

The Reinvestment Fund, Inc. and Affiliates

Consolidated Financial Report
December 31, 2011

The Reinvestment Fund, Inc. and Affiliates

Contents

Independent Auditor's Report on the Consolidated Financial Statements	1
Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Cash Flows	4 - 5
Notes to Consolidated Financial Statements	6 - 36
Independent Auditor's Report on the Supplementary Information	37
Supplementary Information	
TRF and Affiliates Consolidating Statement of Financial Position (Excluding SDF)	38
TRF and Affiliates Consolidating Statement of Activities (Excluding SDF)	39
TRF Private Equity, Inc. and Affiliates Consolidating Statement of Financial Position	40
TRF Private Equity, Inc. and Affiliates Consolidating Statement of Activities	41
TRF Development Partners, Inc. and Affiliates Consolidating Statement of Financial Position	42
TRF Development Partners, Inc. and Affiliates Consolidating Statement of Activities	43
TRF and Affiliates Consolidated Schedule of Functional Expenses	44



**Independent Auditor's Report
on the Consolidated Financial Statements**

To the Board of Directors
The Reinvestment Fund, Inc. and Affiliates
Philadelphia, Pennsylvania

We have audited the accompanying consolidated statement of financial position of The Reinvestment Fund, Inc. and Affiliates (the "Organization") as of December 31, 2011 and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Reinvestment Fund, Inc. and Affiliates as of December 31, 2011 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
April 16, 2012

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statement of Financial Position
December 31, 2011

Assets

Current Assets

Cash and cash equivalents	\$ 18,923,231
Grants and contributions receivable	2,370,000
Investments in marketable securities	42,345,086
Loans and leases, less allowance for losses of \$3,266,276	51,762,789
Other	3,059,352
Restricted cash, cash equivalents and certificate of deposit	22,570,872
	<u>141,031,330</u>

Noncurrent Assets

Grants and contributions receivable	1,000,000
Investments in marketable securities	25,991,957
Program investments	102,750
Loans and leases, less allowance for losses of \$6,264,176	97,547,629
Investments in limited partnerships	1,058,560
Private equity investments	4,902,131
Equipment, leasehold improvements and software, net	3,496,470
Other real estate held for sale	13,929,491
Property held for development or sale, net	8,761,063
Other	1,753,154
	<u>158,543,205</u>

Total Assets

\$ 299,574,535

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 943,095
Grants payable	78,686
Escrow payable and due to third parties	3,114,441
Other	1,327,529
Recoverable grant payable	7,847,608
Loans payable, current portion	30,655,640
	<u>43,966,999</u>

Noncurrent Liabilities

Loans payable, less current maturities	127,375,080
Loans payable, EQ2	12,708,000
Other	1,356,036
	<u>141,439,116</u>

Total Liabilities

185,406,115

Commitments and Contingencies (Note 19)

Net Assets

Unrestricted	12,343,083
Unrestricted - Contractually limited as to use	9,757,351
Non-controlling interest in consolidated subsidiaries	5,059,097
Total Unrestricted	<u>27,159,531</u>
Temporarily restricted	33,379,930
Temporarily restricted - Contractually limited as to use	882,519
Total Temporarily restricted	<u>34,262,449</u>
Permanently restricted	<u>52,746,440</u>
Total Net Assets	114,168,420
Total Liabilities and Net Assets	\$ 299,574,535

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted		Temporarily	Permanently	Total
	Controlling	Non-Controlling	Restricted	Restricted	
Financial Activity					
Financial Income					
Interest income from:					
Marketable securities	\$ 217,505	\$ -	\$ 114,340	\$ -	\$ 331,845
Loans and leases	9,282,567	-	-	-	9,282,567
Private equity investments	431,783	3,882,809	-	-	4,314,592
Investment gains, net:					
Marketable securities	85,029	-	(1,155)	-	83,874
Loan and lease fees	604,260	-	-	-	604,260
Asset management fee, net	1,720,143	(269,977)	-	-	1,450,166
Total Financial Income	12,341,287	3,612,832	113,185	-	16,067,304
Financial Expense					
Interest expense	4,986,898	-	-	-	4,986,898
Investment losses, net:					
Program investments	218,750	-	-	-	218,750
Private equity investments	33,575	301,925	-	-	335,500
Equity losses in limited partnerships	518,729	-	-	-	518,729
Provision for loan and lease losses	2,337,561	-	-	-	2,337,561
Total Financial Expense	8,095,513	301,925	-	-	8,397,438
Net Financial Income	4,245,774	3,310,907	113,185	-	7,669,866
Revenue and Support					
Grants and contributions	1,560,146	-	16,061,002	24,723	17,645,871
Program services and fees	6,606,113	-	-	-	6,606,113
Other income	2,590,434	-	-	-	2,590,434
Net assets released from restrictions	2,544,296	-	(2,544,296)	-	-
Total Revenue and Support	13,300,989	-	13,516,706	24,723	26,842,418
Program and General Expenses and Other Decreases					
Program and General Expenses					
Program - Lending and Community Investing	7,246,421	-	-	-	7,246,421
Program - Private Equity	292,417	34,240	-	-	326,657
Program - Sustainable Development Fund	383,483	-	-	-	383,483
Program - Policy Solutions	1,276,544	-	-	-	1,276,544
Program - PolicyMap	1,909,407	-	-	-	1,909,407
Program - Development Partners	980,073	-	-	-	980,073
Management and general	3,877,794	-	-	-	3,877,794
Total Program and General Expenses	15,966,139	34,240	-	-	16,000,379
Other Decreases (Increases)					
Discontinued project	-	-	-	302,400	302,400
Recoveries	-	-	-	(267,329)	(267,329)
Total Other Decreases (Increases)	-	-	-	35,071	35,071
Total Expenses and Other Decreases	15,966,139	34,240	-	35,071	16,035,450
Change in net assets - before partners' distribution	1,580,624	3,276,667	13,629,891	(10,348)	18,476,834
Partners' distribution	-	(6,254,481)	-	-	(6,254,481)
Total change in net assets	1,580,624	(2,977,814)	13,629,891	(10,348)	12,222,353
Net assets, beginning	20,519,810	8,036,911	20,632,558	52,756,788	101,946,067
Net assets, ending	\$ 22,100,434	\$ 5,059,097	\$ 34,262,449	\$ 52,746,440	\$ 114,168,420

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2011

Cash Flows from Operating Activities

Change in net assets before partners' distribution	\$ 18,476,834
Adjustments to reconcile change in net assets before partners' distribution to net cash provided by operating activities:	
Provision for loan and lease losses	2,337,561
Net charges related to revolving loan fund	35,071
Losses in private equity investments, net	335,500
Depreciation and amortization	1,316,268
Deferred loan and lease fees, net	134,725
Investment gains in marketable securities, net	(83,874)
Investment losses in program investments, net	218,750
Loss on valuation of other real estate held for sale	138,781
Capitalized interest	(3,052,131)
Non-cash grant support	(1,024,609)
Decrease in equity earnings in limited partnerships	518,729
Increase in:	
Grants and contributions receivable	(1,994,500)
Restricted cash and cash equivalents	(2,091,442)
Property held for development or sale	(2,936,659)
Other	(1,195,008)
Increase (decrease) in:	
Accounts payable and accrued expenses	(138,053)
Grants payable	60,206
Recoverable grant payable	7,847,608
Escrow payable and due to third parties	(560,571)
Other	1,102,571
Net cash provided by operating activities	<u>19,445,757</u>

Cash Flows from Investing Activities

Purchases of marketable securities	(78,750,210)
Proceeds from maturities of marketable securities	66,688,961
Proceeds from distributions of program investments	15,000
Purchases of private equity investments	(100,000)
Proceeds from disposition of private equity investments	750,000
Purchases of limited partnerships	(13,009)
Cash disbursements on loans receivable	(30,917,473)
Cash receipts on loans receivable	21,967,164
Principal payments received under leases	220,346
Proceeds from sale of asset	15,700
Additions of equipment, leasehold improvements and software development	(1,668,018)
Net cash used in investing activities	<u>(21,791,539)</u>

Cash Flows from Financing Activities

Proceeds from issuance of loans payable	25,269,051
Principal payments on loans payable	(10,975,619)
Reinvested interest on investors payable	80,117
Cash distributions to non-controlling interest	(6,254,481)
Assignment of debt to homebuyers	(608,454)
Net cash provided by financing activities	<u>7,510,614</u>

Net increase in cash and cash equivalents 5,164,832

Cash and cash equivalents, beginning 13,758,399

Cash and cash equivalents, ending \$ 18,923,231

(Continued)

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

**Consolidated Statement of Cash Flows (Continued)
For the Year Ended December 31, 2011**

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest	<u><u>\$ 4,545,902</u></u>
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**Supplemental Schedule of Non-Cash Investing
and Financing Activities:**

Conversion of loans payable into grant support	<u><u>\$ 1,024,609</u></u>
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Conversion of loan receivable into other real estate owned	<u><u>\$ 234,500</u></u>
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Conversion of loans receivable into investment in other limited partnerships	<u><u>\$ 309,229</u></u>
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Purchase of leasehold improvements from lease incentive	<u><u>\$ 1,072,430</u></u>
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Conversion of loan receivable into other asset	<u><u>\$ 475,000</u></u>
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See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of Organization and Activities

Founded in 1985, The Reinvestment Fund, Inc. ("TRF") builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development. TRF and Affiliates listed below (collectively the "Organization") are affiliated organizations, related by common Board members and management, operating as a unified organization with focused vision, strategy, and management systems. The Organization's principal sources of revenue and support are interest income and loan fees earned from its investing and lending activities, grants and contributions, and program services and fees.

Description of each entity and its operation is summarized below.

The Reinvestment Fund, Inc.: TRF is a Pennsylvania not-for-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In pursuit of its mission, TRF finances housing, community facilities, schools, commercial real estate, business development and sustainable energy projects using loan, equity and other financing tools. It supports its financing with a strong research and policy analysis capacity that has become a highly regarded source of unbiased information for public officials and private investors. Most of TRF's financing programs extend throughout the mid-Atlantic region. Nationally, TRF's public policy expertise helps clients create actionable solutions and TRF's online data and mapping tool, PolicyMap.com, provides a platform for sharing data and analysis.

Collaborative Lending Initiative, Inc.: Collaborative Lending Initiative, Inc. ("CLI") is a Pennsylvania not-for-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CLI increases the flow of conventional credit into construction projects that benefit low-wealth people and places.

TRF Private Equity, Inc.: TRF Private Equity, Inc. ("Private Equity") is a Pennsylvania not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Private Equity directly or indirectly owns 100% of the partnership interests of the general partner of TRF Urban Growth Partners, L.P. ("UGP"). In accordance with the partnership agreements, management of the Partnership is vested in Private Equity. UGP is a Delaware limited partnership private equity fund created to provide debt and equity to new and expanding businesses which provide quality job opportunities for low and middle-income workers in the mid-Atlantic region including Pennsylvania, New Jersey, Delaware, Maryland and Washington, D.C. In accordance with appropriate accounting pronouncement, UGP has been consolidated with Private Equity, the general partner.

TRF Enterprise Fund, Inc.: TRF Enterprise Fund, Inc. ("EFI") is a Pennsylvania for-profit non-stock business corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, wholly owned by TRF. EFI is incorporated to enable it to achieve its charitable purpose of being a Small Business Administration ("SBA") Non-Bank Participating Lender. EFI provides urban-based entrepreneurs access to credit that they currently do not have, to increase services and job opportunities in under-served communities and to provide ownership and wealth creation opportunities, especially to minority and female entrepreneurs. In accordance with federal law, EFI is regulated by the Pennsylvania Department of Banking and is licensed to do business under the Consumer Discount Company Act.

TRF NMTC Fund, LLC: TRF NMTC Fund, LLC ("NMTC") is a Delaware limited liability company, wholly owned by TRF. NMTC was formed as a result of TRF receiving an allocation of New Market Tax Credits from the U.S. Department of the Treasury that obtains equity investments from investors and makes investments in Qualified Active Low-Income Community Businesses ("QALICB") as defined in the operating agreement.

TRF Development Partners, Inc.: TRF Development Partners, Inc. is a Pennsylvania not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. TRF Development Partners, Inc. together with its wholly owned subsidiaries, TRF Development Partners-Baltimore, LLC and subsidiaries, TRF Development Partners-Philadelphia, LLC, TRF DP Ridge Avenue, LLC, and TRF DP Scotland Commons, Inc. (collectively "Development Partners") uses TRF's data resources and development plans to help it assemble land and participate in real estate transactions in designated communities, concentrating in areas where it has a compelling mission interest.

Note 1. Summary of Significant Accounting Policies (Continued)

Description of Organization and Activities (Continued)

TRF Education Funding, LLC: TRF Education Funding, LLC ("Education Funding") is a Delaware limited liability company, wholly owned by TRF. Education Funding was formed to manage TRF's investment in the Charter School Financing Partnership, LLC ("CSFP"). CSFP was formed to facilitate, encourage and assist in the financing of charter school facilities.

Reinvestment I, LLC, Reinvestment II, LLC, Reinvestment III, LLC and Reinvestment IV, LLC: Reinvestment I, LLC ("Reinvest I"), Reinvestment II, LLC ("Reinvest II"), Reinvestment III, LLC ("Reinvest III") and Reinvestment IV, LLC ("Reinvest IV") are Pennsylvania limited liability companies, each wholly owned by TRF. These entities were formed to acquire and manage distressed real properties and to prepare properties for sale.

TRF Fund Manager, LLC: TRF Fund Manager, LLC ("Fund Manager") is a Delaware limited liability company, wholly owned by TRF. Fund Manager was formed to act as a non-member manager for the Chase NMTC TRF Charter School Investment Fund, LLC, a non-TRF entity.

