars in thousands) **As of September 30, 2020**	**Direct Loans**
Subsidy Expense for New Direct Loans Disbursed	
Interest Differential	$ 1,883
Defaults	(85,974)
Fees and Other Collections	193,080
Other	(18,456)
Total Subsidy Expense for New Direct Loans Disbursed	90,533
Modifications and Reestimates	
Interest Rate Reestimates	14,751
Technical Reestimates	59,234
Total Reestimates	73,985
Total Direct Loan Subsidy Expense	**$ 164,518**

E. SCHEDULE FOR RECONCILING DIRECT LOAN SUBSIDY COST ALLOWANCE

(dollars in thousands) **As of September 30,**		**2020**
Beginning balance of the subsidy cost allowance	$	-
Subsidy cost allowance transferred-in		(962,425)
Add: subsidy expense for direct loans disbursed during the year		90,533
Adjustments:		
Fees accrued		(508)
Loans written off		3,196
Subsidy allowance amortization		(134,329)
Other		993
Total adjustments		(130,648)
Ending balance of the subsidy cost allowance before reestimates		(1,002,540)
Add or subtract subsidy reestimates		(73,985)
Ending balance of the subsidy cost allowance	**$**	**(1,076,525)**

F. DEFAULTED LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2020**	**Defaulted Loan Guaranties Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Loss (or Present Value Allowance)**	**Allowance for Subsidy Cost (Present Value)**	**Value of Assets Related to Defaulted Loan Guaranties Receivable, Net**
Loans Obligated Prior to FY 1992					
Legacy Loan Guaranties	$ 85,046	$ 11,671	$ (40,609)	$ -	$ 56,108
Loans Obligated After FY 1991					
Loan Guaranties	366,371	18,103		(263,354)	121,120
Legacy Loan Guaranties	77,174	53,839	-	-	131,013
Total	**$ 528,591**	**$ 83,613**	**$ (40,609)**	**$ (263,354)**	**$ 308,241**

DFC has fees receivable related to the Loan Guaranties in the amount of $88,302 as of September 30, 2020 that are reported as part of the Credit Program Receivables balance on the Balance Sheet.

G. GUARANTIED LOANS OUTSTANDING

GUARANTIED LOANS OUTSTANDING

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

NEW LOAN GUARANTIES DISBURSED

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

H. LIABILITY FOR LOAN GUARANTIES

(dollars in thousands) **As of September 30, 2020**	**Liabilities for Losses on Pre-1992 Guaranties, Present Value**	**Liabilities for Post-1991 Guaranties, Present Value**	**Loan Guaranties Liabilities for Loan Guaranties**
Loans Obligated Prior to FY 1992			
Legacy Loan Guaranties	$ (1,924)	$ -	$ (1,924)
Loans Obligated After FY 1991			
Loan Guaranties	-	(149,006)	(149,006)
Legacy Loan Guaranties	-	163,982	163,982
Total Liability for Loan Guaranties	**$ (1,924)**	**$ 14,976**	**$ 13,052**

I. SUBSIDY EXPENSE FOR LOAN GUARANTIES BY PROGRAM AND COMPONENT

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

J. SCHEDULE FOR RECONCILING THE LOAN GUARANTY LIABILITY

(dollars in thousands) **As of September 30,**	**2020**
Beginning balance of the loan guaranty liability	$ -
Loan guaranty liability transferred-in	(51,531)
Add: total subsidy income/(expense) for guarantied loans disbursed during the year	(122,405)
Adjustments:	
Fees accrued	192,058
Actual claims paid	(180,524)
Loans acquired	107,966
Subsidy allowance amortized	23,553
Other	328
Total adjustments	143,381
Ending balance of the loan guaranty liability before reestimates	(30,555)
Add or subtract total subsidy reestimates by component	45,531
Ending balance of the loan guaranty liability	$ 14,976