The Organization has six major programs, three of which make up the Organization's financing programs, two providing public information and analysis, and the final one developing real estate:

- 1) Lending and Community Investing: Encompasses TRF's financing of homes, schools, healthy food retail and other projects that benefit low-wealth people and places and is the core lending function of the Organization.
- 2) Private Equity: Represents the Organization's activities as manager of one Private Equity fund, UGP.
- 3) Sustainable Development Fund ("SDF"): Represents an energy-related fund that uses loans, investments and grants to augment the Organization's existing energy conservation and community investing efforts. SDF was created by the parties to the PECO Energy Company ("PECO Energy") restructuring proceeding and approved by the Pennsylvania Public Utility Commission ("PUC") in May 1998 (Note 17).
- 4) Policy Solutions: Conducts policy, data and social impact analyses that advance TRF's mission and effect system change, on behalf of TRF as well as public and philanthropic clients.
- 5) PolicyMap: Provides an online data and mapping tool that provides broad access to data, reports and analytics useful for social investment strategies.
- 6) Development Partners: Participates in real estate transactions to create opportunity for disadvantaged families by directing capital into distressed urban neighborhoods in a way that encourages additional private investment and reconnects the places and people it serves to a broader and more dynamic socioeconomic system.

Principles of Consolidation: The consolidated financial statements include the accounts of TRF, CLI, Private Equity and Subsidiaries, EFI, NMTC, Development Partners and Subsidiaries, Education Funding, Reinvest I, Reinvest II, Reinvest III, Reinvest IV and Fund Manager. All significant intra-organization accounts and transactions have been eliminated in consolidation.

Non-Controlling Interest in Consolidating Subsidiaries: Non-controlling interest represents the equity interests in consolidated subsidiaries, exclusive of any of TRF's limited partner interest. Effective July 1, 2010, the Organization adopted FASB Accounting Standards Update ("ASU") 2010-07, *Not-for-Profit Entities (Topic 958): Not-for-Profit Entities: Mergers and Acquisitions*. Non-controlling interests are presented in accordance with this guidance. At December 31, 2011, the non-controlling interest relates to UGP.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows excludes restricted cash.

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted Cash, Cash Equivalents and Certificate of Deposit: Restricted cash and cash equivalents includes cash and cash equivalents held in escrow, cash received from certain lenders and grantors, and cash pledged to a bank. The use of such amounts is restricted by the related underlying loan or grant agreements.

The escrow cash accounts include reserve accounts held for borrowers and intended for specific purposes. In the event of a cash flow shortfall, the operating reserve is designated for operating expenses of the project and the debt reserve is designated for principal payments. Interest reserves are designated for monthly interest payments on specific loans. Repair and replacement reserves are designated for capital improvements.

Valuation of Investments in Marketable Securities, Program Investments and Private Equity Investments: The Organization determines the fair value of each investment at the statement of financial position date. The fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts and fair value measurements are separately disclosed by level within the fair value hierarchy.

Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. In accordance with this guidance, the Organization groups its assets and liabilities carried at fair value in three levels as follows:

Level 1 Inputs:

- 1) Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs:

- 1) Quoted prices for similar assets or liabilities in active markets.
- 2) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- 3) Inputs other than quoted prices that are observable, either directly or indirectly, for the term of the asset or liability (e.g., interest rates, yield curves, credit risks, prepayment speeds or volatilities) or "market corroborated inputs."

Level 3 Inputs:

- 1) Prices or valuation techniques that require inputs that are both unobservable (i.e. supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.
- 2) These assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Note 1. Summary of Significant Accounting Policies (Continued)

Valuation of Investments in Marketable Securities, Program Investments and Private Equity Investments (Continued): Investments for which prices are not observable are generally private investments in the equity and debt securities of operating companies. Fair value of private investments is based on Level 3 inputs and is determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. In the absence of a principle market (public market) the Organization determines the most advantageous market in which the Organization would sell their investment. Typically the Organization expects to exit their investment through a sale of the investment. Valuations of the underlying investments are completed to compute the fair value for each class of security owned by the Organization. Generally these valuations are derived by multiplying a key performance metric of the investee company's asset (e.g. EBITDA) by the relevant valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable.

If the fair value of private investments held cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value of such private investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on investment, including assumed growth rate (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. The valuation based on the inputs determined to be the most probable is used as the fair value of the investment.

The determination of fair value using these methodologies takes into account consideration of a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of judgment by the Organization.

Investments in Marketable Securities: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Any unrealized gains or losses are reported in the statement of activities as a change in unrestricted net assets, unless explicit donor intent or law restricts their use. Accordingly, investments are recorded at fair value and are classified as Level 1, 2, or 3 (Note 21).

Program Investments / Private Equity Investments: Program investments and private equity investments are recorded at estimated fair value since no public market exists for the investments (Level 3). Fair value is determined in good faith by the management of the Organization by taking into consideration the cost of the securities, prices of recent significant placements of securities by the same issuer, subsequent developments concerning the companies to which the securities relate, any financial data and projections of such companies provided to management, and such other factors as management may deem relevant.

Due to the fact that no public market currently exists for these types of investments, it is reasonably possible that the relevant factors considered in determining the estimate of fair value may change within the next year. As a result, it is possible that the estimated values may differ significantly from the amount that might be ultimately realized in the near term and the difference could be material.

Investments in Limited Partnerships: Non-controlling investments in limited partnerships are accounted for under the equity method of accounting under which the Organization's share of net income or loss is recognized in the statement of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account.

Loans and Leases Receivable

Loans: Loans receivable are stated at the principal amount outstanding, net of deferred loan fees and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. Loan origination fees, net of direct origination costs are deferred and amortized using the effective interest method over the respective lives of the related loans and are recorded as an adjustment to loan fee revenue.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans and Leases Receivable (Continued)

Leases: All of the Organization's leases are classified and accounted for as direct financing leases.

Under the direct financing method of accounting for leases, the total lease payments receivable under the lease contracts and the estimated unguaranteed residual value of the leased equipment, net of unearned income, and an allowance for lease losses, are recorded as a net investment in direct financing leases and the unearned income is recognized each month as it is earned so as to provide a constant periodic rate of return on the unrecovered investment.

Non-Accrual of Loans and Leases: Loans are considered past due if the required principal and interest payments have not been received 30 days as of the date such payments were due. The Organization generally places a loan on non-accrual status when interest or principal is past due 90 days or more. If it otherwise appears doubtful that the loan will be repaid, management may place the loan on nonaccrual status before the lapse of 90 days. Interest on loans past due 90 days or more ceases to accrue except for loans that are in the process of collection. When a loan is placed on nonaccrual status, previously accrued and unpaid interest is reversed out of income. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan and Lease Losses: The allowance for loan and lease losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans and leases that may become uncollectible. It is established through a provision for loan and lease losses charged to expense. In addition, loans and leases deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is based upon management's periodic review of the collectability of loans and is maintained at a level believed adequate by management to absorb estimated potential losses after considering changes in internal and external factors, past loss experience, the nature and volume of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance consists of specific and general components. The specific component relates to loans that are classified impaired. For such loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value (less cost of disposal) of that loan. The general component covers loans not deemed impaired and is based on historical loss experience adjusted for qualitative factors. These include internal factors such as trends in policies, underwriting standards, charge-offs, non-accruals and credit management processes, as well as external factors such as national and local economic conditions and industry trends. Any unallocated component of the allowance is minimal and reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan or lease is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan or lease and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a case by case basis using the fair value of the collateral, if the loan is collateral dependent, the present value of expected future cash flows discounted at the loans effective interest rate or the loan's observable market price.

Loans where the borrower is in financial difficulty and where the Organization has made a concession it would not otherwise consider, are deemed troubled debt restructurings ("TDRs") and included in impaired loans. Impairment on TDRs is measured by the present value of expected future cash flows under the restructuring agreement.

Property Held for Development or Sale: Property held for development or sale is stated at cost or estimated net realizable value, whichever is lower. Cost includes land, land approval and improvement costs, direct construction costs, construction overhead costs and other indirect costs of development and construction. Housing construction and related costs are charged to cost of housing sales generally under the specific identification method.

Note 1. Summary of Significant Accounting Policies (Continued)

Other Assets: Other assets include accounts due from third parties, interest receivable, rental properties and prepaid expenses.

Other Liabilities: Other liabilities include deferred revenue, interest payable and deferred rent.

Other Real Estate Held for Sale ("OREO"): Assets acquired through, or in lieu of, loan foreclosure are held for sale and deemed OREO. The Organization accounts for OREO at the estimated fair value at the date the real estate is transferred. The fair value is calculated using the appraisal value less estimated costs to sell and any deficiency in value is recorded against the allowance for loan losses at the date of the transfer. Subsequent to the transfer date, costs to maintain or protect the assets i.e. insurance, utilities, taxes, etc., will be expensed as incurred, while valuation adjustments are provided through a charge against current period earnings.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Organization, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Contributions: The Organization accounts for contributions as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as temporarily restricted support. When long-lived asset restrictions expire (that is, when the economic benefits of the acquired assets are used up), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions over the estimated useful lives.

Contributions receivable, which represent unconditional promises to give, are recognized as revenue in the period awarded and as assets, decreases of liabilities or decreases of expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-free rate of return appropriate for the expected term of the promise to give.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

Other Income: Other income primarily represents rental income related to Reinvest II and Reinvest III.

Functional Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Equipment, Leasehold Improvements and Software: Equipment, leasehold improvements and software consists of furniture and equipment, leasehold improvements and software development costs that are stated at cost and depreciated using the straight-line method over the estimated lives of the related assets, which range from three to twelve years. Leasehold improvements are stated at cost and depreciated using the straight-line method over the shorter of the useful life or expected lease term. Software development costs are stated at cost and amortized using the straight-line method over the estimated useful life. Application development costs incurred to develop internal use software are capitalized and amortized over the expected useful life of the software application. Activities that are considered application development include design of software configuration and interfaces, coding, installation of hardware, and testing. All other expenses incurred to develop internal use software are expensed as incurred. The Organization capitalizes fixed assets with a cost greater than \$500 and useful life greater than one year.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income tax for the year ended December 31, 2011.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Consequently, no accrual for interest and penalties was deemed necessary for the year ended December 31, 2011. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

Recent Accounting Pronouncements

1. Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements* – This ASU affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements under FASB ASC Topic 820, originally issued as FASB Statement No. 157, *Fair Value Measurements*. The ASU requires certain new disclosures and clarifies two existing disclosure requirements. The new disclosures and clarifications of existing disclosures became effective on July 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Organization implemented this guidance as of December 31, 2011 and included the expanded disclosure in the footnotes.
2. FASB ASC Topic 310, "*Receivables*." New authoritative accounting guidance (Accounting Standards Update No. 2010-20) under ASC Topic 310, "*Receivables*", amends the current disclosures required by ASC Topic 310. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its loans receivables and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for non-public entities for reporting periods ending on or after December 15, 2011. The Organization implemented this guidance as of December 31, 2011 and included the expanded disclosure in the footnotes.
3. New authoritative accounting guidance (Accounting Standards Update No. 2011-02) under ASC Topic 310 "*Receivables*" amends prior accounting guidance for creditors that restructure receivables that fall within ASC Subtopic 310-40 "*Receivables – Troubled Debt Restructurings*." The amendments clarify the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties to facilitate the determination of whether a restructuring constitutes a troubled debt restructuring. In addition, the amendments clarify that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables when evaluating whether a restructuring constitutes a TDR. For non-public entities, these amendments are effective for annual reporting periods ending on or after December 15, 2012, including interim periods within those annual periods. Early adoption is permitted for any interim period of the fiscal year of adoption. The Organization implemented this guidance as of December 31, 2011 and included the expanded disclosure in the footnotes.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 2. Restricted Cash and Cash Equivalents and Certificate of Deposit

Restricted cash and cash equivalents, and certificate of deposit at December 31, 2011 consisted of the following:

Fresh Food Financing Initiative ("FFFI")	\$	5,703,502
Escrow payable and due to third parties		3,114,441
Pennsylvania Green Energy Loan Fund ("GELF")		767,130
SDF programs		718,321
United States Department of Education ("US ED") funds for charter school lending programs		1,746,530
Charter School Loan Fund for credit enhancements		2,169,614
Greenworks Energy Loan Fund		2,224,806
Energyworks Loan Fund		6,126,528
	\$	<u>22,570,872</u>

Note 3. Investments in Marketable Securities

Investments at December 31, 2011 consisted of the following:

Investments in marketable securities:		
Debt and Mortgage-backed securities:		
Federal Farm Credit Bank	\$	8,504,514
Federal Home Loan Bank		8,670,586
Federal Home Loan Mortgage Company		16,724,489
Federal National Mortgage Association		19,608,803
U.S. Treasury Notes and Bills		14,762,714
Corporate debt securities		65,937
	\$	<u>68,337,043</u>
Included in the above are:		
Investments in marketable securities restricted as to use:		
US ED funds for charter school lending programs	\$	11,926,179
SDF programs		6,985,277
GELF		11,258,244
	\$	<u>30,169,700</u>

Investment net gains of \$83,874 were included on the consolidated statement of activities under the investments captions for the year ended December 31, 2011.

Expenses relating to investment income, including custodial and advisory fees amounted to \$108,148 for December 31, 2011. These expenses have been netted against interest income from marketable securities in the consolidated statement of activities.

Note 4. Program Investments

Program investments of \$102,750 at December 31, 2011 consisted of 25,000 common "B" shares of The Community Development Trust, Inc.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2011 consisted of the following:

Lending and Community Investing	\$ 3,320,000
PolicyMap	<u>50,000</u>
	<u>\$ 3,370,000</u>

Grants and contributions receivable totaling \$2,327,000 are due within a year and \$1,000,000 is due in 2013 and are unsecured.

Note 6. Concentration of Credit Risk

The Organization maintains cash in various financial institutions with insurance provided by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year ended December 31, 2011, the Organization had cash balances in excess of the FDIC limits. At December 31, 2011, cash balances in excess of FDIC limits approximated \$9,425,277. At December 31, 2011, total cash equivalents include short-term money market funds of approximately \$7,921,940 which are separately collateralized by securities held by the financial institution. All other cash equivalents represent short-term government holdings.

At December 31, 2011, most of the Organization's loans receivable were due from various nonprofit organizations, housing developers primarily in the greater Philadelphia region, healthy food retailers and charter schools. Additionally, at December 31, 2011, the Organization's portfolio of housing, healthy food retail, and charter school loans constituted 20.6%, 21.7%, and 29.2% of total loans outstanding, respectively. As such, the ability of the Organization's borrowers to honor their contracts is dependent upon the viability of the related nonprofit organizations, real estate sectors, healthy food retailers and charter schools.

Note 7. Loans and Leases Receivable

Loans and leases receivable at December 31, 2011 consisted of the following:

Housing	\$ 32,741,540
Commercial real estate	36,404,307
Healthy food retail	34,499,412
Community facilities	53,857,613
Energy and small business	<u>1,337,998</u>
	158,840,870
Allowance for loan and lease losses	<u>(9,530,452)</u>
	<u>\$ 149,310,418</u>

Note 7. Loans and Leases Receivable (Continued)

Housing loans finance a diverse group of borrowers including nonprofit community-based organizations, nonprofit and for-profit developers, and special needs housing providers through term, construction, acquisition, and predevelopment lending.

Commercial Real Estate ("CRE") loans include loans to finance commercial (non-residential) real estate.

Healthy Food Retail loans include loans to supermarket operators and other mixed-use real estate borrowers.

Community Facilities loans include loans to charter schools, day-care centers, other not-for-profit organizations, and loans to promote energy efficiency.

Energy and small business loans and leases include small business loans, some with portions guaranteed by the Small Business Administration, and loans and leases originated by SDF. This category includes leases receivable totaling \$1,010,840 as of December 31, 2011. The leases expire over a seven year period. At December 31, 2011, total minimum lease payments receivable were \$1,159,513.

Outstanding loans other than pre-development loans have annual interest rates ranging from 0.0% to 9.1%. At December 31, 2011, approximately 16% of these loans receivable have variable interest rates which are indexed to the prime rate and/or London Interbank Offered Rate ("LIBOR"). The remaining loans have a fixed rate. Loans and leases receivable have various maturities through 2037.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

An age analysis of past due loans segregated by class as of December 31, 2011 is as follows:

(in 000's)	Accruing		Non-Accrual Loans (Current and Past due)	Total Past Due and Non- Accrual Loans	Current Loans	Total Loans
	Loans 31-90 Days Past Due	Loans 91+ Days Past Due				
Housing:						
Term	\$ 32	\$ -	\$ 128	\$ 160	\$ 8,034	\$ 8,194
Construction, Pre-development and Acquisition	233	-	14,357	14,590	9,958	24,548
Total Housing loans	265	-	14,485	14,750	17,992	32,742
Commercial Real Estate:						
Term	-	-	-	-	23,642	23,642
Construction, Pre-development and Acquisition	-	-	849	849	11,913	12,762
Total Commercial Real Estate loans	-	-	849	849	35,555	36,404
Healthy Food Retail:						
Term	-	-	-	-	31,436	31,436
Construction, Pre-development and Acquisition	-	-	-	-	3,063	3,063
Total Healthy Food Retail loans	-	-	-	-	34,499	34,499
Community Facilities:						
Term	628	-	133	761	39,088	39,849
Construction, Pre-development and Acquisition	-	-	-	-	14,009	14,009
Total Community Facilities loans	628	-	133	761	53,097	53,858
Energy and Small Business:						
Energy	-	-	-	-	1,150	1,150
Small Business	-	-	-	-	188	188
Total Energy and Small Business loans	-	-	-	-	1,338	1,338
Total loans	\$ 893	\$ -	\$ 15,467	\$ 16,360	\$ 142,481	\$ 158,841

Housing. Housing loans support the development of affordable rental and for-sale housing in neighborhoods where quality affordable housing is in short supply. The loans are underwritten with mortgage liens as collateral and loan to value ratios of less than 100% of the lesser of cost or appraised value. Most loans are originated at a loan to value ratio of less than 90%.

Commercial Real Estate. Commercial real estate loans include loans for non-residential real estate, with an emphasis on borrowers that provide amenities to low income communities. The loans are underwritten with liens on real estate and loan to value ratios of less than 100% of the lesser of cost or appraised value. Most loans are originated at a loan to value ratio of less than 90%.

Healthy Food Retail. Healthy food retail loans include loans for supermarkets or grocery stores in underserved areas. The loans are underwritten with liens on all business assets including inventory and loan to value ratios of less than 100% of cost. Most loans are originated at a loan to value ratio of less than 90%.

Community Facilities. Community facilities loans include loans to Non-Profit Organizations focused on social services or educational services. The loans are underwritten with first or second liens on real estate or blanket liens on all of the borrower's assets as collateral and loan to value ratios of less than 90% of the value.

Energy and Small Business. Energy loans are for building improvements that reduce building consumption. These loans are underwritten with a maximum loan to value of less than 100% of the lesser of cost or appraised value. Most loans are originated at a loan to value of less than 90%. Small business loans are underwritten with a blanket lien on all available business assets and loan to value ratios of less than 100% of the value. Most loans are originated at a loan to value of less than 90%.

Note 7. Loans and Leases Receivable (Continued)

Loan Origination/Risk Management. The Organization has lending policies and procedures in place to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis, and also provides ongoing assessment and guidance to lenders regarding acceptable risk tolerances. As an example, while lending policies permit loan to value ratios of up to 100%, we are currently originating loans with loan to value ratios of 75%-90% given ongoing concerns about real estate values. A reporting system supplements the review process by providing management with periodic reports related to loan origination, asset quality, concentrations of credit, loan delinquencies and non-performing and emerging problem loans. Diversification in the portfolio is a means of managing risk with fluctuations in economic conditions.

Credit Quality Indicators. For commercial loans, management uses internally assigned risk ratings as the best indicator of credit quality. Each loan's internal risk weighting is assigned at origination and reviewed at least annually and may be updated more frequently if circumstances warrant a change in risk rating. The Organization uses a loan grading system that follows the Organization's accepted definitions as follows:

- Risk ratings of "Above Average" are used for loans that have committed sources of repayment or are in strong financial condition. These loans have strong collateral coverage, with loan to value ratios of <80%. They are performing and are expected to continue to meet all of the terms and conditions set forth in the original loan documentation and are generally current on principal and interest payments.
- Risk ratings of "Satisfactory" are used for loans which may have a few unmet terms from committed repayment sources but are in satisfactory financial condition. These loans also have adequate collateral coverage range of 75% - 90%. Borrowers in this classification generally exhibit a low level of credit risk and carry substantial guarantors and have strong borrowing history with the Organization.
- Risk ratings of "Below Average" are used for loans which may require a higher degree of regular, careful attention. Borrowers may be exhibiting weaker balance sheets and positive but inconsistent cash flow coverage. Loans with this rating may have minimal project sell-out risk, and these loans have weak collateral coverage, with loan to value ratios of >90%. Borrowers in this classification generally exhibit a higher level of credit risk but are not adversely classified and do not expose the Organization to sufficient risk to warrant adverse classification.
- Risk ratings of "Watch" are loans that do not presently expose the Organization to a significant degree of risks, but have potential weaknesses/deficiencies deserving Management's closer attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Organization's credit position at some future date. No loss of principal or interest is envisioned. Borrower is experiencing adverse operating trends, which potentially could impair debt, and services capacity. This category may include credits with inadequate loan collateral, tight profitability upon completion of construction, and control over the collateral or an unbalanced position in the balance sheet which has reached a point where the liquidation is jeopardized.
- Risk ratings of "Substandard" are assigned to loans which are inadequately protected by the current paying capacity of the obligor or of the collateral pledged, if any. Assets must have a well-defined weakness. They are characterized by the distinct possibility that significant repayment source is no longer available and loss is possible if the deficiencies are not corrected. The borrower's recent performance indicated an inability to repay the debt, and relationship with the Organization has become severely impaired.
- Risk ratings of "Doubtful" are assigned to loans which have all the weaknesses inherent in those classified "Substandard" with the added characteristic that the weakness makes the collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable. The borrower's recent performance indicates an inability to repay the debt. Recovery from secondary sources is uncertain. The possibility of a loss is extremely high, but because of certain important and reasonably- specific pending factors, its write-off is deferred.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

The tables below detail the organizations loans, as of December 31, 2011, by class according to their credit quality indicators discussed above.

(in 000's)	Above Average	Satisfactory	Below Average	Watch	Substandard	Doubtful	Total
Housing:							
Term	\$ 1,231	\$ 3,669	\$ 2,994	\$ 230	\$ 70	\$ -	\$ 8,194
Construction, Pre-development and Acquisition	-	7,329	1,785	3,108	12,326	-	24,548
Total Housing loans	1,231	10,998	4,779	3,338	12,396	-	32,742
Commercial Real Estate:							
Term	-	13,271	10,371	-	-	-	23,642
Construction, Pre-development and Acquisition	-	1,153	10,760	-	849	-	12,762
Total Commercial Real Estate loans	-	14,424	21,131	-	849	-	36,404
Healthy Food Retail:							
Term	-	23,197	8,062	177	-	-	31,436
Construction, Pre-development and Acquisition	-	4	2,857	202	-	-	3,063
Total Healthy Food Retail Loans	-	23,201	10,919	379	-	-	34,499
Community Facilities:							
Term	623	24,219	12,102	2,773	132	-	39,849
Construction, Pre-development and Acquisition	-	4,742	9,267	-	-	-	14,009
Total Community Facilities loans	623	28,961	21,369	2,773	132	-	53,858
Energy and Small Business:							
Energy	1,011	139	-	-	-	-	1,150
Small Business	-	188	-	-	-	-	188
Total energy and small business loans	1,011	327	-	-	-	-	1,338
Total loans	\$ 2,865	\$ 77,911	\$ 58,198	\$ 6,490	\$ 13,377	\$ -	\$ 158,841

Impaired Loans. The Organization identifies a loan as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the loan agreement. Not all impaired loans are on non-accrual. Accordingly, the Organization recognizes interest income on impaired, accruing loans on an accrual basis. For impaired loans on non-accrual, the Organization will record interest payments on the cost recovery basis, unless a current forbearance agreement in place for a loan; in these cases, interest income is recognized on a cash basis.

In accordance with guidance provided by ASC 310-10, "Accounting by Creditors for Impairment of a Loan", management employs one of three methods to determine and measure impairment: Present Value of Future Cash Flows, Fair Value of Collateral for loans that are collateral dependent, or Observable Market Price. To perform an impairment analysis, the Organization reviews a loan's internally assigned risk rating, its outstanding balance, guarantors, collateral, strategy, and a current report of the action being implemented. Based on the nature of the specific loans, one of the impairment methods is chosen for the respective loan and any impairment is determined, based on criteria established in ASC 310-10.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

Impaired loans as of December 31, 2011 are set forth in the following table.

(in 000's)	Total Recorded Impaired Loans	Recorded Loans with no Allowance	Recorded Loans with Allowance	Related Allowance	Average Recorded Loans	Interest Collected on Impaired Loans
Housing:						
Term	\$ 300	\$ 58	\$ 242	\$ 23	\$ 313	\$ 14
Construction, Pre-development and Acquisition	15,419	1,365	14,054	1,051	15,471	134
Total Housing loans	<u>15,719</u>	<u>1,423</u>	<u>14,296</u>	<u>1,074</u>	<u>15,784</u>	<u>148</u>
Commercial Real Estate:						
Term	-	-	-	-	-	-
Construction, Pre-development and Acquisition	849	849	-	-	849	-
Total Commercial Real Estate loans	<u>849</u>	<u>849</u>	<u>-</u>	<u>-</u>	<u>849</u>	<u>-</u>
Healthy Food Retail:						
Term	177	-	177	45	204	14
Construction, Pre-development and Acquisition	202	202	-	-	208	14
Total Healthy Food Retail loans	<u>379</u>	<u>202</u>	<u>177</u>	<u>45</u>	<u>412</u>	<u>28</u>
Community Facilities:						
Term	282	282	-	-	309	21
Construction, Pre-development and Acquisition	-	-	-	-	-	-
Total Community Facilities loans	<u>282</u>	<u>282</u>	<u>-</u>	<u>-</u>	<u>309</u>	<u>21</u>
Total loans	<u>\$ 17,229</u>	<u>\$ 2,756</u>	<u>\$ 14,473</u>	<u>\$ 1,119</u>	<u>\$ 17,354</u>	<u>\$ 197</u>

Troubled Debt Restructurings. TDRs occur when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, such as a below market interest rate, extending the maturity of a loan, or a combination of both. We consider all loans modified in a troubled debt restructuring to be impaired.

At the time a loan is modified in a troubled debt restructuring, we consider the following factors to determine whether the loan should accrue interest:

- Whether there is a minimum of six months of current payment history under the current terms;
- Whether the loan is current at the time of restructuring; and
- Whether we expect the loan to continue to perform under the restructured terms with a debt coverage ratio that complies with TRF's minimum underwriting policy.

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

We also review the financial performance of the borrower over the past year to be reasonably assured of repayment and performance according to the modified terms. This review consists of an analysis of the borrower's historical results; the borrower's projected results over the next four quarters; current financial information of the borrower and any guarantors. The projected repayment source needs to be reliable, verifiable, quantifiable and sustainable. In addition, all troubled debt restructurings are reviewed quarterly to determine the amount of any impairment.

A borrower with a restructured loan must make a minimum of six consecutive monthly payments at the restructured level and be current as to both interest and principal to be on accrual status.

The following is an analysis of loans modified in a troubled debt restructuring by type of concession as of December 31, 2011. There were no modifications that involved forgiveness of debt.

(in 000's)	TDRs in compliance and accruing interest	TDRs not accruing interest	Total
Extended under forbearance	\$ -	\$ -	\$ -
Multiple extensions resulting from financial difficulty	<u>233</u>	<u>3,067</u>	<u>3,300</u>
Total	<u>\$ 233</u>	<u>\$ 3,067</u>	<u>\$ 3,300</u>

The following is an analysis of performing and non-performing loans modified in a troubled debt restructuring as of December 31, 2011:

(in 000's)	TDRs in compliance and accruing interest		TDRs not accruing interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Commercial Real Estate:						
Construction, Pre-development and Acquisition	\$ -	-	\$ 849	6	\$ 849	6
Housing:						
Construction, Pre-development and Acquisition	<u>233</u>	<u>2</u>	<u>2,218</u>	<u>5</u>	<u>2,451</u>	<u>7</u>
Total	<u>\$ 233</u>	<u>2</u>	<u>\$ 3,067</u>	<u>11</u>	<u>\$ 3,300</u>	<u>13</u>

Notes to Consolidated Financial Statements

Note 8. Allowance for Losses

The Organization considers that the determination of the allowance for loan and lease losses involves a higher degree of judgment and complexity than its other significant accounting policies. The balance in the allowance for loan and lease losses is determined based on management's review and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management's assumptions as to future delinquencies, recoveries and losses. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from management's estimates, additional provisions for loan and lease losses may be required that would adversely impact earnings in future periods.