K. SUBSIDY RATES BY PROGRAM AND COMPONENT

As of September 30, 2020	**Defaults, net of recoveries**	**Interest**	**Fees**	**Other**	**Total**
Direct Loans					
Direct Loans	10.25%	-	-24.24%	-	-13.99%
Direct Loan Investment Funds	1.99%	-1.87%	-11.30%	-	-11.18%
Direct Loans in Foreign Currencies	17.49%	-	-4.17%	-13.32%	-
Hybrid Participation Notes	33.70%	-0.68%	-8.02%	-	25.00%
Loan Guaranties					
USAID Mission-led Guaranties	4.33%	-	-1.05%	-	3.28%
Loan Guaranties	8.59%	-	-18.10%	-	-9.51%
Guarantied Loan Investment Funds	17.97%	-	-16.56%	-	1.41%
Non-Honoring of Sovereign Guaranties	2.18%	-	-8.34%	-	-6.16%
Limited Arbitral Award Coverage	3.57%	-	-5.96%	-	-2.39%

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

L. ADMINISTRATIVE EXPENSES

DFC incurs administrative expenses to carry out its credit reform programs. The administrative expense for direct loan and loan guaranties is $64,119 thousand for the period ended September 30, 2020.

NOTE 6: PROPERTY AND EQUIPMENT, NET

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

(dollars in thousands)	**Acquisition Cost**	**Accumulated Depreciation**	**Net PP&E**
Balance as of October 1, 2019	$ -	$ -	$ -
Transfers In	13,509	(12,882)	627
Depreciation Expense	-	(145)	(145)
Balance as of September 30, 2020	**$ 13,509**	**$ (13,027)**	**$ 482**

NOTE 7: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. DFC's liabilities not covered by budgetary resources primarily consist of accrued unfunded annual leave. DFC's liabilities not requiring budgetary resources consists of rent incentives.

(dollars in thousands) **As of September 30,**	**2020**
Intragovernmental	
Unfunded FECA Liability	$ 301
Total Intragovernmental	301
With the Public	
Unfunded Annual Leave	5,215
Actuarial FECA Liability	428
Total With the Public	5,643
Total Liabilities Not Covered by Budgetary Resources	5,944
Total Liabilities Covered by Budgetary Resources	5,833,398
Total Liabilities Not Requiring Budgetary Resources	12,609
Total Liabilities	**$ 5,851,951**

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to borrow from the public if the Government has a budget deficit, and to use current receipts if the Government has a budget surplus.

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

NOTE 8: BORROWINGS FROM TREASURY

DFC's debt comes from direct borrowings from the U.S. Treasury to fund the portion of direct loans not covered by subsidy appropriations, disbursements of downward subsidy reestimates, and pay claims in excess of the amount of subsidy and collections maintained in the non-budgetary financing funds. During FY 2020 borrowings from Treasury were transferred in from OPIC and USAID to DFC.

(dollars in thousands)

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

NOTE 9: LIABILITY FOR REESTIMATES AND CAPITAL TRANSFERS TO TREASURY

Federal credit programs are required to transfer to Treasury excess funding. Loans and loan guaranties made after FY 1991 that are covered under FCRA are reestimated each year. The loans and loan guaranties where the reestimate indicates that the amount of subsidy needed will be less than the prior year, or where the present value of the cash flows is positive, is a downward reestimate, requiring funds to be transferred to Treasury. DFC cannot transfer these funds until they receive authority from OMB, which will occur in the succeeding fiscal year. Loan and loan guaranties made prior to FY 1992 are not covered under the Federal Credit Reform Act, however, excess funding is still required to be transferred to Treasury in the form of a capital transfer.

The balance of the Liability for Reestimates and Capital Transfers to Treasury consists of the following:

(dollars in thousands)

As of September 30,		**2020**
Downward Reestimates	$	342,662
Capital Transfers to Treasury		656,763
Ending Balance	**$**	**999,425**

NOTE 10: UNEARNED REVENUE

(dollars in thousands)

As of September 30,		**2020**
Finance Retainer Fees and Deferred Facility Fees	$	121,234
Rent Incentives		12,609
Total Unearned Revenue:	**$**	**133,843**

DFC may charge a retainer and other working capital fees in conjunction with each project. Working capital fees are maintained in non-budgetary financing funds. Facility fees collected in excess of $50,000 are amortized over the life of the project.