The following table presents an analysis of the allowance for loan and lease losses for the year ended December 31, 2011.

(in 000's)	Housing	Commercial Real Estate	Healthy Food Retail	Community Facilities	Small Business/ Energy	Total
Beginning balance	\$ 3,092	\$ 2,747	\$ 2,030	\$ 1,796	\$ 362	\$ 10,027
Provision for possible loan and lease losses						
Unrestricted	1,535	(516)	268	1,003	47	2,337
Net reduction in permanently restricted net assets	-	-	(267)	-	-	(267)
Charge-offs	(2,452)	(206)	-	-	(299)	(2,957)
Recoveries	3	85	267	-	35	390
Net charge-offs	(914)	(637)	268	1,003	(217)	(497)
Ending balance	<u>\$ 2,178</u>	<u>\$ 2,110</u>	<u>\$ 2,298</u>	<u>\$ 2,799</u>	<u>\$ 145</u>	<u>\$ 9,530</u>
Period-end amount allocated to:						
Loans individually evaluated for impairment	\$ 1,074	\$ -	\$ 45	\$ -	\$ -	\$ 1,119
Loans collectively evaluated for impairment	1,104	2,110	2,253	2,799	145	8,411
	<u>\$ 2,178</u>	<u>\$ 2,110</u>	<u>\$ 2,298</u>	<u>\$ 2,799</u>	<u>\$ 145</u>	<u>\$ 9,530</u>
Loans, ending balance:						
Loans individually evaluated for impairment	\$ 15,719	\$ 849	\$ 379	\$ 282	\$ -	\$ 17,229
Loans collectively evaluated for impairment	17,023	35,555	34,120	53,576	1,338	141,612
Total	<u>\$ 32,742</u>	<u>\$ 36,404</u>	<u>\$ 34,499</u>	<u>\$ 53,858</u>	<u>\$ 1,338</u>	<u>\$ 158,841</u>

Notes to Consolidated Financial Statements

Note 9. Investments in Limited Partnerships

Investments in limited partnerships are accounted for under the equity method and at December 31, 2011 consisted of the following:

New Markets Tax Credit Program	
TRF NMTC Fund I, L.P.	\$ 13
TRF NMTC Fund II, L.P.	-
TRF NMTC Fund III, L.P.	1,010
TRF NMTC Fund IV, L.P.	3,893
TRF NMTC Fund V, L.P.	-
TRF NMTC Fund VI, L.P.	1,587
TRF NMTC Fund VII, L.P.	676
TRF NMTC Fund VIII, L.P.	894
TRF NMTC Fund IX, L.P.	743
TRF NMTC Fund X, L.P.	1,929
TRF NMTC Fund XI, L.P.	990
TRF NMTC Fund XII, L.P.	1,290
TRF NMTC Fund XIII, L.P.	1,028
TRF NMTC Fund XIV, L.P.	1,797
TRF NMTC Fund XV, L.P.	4,256
TRF NMTC Fund XVI, L.P.	1,928
TRF NMTC Fund XVII, L.P.	759
	<u>22,793</u>
Other	
Charter School Capital Access Program, LLC (a)	25,149
Charter School Financing Partnership (b)	-
FSCLF Holding, LLC (c)	309,329
Octavia Hill Bel-Air Partners, L.P. (d)	7,253
Octavia Hill Cheltenham Partners, L.P. (e)	50,509
Pennsylvania Advanced Industrial Technology, L.P. (f)	643,527
	<u>1,035,767</u>
	<u>\$ 1,058,560</u>

New Markets Tax Credit Program: During fiscal years 2010, 2009, 2007 and 2005, TRF received a New Markets Tax Credit Program ("Program") allocation of \$90,000,000, \$75,000,000, \$75,000,000 and \$38,500,000, respectively. Pursuant to the requirements of the Program, administered by the Community Development Financial Institution Fund ("CDFI Fund"), a division of the US Department of Treasury, TRF formed a for-profit entity TRF NMTC Fund, LLC ("NMTC"). NMTC is the general partner in TRF NMTC Fund I, L.P. through TRF NMTC Fund XVII, L.P., (collectively the "NMTC Funds") with a 0.01% ownership interest in each entity. The Organization does not consolidate the NMTC Funds due to the rights granted to the limited partners as defined in the partnership agreements. The limited partners' rights, in the partnership agreement, overcome the presumption of control of the general partner. The information below, as it relates to the total assets, liabilities and net income amounts, is for information purposes and is not consolidated in TRF's financial statements. The Organization earned revenue of \$1,304,166, for administrative services performed for the NMTC Funds. These amounts are included in asset management fees on the statement of activities. In connection with the formation of TRF NMTC Fund XIV, L.P., TRF NMTC Fund XV, L.P., TRF NMTC Fund XVI, the Organization received fees of \$3,476,078 for the year ended December 31, 2011. These amounts are included in program services and fees on the consolidated statement of activities. In fiscal years 2012 through 2049, TRF and NMTC expect to receive additional fees from NMTC Funds, in part, for ongoing reporting on compliance within the requirements of the Program, as defined in the Program agreement.

Notes to Consolidated Financial Statements

Note 9. Investments in Limited Partnerships (Continued)

Selected financial information as of December 31, 2011 for each of the NMTC funds is as follows:

	Total Assets	Total Liabilities	Net Income (Loss)
TRF NMTC Fund I, L.P.	\$ 5,029,366	\$ -	\$ 76,844
TRF NMTC Fund II, L.P.	21,389,266	66,475	1,684,588
TRF NMTC Fund III, L.P.	10,137,619	74,595	(138,448)
TRF NMTC Fund IV, L.P.	39,208,603	311,666	2,043,028
TRF NMTC Fund V, L.P.	9,993,465	40,000	(10,000)
TRF NMTC Fund VI, L.P.	15,930,902	47,110	501,115
TRF NMTC Fund VII, L.P.	6,654,489	2,792	229,129
TRF NMTC Fund VIII, L.P.	8,949,078	11,250	112,146
TRF NMTC Fund IX, L.P.	7,434,299	3,125	48,236
TRF NMTC Fund X, L.P.	19,372,936	81,075	764,765
TRF NMTC Fund XI, L.P.	9,919,328	4,167	11,269
TRF NMTC Fund XII, L.P.	12,906,465	5,417	83,472
TRF NMTC Fund XIII, L.P.	10,292,069	12,875	455,448
TRF NMTC Fund XIV, L.P.	17,976,466	15,005	563,976
TRF NMTC Fund XV, L.P.	41,339,424	50,634	832,431
TRF NMTC Fund XVI, L.P.	19,292,069	8,051	281,528
TRF NMTC Fund XVII, L.P.	7,594,237	-	-
Total	<u>\$ 263,420,081</u>	<u>\$ 734,237</u>	<u>\$ 7,539,527</u>

Other:

- a) Charter School Capital Access Program, LLC ("CCAP") is a limited liability company formed for the purpose of implementing a credit enhancement program for charter school debt financing made possible by a \$6,400,000 equity grant from the US ED. TRF's financial exposure as a member of CCAP is limited to capital contributed. As of December 31, 2011, TRF has \$0 capital contributed. Under the operating agreement, any earnings on the equity grant are excluded from operating income and any remaining operating income is allocated 50.00% to TRF. At December 31, 2011, CCAP reported total assets of \$12,542,918, total liabilities of \$10,528,592, and members' equity of \$2,014,326. CCAP reported net income of \$52,681 for the year ended December 31, 2011. The net income, other than income attributed to earnings on the grant, is allocated 50.00% to TRF, and such allocation made to TRF for the year ended December 31, 2011 was a loss of \$1,822.
- b) Charter School Financing Partnership ("CSFP") is a limited liability company organized to facilitate the financing of charter schools by aggregating pools of loans, including those with external credit enhancements, which are then stratified by risk-return and maturity characteristics and sold to investors in the form of bonds. In February 2008, TRF purchased \$60,000 in Class "A" units, which represents a 20% voting interest in CSFP. At December 31, 2011, CSFP reported total assets of \$18,694,937, total liabilities of \$14,907,219 and members' equity of \$3,787,719. For the year ended December 31, 2011, CSFP reported a net loss of \$21,067. TRF increased its investment in this limited partnership by \$46,750 in the year ended December 31, 2011 to record the investment at \$0.
- c) FSCLF Holding, LLC ("FSCLF") is a limited liability company formed for the purpose of holding and selling the property transferred by the lead lender upon foreclosure of the S. Lowan Pitts Day Care Center loan in which TRF had a 50% participation. Accordingly, TRF owns a 50% non-managing member interest in FSCLF. At December 31, 2011, FSCLF reported total assets of \$577,367 and members' equity of \$577,367. FSCLF reported a net loss of \$235 for the year ended December 31, 2011.

Notes to Consolidated Financial Statements

Note 9. Investments in Limited Partnerships (Continued)

- d) Octavia Hill Bel-Air Partners, L.P. ("Bel-Air") is a limited partnership formed for the purpose of purchasing and operating multifamily residential rental buildings. TRF's non-controlling limited partnership interest in Bel-Air represents 76% of the total contributed capital in the partnership. Per the partnership agreement, the general partner is allocated the first \$125,000 of losses; thereafter, TRF will be allocated 80.25% of net income or 89.32% of losses. TRF recorded a decrease in equity earnings of \$74,920 for the year ended December 31, 2011. At December 31, 2011, Bel-Air reported total assets of \$1,716,276, total liabilities of \$1,708,203, and partners' equity of \$8,073. For the year ended December 31, 2011, Bel-Air reported a net loss of \$77,602.
- e) Octavia Hill Chelten Partners, L.P. ("Chelten Arms") is a limited partnership formed for the purpose of purchasing and operating a housing rental building. TRF's non-controlling limited partnership interest in Chelten Arms represents 76% of the total contributed capital in the partnership. Per the partnership agreement, the general partner is allocated the first \$75,000 of losses; thereafter, TRF will be allocated 80.25% of net income or 84.05% of losses. TRF recorded a decrease in equity earnings of \$58,848 for the period ending December 31, 2011. At December 31, 2011, Chelten Arms reported total assets of \$1,298,976, total liabilities of \$1,254,072, and partners' equity of \$44,904. For the calendar year through December 31, 2011, Chelten Arms reported a net loss of \$46,511.
- f) Pennsylvania Advanced Industrial Technology Fund, L.P. ("PAIT") is a limited partnership formed to provide managerial and capital investments in early stage renewable and/or clean energy companies. TRF's limited partnership interest in PAIT represents 90% of the total partnership at December 31, 2011. TRF recorded a decrease in equity earnings of \$430,308 for the year ended December 31, 2011. Total committed capital to PAIT is \$2,000,000, of which \$1,976,814 has been called and paid through December 31, 2011, including \$6,745 paid in the year ended December 31, 2011. At December 31, 2011, PAIT reported total assets and partners' equity of \$707,433. PAIT reported a net loss of \$488,761 for the year ended December 31, 2011.

Note 10. Private Equity Investments

The Private Equity investments are held by UGP. Private Equity serves as the Management Company to UGP to provide general and administrative services and general consulting services in connection with UGP's investment activities. The term of the partnership agreement is ten years from the final closing date, December 31, 2002, as defined in the partnership agreement, unless extended by the General Partner for up to two consecutive one-year periods with the approval of the Limited Partners Advisory Committee. At December 31, 2011, the fair value of the Organization's investment in UGP was \$562,590.

Private equity investments at December 31, 2011, at estimated fair value (Note 1), consisted of the following:

	Balance at December 31, 2010	Purchases & Capitalized Interest	Repayments	Net Loss & Valuation Adjustments	Balance at December 31, 2011
MidAtlanticBroadband, Inc. (a)	\$ 2,500,000	\$ 3,052,131	\$ (750,000)	\$ -	\$ 4,802,131
Ricochet Manufacturing Company, Inc. (b)	335,500	50,000	-	(335,500)	50,000
Sun & Earth, LLC (c)	-	50,000	-	-	50,000
	<u>\$ 2,835,500</u>	<u>\$ 3,152,131</u>	<u>\$ (750,000)</u>	<u>\$ (335,500)</u>	<u>\$ 4,902,131</u>

Notes to Consolidated Financial Statements

Note 10. Private Equity Investments (Continued)

- a) MidAtlanticBroadband, Inc., located in Baltimore, MD, is a facilities based provider of telecommunication services. The investment at December 31, 2011 is comprised of subordinated debt with a cost of \$4,802,131 and warrants to purchase 3,857,585 shares of common stock at an exercise price of \$0.01 per share. In February 2011, two senior subordinated promissory notes and one subordinated promissory note were restructured and replaced with two new subordinated promissory notes. UGP recorded interest income totaling \$4,311,592. In May 2011, one note was paid off and stock warrants related to the note were terminated in accordance with the terms of restructure agreements.
- b) Ricochet Manufacturing Company, Inc., located in Philadelphia, PA, is the leading designer and manufacturer of clothing intended to provide protection against exposure to blood borne viruses (pathogens) for the EMS market. In June 2011, Ricochet Manufacturing Company Inc. merged with a new company and continues to do business as Ricochet Manufacturing Company, Inc. As part of the merger, the previous equity shares were cancelled and the subordinated promissory notes were restructured.
- c) Sun & Earth, LLC manufactures the leading brand of all-natural cleaning products from its plant in Norristown, PA. The Sun & Earth brand presently includes six different liquid cleaning product categories. In June 2011, Sun & Earth Inc. merged with a new company and continues to do business as Sun & Earth LLC. As part of the merger, the previous equity shares were cancelled and the subordinated promissory notes were restructured.