NOTE 11: INSURANCE PROGRAM LIABILITIES AND CLAIM RECOVERIES

DFC provides Political Risk Insurance for overseas investments against six different risks: (1) inconvertibility of currency; (2) expropriation; (3) bid, performance, advance payment, and other guaranty coverages; (4) political violence; (5) reinsurance; and (6) breach of contract for capital markets. On a case-by-case basis, DFC may rewrite and renew insurance coverage beyond the initial term of the original insurance contract issued. The initial term is typically 3 to 20 years. Policies are renewable yearly at the option of the insured. Insurance premiums received are amortized over the coverage period.

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

In general, pricing is determined based on the individual coverage issues and the unique risk profile of the investment project.

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

DFC's liability for unearned insurance retainer fees and unearned insurance premiums as of September 30, 2020 was $16,537 thousand. DFC did not have any claims incurred or paid, or claims recoveries received during FY 2020.

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

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

The open arrangement period is the elected coverage period under the insurance policy, since it is the period the insurance is in-force and unexpired. DFC has no liability for losses on remaining coverage as of September 30, 2020.

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 has no contingent liabilities related to insurance claims as of September 30, 2020.

DFC's current exposure for all policies in force, or Current Exposure to Claims at September 30, 2020 was $2.7 billion. DFC's broader measure of exposure is limited to "Maximum Contingent Liability" as defined in legislation as $3.6 billion at September 30, 2020. This amount is DFC's estimate of maximum exposure to insurance claims, which includes standby coverage for which DFC is committed but not currently at risk.

NOTE 12: OTHER LIABILITIES

(dollars in thousands) **As of September 30, 2020**	**Non-Current Liabilities**	**Current Liabilities**	**Total Liabilities**
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	$ -	$ 1,165	$ 1,165
Unfunded FECA Liability	165	136	301
Total Intragovernmental	165	1,301	1,466
With the Public			
Accounts Payable	-	759	759
Accrued Funded Payroll & Benefits	-	3,376	3,376
Accrued Unfunded Annual Leave	-	5,215	5,215
Liability for Deposit Funds	-	91	91
Actuarial FECA Liability	428	-	428
Total Liabilities With the Public	428	9,441	9,869
Total Other Liabilities	**$ 593**	**$ 10,742**	**$ 11,335**

NOTE 13: LEASES

OPERATING LEASES

DFC leases commercial facilities under a multi-year operating lease agreement, as amended, which expires in May 2029. Under the terms of the lease, DFC receives a tenant improvement allowance for space refurbishment as well as other incentives. The value of these incentives is deferred in the Balance Sheet and are amortized to recognize rent expense on a straight-line basis over the life of the lease. Rental expense was approximately $6.9 million for fiscal year 2020. The following table presents future rental payments.

(dollars in thousands) **For the Years Ending:**	**Non-Federal Lease Payments**
2020	$ 8,394
2021	9,638
2022	9,661
2023	9,901
2024	10,148
After 2024	38,482
Total Future Lease Payments	**$ 86,224**

NOTE 14: BUDGETARY RESOURCES

A. PERMANENT INDEFINITE APPROPRIATIONS

The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations from Treasury, as appropriate, to carry out all obligations resulting from the financing program. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to DFC.

Section 235(c) of the Foreign Assistance Act of 1961 (FAA) established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor authority. All valid claims arising from insurance issued by DFC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. DFC is authorized by statute to borrow from Treasury should funds in DFC's reserves be insufficient to discharge obligations arising under its insurance program.

B. ANNUAL APPROPRIATIONS

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

C. BORROWING AUTHORITY

DFC is required to borrow from Treasury's Bureau of the Fiscal Service to fund the unsubsidized portion of direct loan disbursements. DFC is authorized to borrow funds to disburse negative subsidy or pay claims in excess of the amount of subsidy and collections maintained in the financing funds. At the end of fiscal year 2020, DFC had $5,534 million in borrowing authority carried over to fund direct loans and pay future claims.

D. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

(dollars in thousands)

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

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

Agencies are required to explain material differences between their Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government. This disclosure reconciles the prior year's Statement of Budgetary Resources to the actual balances per the upcoming year's budget. For example, DFC's FY 2020 SBR will be reconciled to the actual balances per the 2022 Budget of the U.S. Government which will be released in FY 2021. As a result, DFC will not have anything to report until FY 2021. The Budget with the actual amounts for this current year will be available at a later date at https://www.whitehouse.gov/omb/budget/.