Note 11. Equipment, Leasehold Improvements and Software, net

Equipment, leasehold improvements and software, net at December 31, 2011 consisted of the following:

Office furniture, equipment and software	\$ 1,877,647
Leasehold improvements	1,099,043
Software development	3,600,268
Accumulated depreciation	<u>(3,080,488)</u>
	<u>\$ 3,496,470</u>

Depreciation and amortization expense of \$1,316,268, which includes depreciation of \$24,968 for rental property, was recorded for the year ended December 31, 2011.

Note 12. Property Held for Development or Sale

Property held for development or sale at December 31, 2011 consisted of the following residential projects:

Preston Place, net of subsidy of \$235,681	\$ 3,105,606
City Arts Towns	114,863
City Arts Rentals	1,049,027
East Side Partners	723,805
Buford Manlove	29,245
School House Square, net of subsidy of \$970,370	<u>3,738,517</u>
	<u>\$ 8,761,063</u>

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 12. Property Held for Development or Sale (Continued)

Home sales by project, which are included in program services and fees in the Consolidated Statement of Activities, for the year ended December 31, 2011 were as follows:

Home sales	\$ 1,555,833
Fees and interest	218,638
Subsidies	1,085,100
Cost of homes sold	<u>(2,617,570)</u>
	<u>\$ 242,001</u>

The concentrations for Development Partners projects include, Preston Place, concentrated in the Oliver community of Baltimore, MD; City Arts, concentrated in the Greenmount West neighborhood of Baltimore, MD; School House Square, concentrated in Neptune, NJ; Buford Manlove, concentrated in Wilmington, DE; and East Side Partners concentrated in Baltimore, MD.

Note 13. Other Real Estate Property Held for Sale

The Organization holds titles to five real estate properties totaling \$13,929,491 at December 31, 2011. These properties were assigned to entities as described below:

Reinvest I holds title to two commercial properties with an estimated fair value of \$162,000 as of December 31, 2011. Reinvest I recognized a valuation loss of \$138,781 on one of the properties during the year ended December 31, 2011. This loss is included in program and general expenses in the statement of activities.

Reinvest II holds title to a commercial property that houses a charter school with an estimated fair value of \$4,404,991 as of December 31, 2011, along with the amount due from the third party entity of \$984,558 and related notes payable of \$5,392,767. The property generated rental income of approximately \$615,000 for the year ended December 31, 2011 which is included in other income on the statement of activities.

Reinvest III holds title to a property, including a 60 room hotel, 14,000 square feet of retail space and 57 residential apartment units with an estimated fair value of \$9,140,000 along with notes payable of \$9,991,069 as of December 31, 2011. The property generated revenue from the hotel and rental operations totaling approximately \$1,927,000 for the year ended December 31, 2011 which is included in other income on the statement of activities. The operating expense totaling approximately \$1,888,000 is included in lending and community investing under program and general expenses on the statement of activities.

During the year, TRF assumed a property via deed in lieu of foreclosure with an estimated fair value of \$222,500 at December 31, 2011.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Loans Payable

Loans payable at December 31, 2011 consisted of the following:

<u>Lender</u>	<u>Balance</u>	<u>Maturity Date</u>	<u>Interest rate</u>
Government			
<i>Government</i>			
MD DHCD	\$ 1,845,000	02/2018 - 12/2020	0.0%
NJHMFA	1,744,951	02/2014	0.0%
Small Business Lending Fund ("SBLF")	11,708,000	09/2019	2.0%
Other fixed rate	911,677	02/2014 - 11/2014	0.0%
Other variable rate	437,303	03/2012	2.5%
Total	<u>16,646,931</u>		
Financial institutions, partnerships, and corporations			
<i>Financial Institutions & Partnerships</i>			
JPMC-Fresh Food Financing Initiative fixed rate	1,196,138	12/2012 - 07/2016	3.73% - 5.75%
JPMC-Fresh Food Financing Initiative variable rate	2,891,505	08/2013 - 12/2016	1.52% - 1.62%
JPMC-CLI	5,305,623	06/2015	1.75% - 4.0%
Fannie Mae	4,888,804	06/2012	0.57%
NMTC Program activities	53,499,415	09/2013 - 12/2016	1.0% - 6.54%
Other fixed rate	38,998,521	12/2011 - 12/2021	2.0% - 7.15%
Other variable rate	3,787,217	01/2012 - 01/2019	0.0% - 4.50%
<i>Corporations</i>	6,064,532	12/2011 - 07/2019	0.0% - 5.0%
Total	<u>116,631,755</u>		
Foundations, religious, and civic organizations			
<i>Foundations fixed rate</i>	12,481,426	12/2011 - 04/2021	0.0% - 4.5%
<i>Foundations variable rate</i>	2,950,000	09/2016 - 06/2018	0.00%
<i>Religious fixed rate</i>	7,199,538	12/2011 - 12/2025	0.0% - 5.00%
<i>Religious variable rate</i>	1,500,000	05/2017 - 06/2019	0.00%
<i>Civic fixed rate</i>	6,808,086	06/2012 - 12/2020	2.25% - 5.72%
<i>Civic variable rate</i>	700,000	12/2016 - 01/2017	0% - 2.00%
Total	<u>31,639,050</u>		
Individuals			
<i>Individuals</i>	<u>5,820,984</u>	12/2011 - 06/2025	0.0% - 5.75%
Total loans payable	<u>170,738,720</u>		
Less: Current portion	<u>30,655,640</u>		
Long-term portion	<u>\$ 140,083,080</u>		

TRF's variable rate loans have base rates of Wall Street Journal Prime ("Prime") rate, 30 day LIBOR rate, 90 day LIBOR rate, 30 day US Treasury rate and 12 month LIBOR rate. The Prime rate was 3.25% at December 31, 2011. The 90 day LIBOR Rate was 0.58% at December 31, 2011. The 30 day LIBOR rate was 0.30% at December 31, 2011. The 12 month LIBOR rate was 1.13% at December 31, 2011. The 30 day US Treasury rate was .01% at December 31, 2011.

Note 14. Loans Payable (Continued)

Government debt includes amounts due to government agencies and their affiliates as follows:

MD DHCD – In total, TRF and Development Partners have six conditionally forgivable loans with the Maryland Department of Housing and Community Development (“MD DHCD”). Upon meeting the conditions stated in the loan agreements, MD DHCD will forgive the loans by the maturity date in 2020. These loans were advanced to further community development work in the Baltimore area.

NJHMFA – Development Partners has a conditionally forgivable loan with New Jersey Housing and Mortgage Finance Agency (“NJHMFA”). Upon meeting the conditions stated in the loan agreement, NJHMFA will forgive the loan by maturity date in 2014. This loan was advanced to assist in the financing of community development work in Neptune, New Jersey.

SBLF – In 2011, TRF entered into an Equity Equivalent Investment agreement (“EQ2”) with the Small Business Lending Fund (“SBLF”) of the U.S. Department of the Treasury for \$11,708,000. An EQ2 is a long-term deeply subordinated loan with features that make it function like equity. The funds are to be used to advance small business growth and development in target areas. TRF also received \$1,000,000 of EQ2 funds from Wells Fargo Community Investment Holdings, which is included in financial institutions other fixed rate loans payable.

Government – Other loans of \$1,348,980 consist of 3 loans ranging in amounts from \$437,303 to \$511,677 at December 31, 2011.

Financial institutions, Partnerships, and Corporations include amounts due to banks and other financial institutions as follows:

Fresh Food Financing Initiative (“FFFI”) - TRF has a credit facility with a group of syndicated lenders, in which JPMC acts as the lead agent. This facility supports the Fresh Food Financing Initiative Program and was created to finance 80.00% of lending activity for qualified supermarket loans receivable. Funding of these loans is contingent upon the remaining 20.00% being financed using grant funds. As of June 2009, the credit facility feature expired, however the facility continues to finance the term loans until the end borrower loans mature. As of December 31, 2011, the loans payable are secured by their prospective loans receivable of approximately \$5,121,000

CLI has a credit facility with an interim lender (JPMC) and a group of syndicated lenders, in which JPMC acts as the agent. The arrangement provides the following:

An interim lender commitment, with JPMC of \$10,000,000, which expires on June 30, 2012. No amounts were outstanding under this commitment as of December 31, 2011.

Syndicated lender commitments, with 10 banks which expire on June 30, 2015. The aggregate amount of these commitments as of December 31, 2011 is \$, \$19,550,000.

The CLI credit facility has variable interest rates ranging from Prime Rate minus 1.50% to Prime Rate plus 0.50%.

Fannie Mae – TRF’s \$10,000,000 revolving credit facility with Fannie Mae can no longer be drawn upon as of June 30, 2011. The debt facility matures on June 30, 2012. A final payment is due on that date.

Note 14. Loans Payable (Continued)

NMTC Program Activities:

In connection with its NMTC program activities, TRF has borrowings totaling approximately \$43,500,000 whose proceeds were used to finance NMTC eligible loans with balances outstanding of approximately \$43,027,000. As a condition of the program, TRF has assigned to the lenders a lien on and security interest in all of TRF's rights, title, and interest to the related loans receivable.

The following are loans payable to related parties:

Merrill Lynch – TRF has a loan payable with Merrill Lynch originated as a pass-through loan to TC-TRF QEI, LLC (borrower) in support of TRF's NMTC program. As of December 31, 2011, the loans payable were \$7,027,225, secured by loans receivable of approximately \$6,804,000.

NMTC Fund X, LP – TRF has four related party loans with NMTC Fund X, LP. These loans were used as pass-through loans to supermarket borrowers in support of our NMTC program. This re-lending was necessary to facilitate a guarantee from the PA Department of Community and Economic Development ("DCED"). As of December 31, 2011, the loans payable were approximately \$10,877,000 secured by their prospective loans receivable of approximately \$10,877,000.

NMTC Fund V, LP, – On September 3, 2010, Reinvest III was assigned the debt of University Crossing at Chester Commons, LP, a borrower of NMTC Fund V, LP. The debt was written down to the "as-is" value of the property of \$9,991,069. The loan is secured by the property and an assignment of rents and leases. The original loan bears interest at a fixed rate of 6.54% and matures on September 21, 2014, at which point all outstanding principal and interest is due. This loan is expected to be settled upon the sale of related property. The outstanding balance at December 31, 2011 was \$9,991,069.

Financial Institutions – Other loans of \$42,785,738 consists of 44 loans payable ranging in amount from \$7,260 to \$8,278,000 at December 31, 2011.

Corporations – The Organization has 16 fixed rate loans ranging from \$1,000 to \$600,000 and one fixed rate loan for \$5,000,000 at December 31, 2011.

Foundations, Religious and Civic debt includes the following:

Foundations – The Organization has 23 fixed rate loans and 7 variable rate loans with foundations ranging in amount from \$1,000 to \$4,000,000 at December 31, 2011.

Religious – The Organization has 119 fixed rate loans and 3 variable rate loans with religious organizations ranging in amount from \$1,000 to \$2,110,000 at December 31, 2011.

Civic – The Organization has 21 fixed rate loans and 2 variable rate loan with civic organizations ranging in amount from \$1,000 to \$1,650,000 at December 31, 2011.

Individuals – The Organization has 549 fixed rate loans with individuals ranging in amount from \$300 to \$250,000 at December 31, 2011.

The Organization has certain debt agreements that contain financial covenants requiring the Organization to maintain minimum cash and investment balances and certain financial ratios. As of December 31, 2011, TRF was out of compliance with certain financial covenants and expects to receive waivers from the affected lenders for the covenant violations. However, for financial statement presentation approximately \$1,606,000 was reclassified from noncurrent to current loans payable.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Loans Payable (Continued)

Aggregate maturities for loans payable at December 31, 2011 are as follows:

2012	\$ 30,655,640
2013	10,439,431
2014	38,633,360
2015	26,677,550
2016	27,431,139
Thereafter	<u>36,901,600</u>
	<u>\$ 170,738,720</u>

As of December 31, 2011, the Organization has available undrawn debt facilities of approximately:

Lender	Total Debt Facility	Debt Facility Type	Available undrawn at December 31, 2011
JP Morgan Chase (agent)	\$ 19,550,000	Syndicated bank revolving line of credit	\$ 14,244,377
ING	12,000,000	Line of credit	3,722,000
Chase	12,000,000	Syndicated bank non-revolving line of credit	12,000,000
Banc of America	7,500,000	Non-revolving line of credit	7,500,000
PNC	5,000,000	Non-revolving line of credit	5,000,000
Annie Casey	5,000,000	Revolving line of credit	4,900,000
Susquehanna Bank	4,783,000	Revolving line of credit	4,345,400
NJHMFA	4,783,000	Revolving line of credit	4,345,400
NJEDA	3,000,000	Non-revolving line of credit	3,000,000
Living Cities	3,000,000	Non-revolving line of credit	3,000,000
Kresge	3,000,000	Non-revolving line of credit	3,000,000
City of Baltimore	1,150,000	Non-revolving line of credit	183,324
NJEDA	<u>1,000,000</u>	Non-revolving line of credit	<u>1,000,000</u>
	<u>\$ 81,766,000</u>		<u>\$ 66,240,501</u>

Note 15. Recoverable Grant Payable

TRF was awarded \$8,522,609 in grants from PIDC – Local Development Corporation (“PIDC-LDC”). The grants were awarded through the City of Philadelphia (the “City”) under Department of Energy’s (“DOE”)s Energy Efficiency and Conservation Block Grant (“EECBG”) pursuant to The American Recovery and Reinvestment Act (“ARRA”). During the year ended December 31, 2011, TRF received drawdowns totaling \$7,847,608 upon the execution of the amended grant agreements. Under the terms of the grant, TRF is required to create a loan loss reserve program and interest rate buydown fund program for the EnergyWorks Loan Fund. Grant funds are considered expended once the loan loss reserve and interest rate buydown accounts are funded and committed to be used to support individual or a portfolio of loans. TRF has not funded or committed any EnergyWorks funds and as such the consolidated statements of financial position reflect a recoverable grant payable in the amount of \$7,847,608 as of December 2011.

Note 16. Net Assets

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. At December 31, 2011, unrestricted net assets of \$9,757,351 were contractually limited as to use by SDF.

Temporarily restricted net assets are those net assets whose use by the Organization is limited by donor to be used for a specified purpose (purpose restrictions) or restricted to be used in a later period or after a specified date (time restrictions).

Note 16. Net Assets (Continued)

Temporarily restricted net assets at December 31, 2011 consisted of the following:

Purpose Restricted	
Lending and Community Investing	\$ 32,263,477
Sustainable Development Fund - Contractually limited as to use	882,520
PolicyMap	474,784
Development Partners project	500,000
	<u>34,120,781</u>
Time Restricted	
Long-lived assets	141,668
	<u>\$ 34,262,449</u>

Temporarily restricted for Lending and Community Investing includes \$15,859,327 for the year ended December 31, 2011 that TRF received from the US ED plus earned interest, to leverage funds through credit enhancement initiatives in order to assist charter schools in using private sector capital to acquire, construct, or renovate charter school facilities.

Permanently restricted net assets represent grants and contributions received subject to donor restrictions that are primarily for use in the Organization's permanent revolving loans funds. The DOE reprogrammed the revolving loan funds \$302,400 in the PIDC-Greenworks program to loan loss reserve (charge off) and an interest rate buy down program. In addition, the Organization received contributions of \$24,722 for the year ended December 31, 2011 to be used for the permanent revolving loan fund. This was offset by a partial recovery in the amount of \$267,329 for FFFI loans that have had been charged off in a prior period.

Income earned from grants and contributions is recorded within unrestricted, temporarily restricted or permanently restricted net assets, as defined in individual agreements.

Note 17. Sustainable Development Fund

SDF is a separate fund of TRF. SDF is guided by a seven-member Board of Directors nominated by the parties to the PECO Energy restructuring and approved by the PUC. SDF's Board provides oversight to SDF's activities including input to, review and approval of business plans, annual program plans and operating budgets.

In connection with the creation of SDF, SDF agreed to comply with certain contractual restrictions on the use of the Fund's available net assets. As such, all net assets of SDF are considered contractually limited as to use. All Fund receipts, including contributions, principal repayments and interest earnings on loans made by the Fund, earnings on equity and near equity investments, and interest earnings, are required to be maintained in SDF. SDF is authorized to make disbursements for loans, equity and near equity investments, grants and approved annual operating program expenses. The Fund is also subject to certain annual reporting requirements.

On October 20, 2000, Philadelphia's PECO Energy Company and the Unicom Corporation of Chicago merged to form the Exelon Corporation. As a result of the merger, Exelon agreed to accelerate the payments otherwise due to SDF based on electricity consumption in the PECO Energy service territory. Exelon paid SDF a lump sum payment of \$9,980,000 on January 1, 2001, representing estimated collections based on electricity consumption during the period January 1, 2001 through December 31, 2006.

Note 17. Sustainable Development Fund (Continued)

In connection with the merger agreement, Exelon made contributions to SDF, over a five year period from October 20, 2000 to January 1, 2005, for the following purposes:

- 1) Photovoltaic Project - Contribution of \$4,000,000 to fund a four year photovoltaic (solar electricity) project to purchase, install, finance and/or write down the cost of the minimum number of rooftop units in each year of the project.
- 2) New Pennsylvania Wind Facilities - Contribution of \$12,000,000 for the development of new wind powered generation projects in Pennsylvania.
- 3) Renewable Education - Contribution of \$2,500,000 to help fund consumer education on electricity from renewable sources, including environmental, financial and technical considerations.

During the period ended December 31, 2011, net assets released from restriction for SDF totaled \$80,977. SDF did not incur any fundraising expenses.

Audited financial statements for SDF are available at TRF's offices.

Note 18. Fundraising Expenses

The management and general category includes fundraising expenses, which are approximately \$6,000 for the year ended December 31, 2011.

Note 19. Commitments and Contingencies

The Organization leases its offices and certain office equipment under non-cancelable operating leases. In January 2011, the Organization entered into a long term agreement to lease office space at 1700 Market Street. The lease term is for 15 years with one option to renew for 5 years. The lease includes a tenant leasehold improvement allowance totaling approximately \$1,100,000. This allowance is deferred and amortized over the term of the lease. The Organization's future annual minimum payments under these leases, net of sublease income, are as follows:

2012	\$	304,781
2013		577,772
2014		635,035
2015		554,641
2016		564,992
Thereafter		<u>5,826,750</u>
	\$	<u>8,463,971</u>

Rent expense, net of subleases, was \$505,450 for the year ended December 31, 2011.

At December 31, 2011, SDF had \$96,612 in conditional grants committed to third parties. Disbursements under these commitments are expected to occur in the next fiscal year or when the conditions as defined in the grant agreements are substantially met.

At December 31, 2011, the Organization had approximately \$28,500,000 of loans closed but not yet disbursed and \$25,900,000 of loan commitments, net of participations. Loan commitments represent arrangements to lend funds at specified interest rates and contain fixed expiration dates or other termination clauses.

TRF acts as guarantor for any loans outstanding under the CLI credit facility; however, the maximum amount TRF is obligated to pay shall not exceed 50.00% of the aggregate loan balance. The maximum dollar amount that TRF is liable for under this agreement as of December 31, 2011 is approximately \$2,653,000.

At December 31, 2011, the Organization had committed capital to UGP in the amount of \$3,152,500, of which \$2,788,750 has been called and paid. During the remaining term of the partnership, the General Partner does not intend to call more than the total committed capital.

Note 19. Commitments and Contingencies (Continued)

At December 31, 2011, TRF had committed capital to PAIT in the amount of \$2,000,000, of which \$1,976,814 has been called and paid.

At December 31, 2011, TRF had unconditional outstanding letters of credit totaling \$2,380,533. These letters of credit have maturity dates ranging from January 2012 to February 2014.

During the year ended June 30, 2009, in connection with the NMTC program, TRF NMTC Fund VII, LP ("Lender") issued three notes to The Learning Community Charter School ("Debtor"). TRF ("Guarantor") unconditionally guarantees the punctual payment of all sums due on one of these notes in the amount of \$4,840,750 plus any expenses for collection of the note including reasonable attorneys' fees. This guaranty requires that the Lender cause the full depletion of the US ED proceeds held by TRF in the amount of \$974,850 held by TRF as restricted cash, prior to pursuing any remedy against the Guarantor. These US ED proceeds also secure the Debtor's obligations under the note. At December 31, 2011, there have been no changes related to this guarantee.

Note 20. Retirement Plan

The Organization offers all eligible employees the opportunity to participate in a 401(k) tax deferred plan whereby employees may elect to contribute through payroll deduction amounts subject to statutory maximums. The 2011 plan provided for a discretionary match of 100% of employees' contributions for the first 3% of compensation plus a 50% match on deferrals in excess of 3% but not to exceed 5.00% of employees' compensation. The Organization contributed \$218,263 for the year ended December 31, 2011.

Note 21. Fair Value Measurements

The Organization recorded certain assets, such as investments in marketable securities, program investments, and private equity investments at fair value on an ongoing basis and reported at fair value at every reporting date. These are disclosed below under fair value on a recurring basis. Assets that are not recorded at fair value on an ongoing basis, but under certain circumstances, such as impairments, property held for development or sale, and OREO are disclosed below under fair value on nonrecurring basis.

Fair Value on a Recurring Basis

Investment in marketable securities: The fair value of investment in marketable securities is the market value based on quoted market prices, when available (Level 1). If listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2); or fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment (Level 3).

Program investments: The fair value of program investments is determined in good faith by the management of the Organization by taking into consideration the exit price of the investment and other factors as management may deem relevant.

Private equity investments: The fair value of private equity investments is determined in good faith by the management of the Organization by taking into consideration the cost of the securities, prices of recent significant placements of securities by the same issuer, subsequent developments concerning the companies to which the securities relate, any financial data and projections of such companies provided to management, and such other factors as management may deem relevant.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 21. Fair Value Measurements (Continued)

Fair Value on a Recurring Basis (Continued)

The following presents the assets and liabilities reported on the Statement of Financial Position at their fair value as of December 31, 2011 by level.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal Farm Credit Bank	\$ 8,504,514	\$ 2,247,612	\$ 6,256,902	\$ -
Federal Home Loan Bank	8,670,586	2,289,992	6,380,594	-
Federal Home Loan Mortgage Company	16,724,489	7,651,078	9,073,411	-
Federal National Mortgage Association	19,608,803	5,339,966	14,268,837	-
U.S. Treasury Notes and Bills	14,762,714	14,762,714	-	-
Corporate debt securities	65,937	-	65,937	-
Other government sponsored enterprises	7,921,940	7,921,940	-	-
Program investments	102,750	-	-	102,750
Private equity investments	4,902,131	-	-	4,902,131
	<u>\$ 81,263,864</u>	<u>\$ 40,213,302</u>	<u>\$ 36,045,681</u>	<u>\$ 5,004,881</u>

The change in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>			
	<u>Investment in</u>	<u>Other Fund Investments</u>		<u>Total</u>
	<u>Marketable</u>	<u>Program</u>	<u>Private Equity</u>	
	<u>Securities</u>	<u>Investments</u>	<u>Investments</u>	
Beginning balance	\$ 57,813	\$ 336,500	\$ 2,835,500	\$ 3,229,813
Transfers	(65,937)	-	-	(65,937)
Total gains (losses) included in changes in net assets	8,124	(218,750)	(335,500)	(546,126)
Purchases, issuances, sales and settlements				
Issuances	-	-	3,152,131	3,152,131
Settlements	-	(15,000)	(750,000)	(765,000)
Ending balance	<u>\$ -</u>	<u>\$ 102,750</u>	<u>\$ 4,902,131</u>	<u>\$ 5,004,881</u>

The net gains (losses) in Level 3, realized and unrealized, above are reported in the Statement of Activities as follows:

	<u>Investments in</u>	<u>Program</u>	<u>Private</u>
	<u>Marketable</u>	<u>Investments</u>	<u>Equity</u>
	<u>Securities</u>		<u>Investments</u>
Total realized gains (losses) included in net gains above	\$ -	\$ -	\$ (7,272,126)
Change in unrealized gains (losses) relating to assets still held at December 31, 2011	\$ 8,124	\$ (218,750)	\$ 6,936,626

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 21. Fair Value Measurements (Continued)

Fair Value on a Nonrecurring Basis

Impaired loans: The fair value of impaired loans is determined based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The valuation allowance for impaired loans is included in the allowance for losses in the statement of financial position. The valuation allowance for impaired loans at December 31, 2011 was \$1,118,772.

Residential property held for development or sale: The fair value of residential property held for development or sale is determined in good faith by the management of the Organization by taking into consideration the current real estate market, units owned verse city owned property, and such other factors as management may deem relevant. The valuation allowance at December 31, 2011 was \$432,454.

Other real estate held for sale: The fair value of other real estate held for sale is determined by the net realizable value of the real estate as of the reporting date. Such fair value is established by current appraised values adjusted for reasonable disposition costs. The appraised value may be discounted based on management's review and changes in market conditions (level 3) inputs.

	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$1,118,772	\$ 16,109,912	\$ -	\$ -	\$ 16,109,912
Property held for development or sale, net of specific reserve of \$432,454	8,761,063	-	-	8,761,063
Other real estate held for sale	13,929,491	-	-	13,929,491
	<u>\$ 38,800,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,800,466</u>

Fair Value of Financial Instruments

The Organization's methodology for estimating the fair value of financial assets and liabilities that are measured on a recurring or nonrecurring basis are discussed above.

The table below represents the carrying value and fair value of the Organization's other financial instruments. The fair value represents management's best estimates based on a range of methodologies and assumptions.

Cash and cash equivalents: The carrying amount of cash and cash equivalents approximates fair value.

Investment in marketable securities: Fair value of investment in marketable securities is described above.

Program investments: Fair value of program investments is described above.

Loans and leases other than impaired loans, net of allowance: The fair value of loans and leases in the portfolio is determined by segregating the portfolio by type as loans and leases having a fixed interest rate, loans and leases having an adjustable interest rate, and impaired loans.

The fair value of fixed interest rate loans is estimated by discounting the future cash flows, both principal and interest, using current market rates for expected financings within the Organization's market that approximately reflect the credit, collateral and interest rate risk inherent in the loan.

Adjustable interest rate loans and leases have an interest rate tied to a standard market interest rate and move with the market. Hence these loans and leases are considered by management to be at fair value.

Fair value of impaired loans is described above.

The Reinvestment Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 21. Fair Value Measurements (Continued)

Fair Value of Financial Instruments (Continued)

Private equity investments: Fair value of private equity investments is described above.

Loans payable: Fair value of loans payable in the portfolio is determined by segregating the portfolio by type as loans payable having a fixed rate and loans payable having an adjustable rate and discounting future cash flows using a weighted average discount rate consistent with weighted average term to maturity as follows:

The fair value on fixed rate loans payable is estimated by discounting the future cash flows, both principal and interest, through their weighted average months to maturity, using a weighted average interest rate for expected issuances within the Organization's market.

Adjustable interest rate loans payable has an interest rate tied to a standard market index and moves with the market. Hence this debt is considered by management to be at fair value.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets		
Cash and cash equivalents	\$ 18,923,231	\$ 18,653,519
Investments in marketable securities	68,337,043	68,337,043
Program investments	102,750	102,750
Loans and leases, less allowance for losses	149,310,418	148,655,491
Private equity investments	4,902,131	4,902,131
Total Assets	<u>\$ 241,575,573</u>	<u>\$ 240,650,934</u>
Liabilities		
Loans payable	<u>\$ 170,738,720</u>	<u>\$ 173,454,676</u>

Note 22. Subsequent Events

The Organization's management has evaluated subsequent events through April 16, 2012, the date the financial statements were issued and has determined that no recognized or non-recognized subsequent events warrants inclusion or disclosure in the financial statements.