NOTE 15: RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

(dollars in thousands) **For the Period Ended September 30, 2020**	**Intra governmental**	**With the public**	**Total**
Net Cost	**$ 47,009**	**$ (25,288)**	**$ 21,721**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(145)	(145)
Year-end Credit Reform subsidy Re-estimates	(118,200)	-	(118,200)
Increase/(decrease) in assets:			
Accounts Receivable	-	10,055	10,055
Credit Program Receivable	-	(53,288)	(53,288)
Investments	68,067	-	68,067
(Increase)/decrease in liabilities:			-
Loan Guaranty Liability	-	1,924	1,924
Unearned Revenue	-	(132,614)	(132,614)
Subsidy Payable to the Financing Account	284,391	-	284,391
Liability for Reestimates and Capital Transfers to Treasury	(656,763)	-	(656,763)
Insurance Program Liabilities	-	(16,537)	(16,537)
Other Liabilities	(1,894)	(9,440)	(11,334)
Other Financing Sources:			-
Imputed Costs	(2,192)	-	(2,192)
Transfers out (in) without reimbursement	512,994	-	512,994
Total Components of Net Cost That Are Not Part of Net Outlays	**86,403**	**(200,045)**	**(113,642)**
Components of Net Outlays That Are Not Part of Net Cost:			
Distributed Offsetting Receipts	(357,761)	-	(357,761)
Total Components of Net Outlays That Are Not Part of Net Cost	**(357,761)**	**-**	**(357,761)**
Net Outlays (calculated)	**(224,349)**	**(225,333)**	**(449,682)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			(91,921)
Distributed Offsetting Receipts			(357,761)
Total Agency Outlays, Net			**$ (449,682)**

NOTE 16: RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COSTS, AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORTING COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows DFC's financial statements and DFC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. The GTAS balances on the Reclassified Balance Sheet and Statement of Changes in Net Position require additional manual adjustments in order to accurately reflect DFC's activity. A copy of the 2019 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2020 FR will be posted to this site as soon as it is released.

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

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

FY 2020 DFC Balance Sheet		**Line Items Used to Prepare FY 2020 Government-wide**			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
ASSETS					**ASSETS**
Intra-Governmental Assets					**Intra-Governmental Assets**
FBWT	$ 1,616,126	$ 1,616,126	-	$ 1,616,126	FBWT
Investments, Net	6,195,838	6,165,583	-	6,165,583	Federal Investments
		30,255	-	30,255	Interest Receivable - Investments
Total Investments, Net	6,195,838	6,195,838	-	6,195,838	*Total Reclassified Investments, Net*
Advances	-	19	-	19	Advances to Others and Prepayments
		(19)	-	(19)	Other Assets
Total Advances	-	-	-	-	*Total Advances to Other and Prepayments*
Total Intra-governmental Assets	**$ 7,811,964**	**$ 7,811,964**	**$ -**	**$ 7,811,964**	**Total Intra-governmental Assets**
Accounts Receivable, Net	10,055	10,055	-	10,055	Accounts Receivable, Net
Credit Program Receivable, Net	4,201,086	4,099,890	-	4,099,890	Loans Receivable, Net
		101,196	-	101,196	Accounts Receivable, Net
Total Credit Program Receivable, Net	4,201,086	4,201,086	-	4,201,086	Total Credit Program Receivable, Net
Property and Equipment, Net	482	482	-	482	General Property, Plant and Equipment, Net
Other Assets	642	642	-	642	Other Assets
Total Assets	**$ 12,024,229**	**$ 12,024,229**	**$ -**	**$ 12,024,229**	**Total Assets**