**Independent Auditor's Report
on the Supplementary Information**

To the Board of Directors
The Reinvestment Fund, Inc. and Affiliates
Philadelphia, Pennsylvania

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
April 16, 2012

The Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Financial Position
December 31, 2011

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Reinvest I	Reinvest II	Reinvest III	Reinvest IV	Fund Manager, LLC	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Assets																
Current Assets																
Cash and cash equivalents	\$ 15,446,739	\$ 365,188	\$ 951,615	\$ 77,995	\$ 52,851	\$ 1,476,001	\$ -	\$ -	\$ 90,087	\$ 455,409	\$ -	\$ 7,346	\$ -	\$ 18,923,231	\$ -	\$ 18,923,231
Grants and contributions receivable	2,370,000	-	-	-	-	-	-	-	-	-	-	-	-	2,370,000	-	2,370,000
Investments in marketable securities	39,378,599	-	-	-	-	2,966,487	-	-	-	-	-	-	-	42,345,086	4,684,318	37,660,768
Accounts receivable - related parties	116,127	-	-	-	-	-	-	-	-	-	100	-	(116,227)	-	-	-
Loans and leases	49,597,763	5,574,227	-	46,774	-	-	-	-	-	-	-	-	(189,699)	55,029,065	957,854	54,071,211
Allowance for losses	(3,045,685)	(234,191)	-	(6,370)	-	-	-	-	-	-	-	-	18,970	(3,266,276)	(28,626)	(3,237,650)
Other	1,890,969	(296)	12,757	735	358,816	692,206	(296)	-	41,398	144,630	-	1,767	(83,630)	3,059,352	21,506	3,037,846
Restricted cash, cash equivalents and certificate of deposit	20,996,780	923,798	-	-	-	15,192	-	-	51,462	583,640	-	-	-	22,570,872	718,321	21,852,551
	<u>126,751,292</u>	<u>6,628,726</u>	<u>964,372</u>	<u>120,134</u>	<u>411,667</u>	<u>5,149,886</u>	<u>-</u>	<u>-</u>	<u>182,947</u>	<u>1,183,679</u>	<u>100</u>	<u>9,113</u>	<u>(370,586)</u>	<u>141,031,330</u>	<u>6,353,373</u>	<u>134,677,957</u>
Noncurrent Assets																
Grants and contributions receivable	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	-	1,000,000
Investments in marketable securities	23,978,225	-	-	-	-	2,013,732	-	-	-	-	-	-	-	25,991,957	2,300,959	23,690,998
Program investments	102,750	-	-	-	-	-	-	-	-	-	-	-	-	102,750	-	102,750
Due from related parties	7,148,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and leases	108,329,813	133,078	-	215,473	-	-	-	-	-	-	-	-	(7,148,516)	103,811,805	1,532,673	102,279,132
Allowance for losses	(6,697,890)	(5,562)	-	(47,380)	-	-	-	-	-	-	-	-	(4,866,559)	(6,264,176)	(44,888)	(6,219,288)
Investments in limited partnerships	1,036,677	-	-	-	21,883	-	-	-	-	-	-	-	-	1,058,560	643,527	415,033
Private equity investments	214,596	-	4,902,131	-	-	-	-	-	-	-	-	-	-	(214,596)	4,902,131	4,902,131
Equipment, leasehold improvements and software, net	3,444,031	-	-	-	-	3,087	-	-	-	49,352	-	-	-	3,496,470	-	3,496,470
Investments in consolidated subsidiaries	1,719,150	-	-	-	-	-	-	-	-	-	-	-	(1,719,150)	-	-	
Other real estate held for sale	222,500	-	-	-	-	-	-	162,000	4,404,991	9,140,000	-	-	-	13,929,491	-	13,929,491
Property held for development or sale, net	-	-	-	-	-	8,761,063	-	-	-	-	-	-	-	8,761,063	-	8,761,063
Other	54,066	-	-	-	-	690,563	-	-	984,558	33,967	-	-	-	1,753,154	-	1,753,154
	<u>140,552,434</u>	<u>127,516</u>	<u>4,902,131</u>	<u>168,093</u>	<u>21,883</u>	<u>11,458,445</u>	<u>-</u>	<u>162,000</u>	<u>5,389,549</u>	<u>9,223,319</u>	<u>-</u>	<u>-</u>	<u>(13,462,165)</u>	<u>158,543,205</u>	<u>4,432,271</u>	<u>154,110,934</u>
Total Assets	\$ 267,303,726	\$ 6,756,242	\$ 5,866,503	\$ 288,227	\$ 433,550	\$ 16,608,331	\$ -	\$ 162,000	\$ 5,572,496	\$ 10,406,998	\$ 100	\$ 9,113	\$ (13,832,751)	\$ 299,574,535	\$ 10,785,644	\$ 288,788,891
Liabilities and Net Assets																
Current Liabilities																
Accounts payable and accrued expenses	\$ 595,335	\$ -	\$ 7,744	\$ -	\$ -	\$ 256,654	\$ -	\$ 313	\$ 8,905	\$ 74,157	\$ -	\$ -	\$ (13)	\$ 943,095	\$ 7,955	\$ 935,140
Grants payable	78,686	-	-	-	-	-	-	-	-	-	-	-	-	78,686	77,606	1,080
Escrow payable and due to third parties	2,121,081	923,995	-	-	-	16,144	-	-	53,221	-	-	-	-	3,114,441	17,047	3,097,394
Accounts payable - related parties	43,465	8,782	-	-	-	-	138	46,110	-	17,832	-	-	(116,327)	-	43,166	(43,166)
Other	956,853	17,842	-	-	-	18,984	-	-	104,636	323,740	-	-	(94,526)	1,327,529	-	1,327,529
Recoverable grant payable	7,847,608	-	-	-	-	-	-	-	-	-	-	-	-	7,847,608	-	7,847,608
Loans payable, current portion	29,781,034	-	-	189,698	-	874,606	-	-	-	-	-	-	(189,698)	30,655,640	-	30,655,640
	<u>41,424,062</u>	<u>950,619</u>	<u>7,744</u>	<u>189,698</u>	<u>-</u>	<u>1,166,388</u>	<u>138</u>	<u>46,423</u>	<u>166,762</u>	<u>415,729</u>	<u>-</u>	<u>-</u>	<u>(400,564)</u>	<u>43,966,999</u>	<u>145,774</u>	<u>43,821,225</u>
Noncurrent Liabilities																
Due to related parties	-	-	2,622,944	-	-	4,525,572	-	-	-	-	-	-	(7,148,516)	-	-	-
Loans payable, less current maturities	98,440,553	5,305,623	-	-	-	13,111,628	-	-	5,392,767	9,991,069	-	-	(4,866,560)	127,375,080	-	127,375,080
Loans payable, EQ2	12,708,000	-	-	-	-	-	-	-	-	-	-	-	-	12,708,000	-	12,708,000
Other	1,356,036	-	-	-	-	-	-	-	-	-	-	-	-	1,356,036	-	1,356,036
	<u>112,504,589</u>	<u>5,305,623</u>	<u>2,622,944</u>	<u>-</u>	<u>-</u>	<u>17,637,200</u>	<u>-</u>	<u>-</u>	<u>5,392,767</u>	<u>9,991,069</u>	<u>-</u>	<u>-</u>	<u>(12,015,076)</u>	<u>141,439,116</u>	<u>-</u>	<u>141,439,116</u>
Total Liabilities	153,928,651	6,256,242	2,630,688	189,698	-	18,803,588	138	46,423	5,559,529	10,406,798	-	-	(12,415,640)	185,406,115	145,774	185,260,341
Commitments and Contingencies																
Paid in capital	-	-	-	1,010,000	(1,582,691)	-	60,100	279,395	100	100	100	100	232,796	-	-	-
Earnings/(Deficit)	-	-	-	(911,471)	2,016,241	-	(60,238)	(163,818)	12,867	-	-	9,013	(902,594)	-	-	-
Net Assets																
Unrestricted	17,424,561	500,000	(2,353,605)	-	-	(2,195,257)	-	-	-	-	-	-	(1,032,616)	12,343,083	-	12,343,083
Unrestricted-Contractually limited as to use	9,757,351	-	-	-	-	-	-	-	-	-	-	-	-	9,757,351	9,757,351	-
Non-Controlling Interest in consolidating subsidiaries	-	-	5,273,694	-	-	-	-	-	-	100	-	-	(214,697)	5,059,097	-	5,059,097
Total Unrestricted	27,181,912	500,000	2,920,089	98,529	433,550	(2,195,257)	(138)	115,577	12,967	200	100	9,113	(1,917,111)	27,159,531	9,757,351	17,402,180
Temporarily restricted	32,879,930	-	-	-	-	-	-	-	-	-	-	-	500,000	33,379,930	-	33,379,930
Temporarily restricted - Contractually limited as to use	882,519	-	-	-	-	-	-	-	-	-	-	-	-	882,519	882,519	-
Total Temporarily Restricted	33,762,449	-	-	-	-	-	-	-	-	-	-	-	500,000	34,262,449	882,519	33,379,930
Permanently restricted	52,430,714	-	315,726	-	-	-	-	-	-	-	-	-	-	52,746,440	-	52,746,440
Total Net Assets	113,375,075	500,000	3,235,815	98,529	433,550	(2,195,257)	(138)	115,577	12,967	200	100	9,113	(1,417,111)	114,168,420	10,639,870	103,528,550
Total Liabilities and Net Assets	\$ 267,303,726	\$ 6,756,242	\$ 5,866,503	\$ 288,227	\$ 433,550	\$ 16,608,331	\$ -	\$ 162,000	\$ 5,572,496	\$ 10,406,998	\$ 100	\$ 9,113	\$ (13,832,751)	\$ 299,574,535	\$ 10,785,644	\$ 288,788,891

The Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Activities
For the Year Ended December 31, 2011

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Reinvest I	Reinvest II	Reinvest III	Reinvest IV	Fund Manager, LLC	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Financial Activity																
Financial Income																
Interest income from:																
Marketable securities	\$ 296,594	\$ -	\$ -	\$ -	\$ -	\$ 35,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,845	\$ 30,796	\$ 301,049
Loans and leases	9,278,026	185,088	-	15,178	-	-	-	-	-	-	-	-	(195,725)	9,282,567	156,243	9,126,324
Private equity investments	-	-	4,314,592	-	-	-	-	-	-	-	-	-	-	4,314,592	-	4,314,592
Investment gains, net																
Marketable securities	87,360	-	1	-	-	(3,487)	-	-	-	-	-	-	-	83,874	(858)	84,732
Equity gains in consolidated subsidiaries	203,160	-	-	-	-	-	-	-	-	-	-	-	(203,160)	-	-	
Loan and lease fees	521,706	82,470	-	84	-	-	-	-	-	-	-	-	-	604,260	760	603,500
Asset management fee	1,359,794	-	-	-	420,761	-	-	-	-	-	-	9,607	(339,996)	1,450,166	-	1,450,166
Total Financial Income	11,746,640	267,558	4,314,593	15,262	420,761	31,764	-	-	-	-	-	9,607	(738,881)	16,067,304	186,941	15,880,363
Financial Expense																
Interest expense	4,665,016	123,489	-	13,731	-	(37,928)	-	-	192,890	236,335	-	-	(206,635)	4,986,898	-	4,986,898
Asset management fee	-	-	-	-	339,996	-	-	-	-	-	-	-	(339,996)	-	-	-
Investment losses, net																
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program investments	218,750	-	-	-	-	-	-	-	-	-	-	-	-	218,750	-	218,750
Private equity investments	(138,990)	-	335,500	-	-	-	-	-	-	-	-	-	138,990	335,500	-	335,500
Equity losses in limited partnerships	565,660	-	-	-	(178)	-	(46,750)	-	-	-	-	-	-	518,729	430,308	88,421
Provision for loan and lease losses	2,233,072	130,195	-	154,130	-	-	-	-	-	-	-	(3)	(179,836)	2,337,561	(37,666)	2,375,227
Total Financial Expense	7,543,508	253,684	335,500	167,861	339,818	(37,928)	(46,750)	-	192,890	236,335	-	(3)	(587,477)	8,397,438	392,642	8,004,796
Net Financial Income	4,203,132	13,874	3,979,093	(152,599)	80,943	69,692	46,750	-	(192,890)	(236,335)	-	9,610	(151,404)	7,669,866	(205,701)	7,875,567
Revenue and Support																
Grants and contributions	17,490,871	-	-	-	-	155,000	-	-	-	-	-	-	-	17,645,871	85	17,645,786
Program services and fees	5,779,807	13,932	-	-	-	740,313	-	-	-	-	-	-	72,061	6,606,113	-	6,606,113
Other income	37,586	-	-	-	-	10,148	-	-	615,299	1,927,401	-	-	-	2,590,434	24,635	2,565,799
Total Revenue and Support	23,308,264	13,932	-	-	-	905,461	-	-	615,299	1,927,401	-	-	72,061	26,842,418	24,720	26,817,698
Program and General Expenses and Other Decreases																
Program and General Expenses																
Program - Lending and Community Investing	4,928,893	27,806	-	32,655	1,593	-	238	147,834	382,881	1,651,789	-	573	72,159	7,246,421	-	7,246,421
Program - Private Equity	3,020	-	323,637	-	-	-	-	-	-	-	-	-	-	326,657	-	326,657
Program - Sustainable Development Fund	383,483	-	-	-	-	-	-	-	-	-	-	-	-	383,483	383,483	-
Program - Policy Solutions	1,276,544	-	-	-	-	-	-	-	-	-	-	-	-	1,276,544	-	1,276,544
Program - PolicyMap	1,909,407	-	-	-	-	-	-	-	-	-	-	-	-	1,909,407	-	1,909,407
Program - Development Partners	17,379	-	-	-	-	962,694	-	-	-	-	-	-	-	980,073	-	980,073
Management and general	3,453,122	-	116,579	-	-	308,093	-	-	-	-	-	-	-	3,877,794	-	3,877,794
Total Program and General Expenses	11,971,848	27,806	440,216	32,655	1,593	1,270,787	238	147,834	382,881	1,651,789	-	573	72,159	16,000,379	383,483	15,616,896
Other Decreases																
Discontinued project	302,400	-	-	-	-	-	-	-	-	-	-	-	-	302,400	-	302,400
Recoveries	(267,329)	-	-	-	-	-	-	-	-	-	-	-	-	(267,329)	-	(267,329)
Forgiveness of debt from related parties	-	-	-	(157,631)	-	-	-	-	-	-	-	-	157,631	-	-	-
Total Other Decreases	35,071	-	-	(157,631)	-	-	-	-	-	-	-	-	157,631	35,071	-	35,071
Total Expenses and Other Decreases	12,006,919	27,806	440,216	(124,976)	1,593	1,270,787	238	147,834	382,881	1,651,789	-	573	229,790	16,035,450	383,483	15,651,967
Net income (loss)	-	-	-	(27,623)	79,350	-	46,512	(147,834)	39,528	39,277	-	9,037	(38,247)	-	-	-
Change in net assets	15,504,477	-	3,538,877	-	-	(295,634)	-	-	-	-	-	-	(270,886)	18,476,834	(564,464)	19,041,298
Capital contributions (distributions), net	-	-	(6,519,781)	25,000	(50,000)	-	-	12,000	-	100	100	-	278,100	(6,254,481)	-	(6,254,481)
Change in net assets	15,504,477	-	(2,980,904)	(2,623)	29,350	(295,634)	46,512	(135,834)	39,528	39,377	100	9,037	(31,033)	12,222,353	(564,464)	12,786,817
Net assets, beginning	97,870,598	500,000	6,216,719	101,152	404,200	(1,899,623)	(46,650)	251,411	(26,561)	(39,177)	-	76	(1,386,078)	101,946,067	11,204,334	90,741,733
Net assets, ending	\$ 113,375,075	\$ 500,000	\$ 3,235,815	\$ 98,529	\$ 433,550	\$ (2,195,257)	\$ (138)	\$ 115,577	\$ 12,967	\$ 200	\$ 100	\$ 9,113	\$ (1,417,111)	\$ 114,168,420	\$ 10,639,870	\$ 103,528,550