FY 2020 DFC Balance Sheet		Line Items Used to Prepare FY 2020 Government-wide			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
LIABILITIES					**LIABILITIES**
Intra-Governmental Liabilities					**Intra-Governmental Liabilities**
Borrowings from Treasury	$ 4,677,759	$ 4,677,759	-	$ 4,677,759	Loans Payable
Liability for Reestimates and Capital Transfers to Treasury	999,425	999,425	-	999,425	Liability to General Fund for Custodial and Other Non-Entity Assets
Other Liabilities	1,466	632	-	632	Benefit Program Contributions Payable
		158	-	158	Other liabilities (without reciprocals)
		676	-	676	Federal employee and veteran benefits payable
Total Other Liabilities	1,466	1,466	-	1,466	*Total Other Liabilities*
Total Intra-Governmental Liabilities	**$ 5,678,650**	**$ 5,678,650**	**$ -**	**$ 5,678,650**	**Total Intra-Governmental Liabilities**
Loan Guaranty Liability	$ 13,052	$ 13,052	-	$ 13,052	Loan Guaranty Liability
Unearned Revenue	133,843	133,843	-	133,843	Other liabilities
Insurance Program Liabilities	16,537	15,717	-	15,717	Insurance and guaranty program liabilities
		820	-	820	Other liabilities
Total Insurance Program Liabilities	16,537	16,537	-	16,537	Total Insurance Program Liabilities
Other Liabilities	9,869	3,467	-	3,467	Other liabilities
		1,031	(272)	759	Accounts payable
		5,643	-	5,643	Federal employee and veteran benefits payable
Total Other Liabilities	9,869	10,141	(272)	9,869	Total Reclassified Other Liabilities
Total Liabilities	$ 5,851,951	$ 5,852,223	$ (272)	$ 5,851,951	Total Liabilities
NET POSITION					**NET POSITION**
Unexpended Appropriations	$ 105,992	$ 116,983	$ (10,991)	$ 105,992	Unexpended appropriations - Funds other than those from Dedicated Collections
Cumulative Results of Operations	6,066,286	6,055,206	11,080	6,066,286	Cumulative results of operations - Funds other than those from Dedicated Collections
Total Net Position	6,172,278	6,172,189	89	6,172,278	Total Net Position - Funds other than those from Dedicated Collections
Total Liabilities & Net Position	**$ 12,024,229**	**$ 12,024,412**	**$ (183)**	**$ 12,024,229**	**Total Liabilities & Net Position**

FY 2020 DFC Statement of Net Cost		Line Items Used to Prepare FY 2020 Government-wide	
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Gross Costs	$ -	$ (32,507)	**Non-Federal Gross Cost**
Operating Costs	158,819	6,907	Benefit Program Costs
Subsidy costs	(212,938)	2,192	Imputed Costs
Re-estimates	119,516	-	
		517	Buy/Sell Costs
		88,288	Borrowing and Other Interest Expense
			Other Expenses (w/o Reciprocals)
Total Gross Costs	**65,397**	**65,397**	**Total Reclassified Gross Costs**
Earned Revenue	(297,786)	(107,854)	**Non-Federal Earned Revenue**
		(1,299)	Buy/Sell Revenue
		(103,749)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		(84,884)	Borrowing and Other Interest Revenue
		(189,932)	*Total Federal Earned Revenue*
Total Earned Revenue	**(297,786)**	**(297,786)**	**Total Reclassified Earned Revenue**
Net Cost	**$ (232,389)**	**$ (232,389)**	**Net Cost**

FY 2020 DFC Statement of Changes in Net Position		Line Items Used to Prepare FY 2020 Government-wide			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Unexpended Appropriations					**Unexpended Appropriations**
Unexpended Appropriations, Beginning Balance	$ -	$ -	$ -	$ -	Net Position, Beginning of Period
Appropriations received	286,391	286,391	-	286,391	Appropriations Received as Adjusted
Appropriations transferred in/out	122,382	152,609	-	152,609	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources (Federal)
		(30,227)	-	(30,227)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources (Federal)
Total Non-Expenditure Transfers-In/Out of Unexpended Appropriations and Financing Sources (Federal)	122,382	122,382	-	122,382	*Total Reclassified Non-Expenditure Transfers-In/Out of Unexpended Appropriations and Financing Sources (Federal)*

FY 2020 DFC Statement of Changes in Net Position		**Line Items Used to Prepare FY 2020 Government-wide**			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Other Adjustments	(7,927)	(7,927)	-	(7,927)	Appropriations received as adjusted
Appropriations Used	(294,854)	(283,075)	(11,779)	(294,854)	Appropriations Used (Federal)
Total Unexpended Appropriations	**105,992**	**117,771**	(11,779)	**105,992**	**Total Unexpended Appropriations**
Cumulative Results of Operations					**Cumulative Results of Operations**
Cumulative Results, Beginning Balance	-	-	-	-	Net Position, Beginning of Period
Appropriations Used	294,854	283,075	11,779	294,854	Appropriations Expended
Transfers In/Out without Reimbursement Budgetary	(2,585,265)	1,799,492	-	1,799,492	Non-Expenditure Transfers-in of Unexpended Appropriations and Financing Sources
		(4,384,757)	-	(4,384,757)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
Total Transfers In/Out without Reimbursement - Budgetary	(2,585,265)	(2,585,265)	-	(2,585,265)	Total Reclassified Transfers In/Out without Reimbursement - Budgetary
Other Financing Sources (Nonexchange)					Other Financing Sources (Nonexchange)
Transfers In/Out without Reimbursement Other	8,528,166	9,103,262	-	9,103,262	Transfers-in without reimbursement
		(575,096)	-	(575,096)	Transfers-out without reimbursement
Total Transfers In/Out without Reimbursement - Other	8,528,166	8,528,166	-	8,528,166	Total Reclassified Transfers In/Out without Reimbursement – Other
Imputed Financing	2,192	2,192	-	2,192	Imputed Financing Sources (Federal)
Offset to Non-entity Collections	(406,050)	(357,761)	-	(357,761)	Non-entity collections transferred to the General Fund of the U.S. Government
		(48,289)	-	(48,289)	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government
Total Offset Non-entity Collections	(406,050)	(406,050)	-	(406,050)	*Total Reclassified Offset Non-entity Collections*
Total Financing Sources	**5,833,897**	**5,822,118**	**11,779**	**5,833,897**	**Total Financing Sources**

FY 2020 DFC Statement of Changes in Net Position		**Line Items Used to Prepare FY 2020 Government-wide**			
Financial Statement Line	**Amounts** *(in thousands)*	**Amounts** *(in thousands)*	**Plus: Manual Adjustment** *(in thousands)*	**Adjusted Amounts** *(in thousands)*	**Reclassified Financial Statement Line**
Net (Cost)/Benefit of Operations	232,389	232,389	-	232,389	Reclassified Net Cost of Operations
Ending Balance - Cumulative Results of Operations	**6,066,286**	**6,054,507**	**11,779**	**6,066,286**	**Net Position - Ending Balance**
Total Net Position	**$ 6,172,278**	**$ 6,172,278**	**-**	**$ 6,172,278**	**Total Net Position**

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

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

PAYMENT INTEGRITY

In accordance with OMB guidance on the implementation of the Payment Integrity Information Act (PIIA) of 2019, DFC performed a risk assessment and determined that its programs were low risk and not susceptible to significant improper payments. To further assess the operating effectiveness of its internal control over payment integrity, DFC utilized tested disbursements in two of its largest programs with outlays, direct loans and investment guaranties, and the results of the testing confirmed these programs do not represent significant improper payment risk and that DFC's internal controls to prevent improper payments are operating effectively.

ACRONYM LISTING

ACRONYM	DEFINITION
BUILD	Better Utilization of Investments Leading to Development
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CSC	Credit Subsidy Calculator
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
DOL	Department of Labor
FAA	Foreign Assistance Act of 1961
FASAB	Financial Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
FR	Financial Report of the U.S. Government
FY	Fiscal year
GDP	Gross domestic product
GSEZ	Gabon Special Economic Zone
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
IAM	Independent Accountability Mechanism
IQ	Impact quotient
LIC	Low-income country
LMIC	Lower-middle income countries
MCC	Millennium Challenge Corporation
MOV	"Maintenance of Value"
MSME	Micro, small, and medium enterprises
MW	Megawatt
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PEA	President's Economic Assumptions
PIIA	Payment Integrity Information Act
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SME	Small and medium-sized enterprises
SNC	Statement of Net Cost
U.S.	United States
USAID	United States Agency for International Development