TRF Private Equity, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2011

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 100	\$ -	\$ 500	\$ -	\$ 714,543	\$ 236,472	\$ -	\$ 951,615
Other	-	-	-	-	12,757	-	-	12,757
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
	<u>100</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>727,300</u>	<u>236,472</u>	<u>-</u>	<u>964,372</u>
Noncurrent Assets								
Private equity investments	-	-	-	-	4,902,131	-	-	4,902,131
Investment in consolidated subsidiary	-	100	347,993	3,880	-	348,593	(700,566)	-
Total Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 348,493</u>	<u>\$ 3,880</u>	<u>\$ 5,629,431</u>	<u>\$ 585,065</u>	<u>\$ (700,566)</u>	<u>\$ 5,866,503</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 7,744	\$ -	\$ -	\$ 7,744
Escrow payable and due to third parties	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,744</u>	<u>-</u>	<u>-</u>	<u>7,744</u>
Noncurrent Liabilities								
Due to related parties	-	-	-	-	-	2,622,944	-	2,622,944
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,744</u>	<u>2,622,944</u>	<u>-</u>	<u>2,630,688</u>
Commitments and Contingencies								
Partners' Capital (Net Assets)								
General partner	100	100	3,880	3,880	347,993	-	(355,953)	-
Limited partner	-	-	344,613	-	5,273,694	-	(5,618,307)	-
Total Partners' capital (Net Assets)	<u>100</u>	<u>100</u>	<u>348,493</u>	<u>3,880</u>	<u>5,621,687</u>	<u>-</u>	<u>(5,974,260)</u>	<u>-</u>
Net Assets								
Unrestricted	-	-	-	-	-	(2,353,605)	-	(2,353,605)
Non-Controlling Interest	-	-	-	-	-	-	5,273,694	5,273,694
Total Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,353,605)</u>	<u>5,273,694</u>	<u>2,920,089</u>
Temporarily restricted	-	-	-	-	-	-	-	-
Total Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permanently restricted	-	-	-	-	-	315,726	-	315,726
Total Net Assets	<u>100</u>	<u>100</u>	<u>348,493</u>	<u>3,880</u>	<u>5,621,687</u>	<u>(2,037,879)</u>	<u>(700,566)</u>	<u>3,235,815</u>
Total Liabilities and Net Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 348,493</u>	<u>\$ 3,880</u>	<u>\$ 5,629,431</u>	<u>\$ 585,065</u>	<u>\$ (700,566)</u>	<u>\$ 5,866,503</u>

TRF Private Equity, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended December 31, 2011

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Financial Activity								
Financial Income								
Interest income from:								
Marketable securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1
Private equity investments	-	-	-	-	4,314,592	-	-	4,314,592
Investment gains, net								
Private equity investments	-	-	-	-	(335,500)	-	-	(335,500)
Equity gains in private equity investments	-	-	225,388	2,254	-	225,388	(453,030)	-
Asset management fee	-	-	-	-	-	300,000	(300,000)	-
Total Financial Income	-	-	225,388	2,254	3,979,092	525,389	(753,030)	3,979,093
Financial Expense								
Asset management fee	-	-	-	-	300,000	-	(300,000)	-
Total Financial Expense	-	-	-	-	300,000	-	(300,000)	-
Net Financial Income	-	-	225,388	2,254	3,679,092	525,389	(453,030)	3,979,093
Revenue and Support								
Program services and fees	-	-	-	-	-	-	-	-
Total Revenue and Support	-	-	-	-	-	-	-	-
Program and General Expenses								
Program and General Expenses								
Program - Private Equity	-	-	-	-	38,048	285,589	-	323,637
Management and general	-	-	-	-	-	116,579	-	116,579
Total Program and General Expenses	-	-	-	-	38,048	402,168	-	440,216
Net loss	-	-	225,388	2,254	3,641,044	-	(3,868,686)	-
Change in net assets	-	-	-	-	-	123,221	3,415,656	3,538,877
Paid in capital	-	-	-	-	-	-	-	-
Capital distributions	-	-	(430,219)	(4,302)	(6,950,000)	-	864,740	(6,519,781)
Change in net assets	-	-	(204,831)	(2,048)	(3,308,956)	123,221	411,710	(2,980,904)
Net assets, beginning	100	100	553,324	5,928	8,930,643	(2,161,100)	(1,112,276)	6,216,719
Net assets, ending	\$ 100	\$ 100	\$ 348,493	\$ 3,880	\$ 5,621,687	\$ (2,037,879)	\$ (700,566)	\$ 3,235,815

TRF Development Partners, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2011

	TRF Development Partners, Inc.	TRF DP-Baltimore, LLC & Subsidiary	TRF DP- Philadelphia, LLC	TRF DP-Ridge Avenue, LLC	TRF DP-Scotland Commons, Inc.	Eliminations & Reclassifications	Total
Assets							
Current Assets							
Cash and cash equivalents	\$ 643,583	\$ 459,613	\$ 295,321	\$ 77,484	\$ -	\$ -	\$ 1,476,001
Investments in marketable securities	813,877	2,152,610	-	-	-	-	2,966,487
Other	1,953,367	452,584	159,599	51,566	100	(1,925,010)	692,206
Restricted cash and cash equivalents	-	11,192	-	4,000	-	-	15,192
	<u>3,410,827</u>	<u>3,075,999</u>	<u>454,920</u>	<u>133,050</u>	<u>100</u>	<u>(1,925,010)</u>	<u>5,149,886</u>
Noncurrent Assets							
Investments in marketable securities	737,812	1,275,920	-	-	-	-	2,013,732
Investments in consolidated subsidiaries	(1,795,138)	-	-	-	-	1,795,138	-
Property, equipment and leasehold improvements, net	3,087	-	-	-	-	-	3,087
Property held for development or sale, net	29,245	5,031,259	-	3,738,517	-	(37,958)	8,761,063
Other	-	680,563	-	-	-	-	680,563
	<u>(1,024,994)</u>	<u>6,987,742</u>	<u>-</u>	<u>3,738,517</u>	<u>-</u>	<u>1,757,180</u>	<u>11,458,445</u>
Total Assets	<u>\$ 2,385,833</u>	<u>\$ 10,063,741</u>	<u>\$ 454,920</u>	<u>\$ 3,871,567</u>	<u>\$ 100</u>	<u>\$ (167,830)</u>	<u>\$ 16,608,331</u>
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 19,601	\$ 116,896	\$ 9,939	\$ 110,218	\$ -	\$ -	\$ 256,654
Escrow payable and due to third parties	951	11,193	-	4,000	-	-	16,144
Other	100	86,356	687,500	1,170,038	-	(1,925,010)	18,984
Loans payable, current portion	-	-	-	874,606	-	-	874,606
	<u>20,652</u>	<u>214,445</u>	<u>697,439</u>	<u>2,158,862</u>	<u>-</u>	<u>(1,925,010)</u>	<u>1,166,388</u>
Noncurrent Liabilities							
Due to related parties	4,522,479	3,093	-	-	-	-	4,525,572
Loans payable, less current maturities	-	10,966,677	-	2,144,951	-	-	13,111,628
	<u>4,522,479</u>	<u>10,969,770</u>	<u>-</u>	<u>2,144,951</u>	<u>-</u>	<u>-</u>	<u>17,637,200</u>
Total Liabilities	<u>4,543,131</u>	<u>11,184,215</u>	<u>697,439</u>	<u>4,303,813</u>	<u>-</u>	<u>(1,925,010)</u>	<u>18,803,588</u>
Commitments and Contingencies							
Paid-in-Capital	-	65,471	661,345	60,000	100	(786,916)	-
Accumulated Deficit	-	(1,185,945)	(903,864)	(492,246)	-	2,582,055	-
Net Assets							
Unrestricted	(2,157,298)	-	-	-	-	(37,959)	(2,195,257)
Total Unrestricted	<u>(2,157,298)</u>	<u>(1,120,474)</u>	<u>(242,519)</u>	<u>(432,246)</u>	<u>100</u>	<u>1,757,180</u>	<u>(2,195,257)</u>
Temporarily restricted	-	-	-	-	-	-	-
Total Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>(2,157,298)</u>	<u>(1,120,474)</u>	<u>(242,519)</u>	<u>(432,246)</u>	<u>100</u>	<u>1,757,180</u>	<u>(2,195,257)</u>
Total Liabilities and Net Assets	<u>\$ 2,385,833</u>	<u>\$ 10,063,741</u>	<u>\$ 454,920</u>	<u>\$ 3,871,567</u>	<u>\$ 100</u>	<u>\$ (167,830)</u>	<u>\$ 16,608,331</u>

TRF Development Partners, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2011

	TRF Development Partners, Inc.	TRF DP-Baltimore, LLC & Subsidiary	TRF DP- Philadelphia, LLC	TRF DP-Ridge Avenue, LLC	TRF DP-Scotland Commons, Inc.	Eliminations & Reclassifications	Total
Financial Activity							
Financial Income							
Interest income from:							
Marketable securities	\$ 6,297	\$ 28,954	\$ -	\$ -	\$ -	\$ -	\$ 35,251
Investment gains, net							
Asset management fee	510,000	-	-	-	-	(510,000)	-
Total Financial Income	<u>516,297</u>	<u>28,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(510,000)</u>	<u>35,251</u>
Financial Expense							
Interest expense	-	(37,928)	-	-	-	-	(37,928)
Investment losses, net							
Marketable securities	(778)	4,265	-	-	-	-	3,487
Equity losses in consolidated subsidiaries	119,966	-	-	-	-	(119,966)	-
Total Financial Expense	<u>119,188</u>	<u>(33,663)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,966)</u>	<u>(34,441)</u>
Net Financial Income	<u>397,109</u>	<u>62,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(390,034)</u>	<u>69,692</u>
Revenue and Support							
Grants and contributions	155,000	-	-	-	-	-	155,000
Program services and fees	220,663	371,498	126,176	3,000	-	18,976	740,313
Other	-	10,148	-	-	-	-	10,148
Total Revenue and Support	<u>375,663</u>	<u>381,646</u>	<u>126,176</u>	<u>3,000</u>	<u>-</u>	<u>18,976</u>	<u>905,461</u>
Program and General Expenses							
Program and General Expenses							
Program - Development Partners	779,290	342,310	191,959	159,135	-	(510,000)	962,694
Management and general	308,093	-	-	-	-	-	308,093
Total Program and General Expenses	<u>1,087,383</u>	<u>342,310</u>	<u>191,959</u>	<u>159,135</u>	<u>-</u>	<u>(510,000)</u>	<u>1,270,787</u>
Net loss	-	101,953	(65,783)	(156,135)	-	138,942	18,977
Change in net assets	(314,611)	-	-	-	-	-	(314,611)
Capital contributions (distributions), net	-	-	50,627	-	-	(50,627)	-
Change in net assets	(314,611)	101,953	(15,156)	(156,135)	-	88,315	(295,634)
Net assets, beginning	(1,842,687)	(1,222,427)	(227,363)	(276,111)	100	1,668,865	(1,899,623)
Net assets, ending	<u>\$ (2,157,298)</u>	<u>\$ (1,120,474)</u>	<u>\$ (242,519)</u>	<u>\$ (432,246)</u>	<u>\$ 100</u>	<u>\$ 1,757,180</u>	<u>\$ (2,195,257)</u>

The Reinvestment Fund, Inc. and Affiliates

Consolidated Schedule of Functional Expenses
For the Year Ended December 31, 2011

	<u>Personnel</u>	<u>Occupancy</u>	<u>Professional Services</u>	<u>General & Administrative</u>	<u>Grants</u>	<u>Total</u>
Program - Lending and Community Investing	\$ 2,997,768	\$ 632,191	\$ 3,183,947	\$ 125,742	\$ 306,773	\$ 7,246,421
Program - Private Equity	232,980	22,175	48,805	22,697	-	326,657
Program - Sustainable Development Fund	202,958	27,730	57,575	14,243	80,977	383,483
Program - Policy Solutions	788,146	182,182	261,930	44,286	-	1,276,544
Program - PolicyMap	530,021	952,380	409,293	17,713	-	1,909,407
Program - Development Partners	577,829	159,933	179,591	62,720	-	980,073
Management and general	2,722,491	531,189	496,542	127,572	-	3,877,794
	<u>\$ 8,052,193</u>	<u>\$ 2,507,780</u>	<u>\$ 4,637,683</u>	<u>\$ 414,973</u>	<u>\$ 387,750</u>	<u>\$ 16,000,379</u>