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The Reinvestment Fund builds wealth and opportunity for low-wealth communities and low- and moderate-income individuals through the promotion of socially and environmentally responsible development. TRF achieves its mission through:

Capital: Grants, loans and equity investments

Knowledge: Information and policy analysis

Innovation: Products, markets and strategic partnerships

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Dear Friends and Supporters:

Sometimes the very essence of what we do and what we stand for is clarified. This past year was one of those times for The Reinvestment Fund.

After several years of rapid growth in assets, loan productivity, and new programs, we devoted time to reflection and planning. We remembered and sometimes renamed the simple ideas that describe us.

We updated our mission statement to reflect our increased concern with the environment. We are proud to work in support of this mission.

We organized our activity into three themes: *Capital*, *Knowledge*, and *Innovation*. They are the building blocks of what we do. They are the tools of our mission. In this report we will demonstrate how capital, knowledge, and innovation work when deployed by TRF.

We dedicated ourselves to a plan for continued responsible growth and financial sustainability. The most important part of that plan is a commitment to be more accountable to our investors and donors by analyzing, understanding, and publishing the development impacts that we promise and promote.

These are simple ideas — building opportunity; deploying capital, knowledge, and innovation; being accountable for actions and promises. They are the simple ideas that give meaning and ambition to our efforts.

They are the simple ideas that we celebrate with you as we enter the 18th year of our journey.



Jeremy Nowak, *President and CEO*



John K. Ball, *Board Chair*



DAVID DEBALKO PHOTOGRAPHY

Capital

TRF connects investors with projects that create wealth and opportunity for low- and moderate-income people and places, matching investor interests with the capital needs of our customers. We make loans, grants, and equity investments to organizations and businesses in four states. Our capital helps create customer choice: choices for people to buy homes, go to school, and obtain jobs throughout their regional marketplace. We also target particular communities with the goal of restoring local markets and creating neighborhood opportunities.

Housing Choices

TRF created a bank collaborative (Collaborative Lending Initiative – CLI) in 1994 to meet the capital needs of large-scale affordable housing developers. In eight years TRF loaned more than \$63 million in nearly 100 transactions through CLI to finance the construction or renovation of 2,100 affordable housing units in southeastern Pennsylvania and New Jersey. With no loan losses, this represents almost a third of the 7,500 affordable housing units TRF has financed since 1985.

To support affordable housing developers' expanding capital needs we recently streamlined CLI into a \$25 million credit facility, syndicated by J.P. Morgan Chase Community Development Group. By lowering CLI's cost of funds and our own administrative costs, we can now offer more competitive pricing and support new affordable housing choices throughout our market.

Education Choices

TRF is a national leader as a lender to early education providers and charter schools. Independent schools in the inner city and publicly supported charter schools often face great difficulty obtaining financing. They are viewed as too high risk by most conventional lenders. Most charter schools, for example, are start-up enterprises, managed by an untested management team, without a credit history. Despite these challenges, TRF developed a successful underwriting model for charter schools, building on our experience as a lender to childcare and social service organizations seeking to expand their facilities. Through June 2002, TRF financed 17 charter schools, providing more than 7,300 children and their families educational choices throughout Philadelphia.

To support the expansion of our charter school lending throughout Pennsylvania, New Jersey, and Delaware, TRF is partnering with NCB Development Corporation (NCBDC), a development finance corporation affiliated with the National Cooperative Bank. Together we applied for and received a \$6.4 million grant from the Federal Department of Education. We are one of only five recipients of such a grant from the national Charter Schools Facilities Demonstration Program. The grant will allow TRF and our partner to raise \$30 million in private capital and provide a designated loan loss reserve in the event of losses.

This partnership will allow TRF to expand the number, location, and type of charter schools we finance. It will complement our already existing leadership role as a major provider of credit to child care centers and early childhood educational services.

Business Choices

Since 1999, TRF has filled a capital gap for businesses that fit certain size- and place-based criteria (distressed and disinvested neighborhoods). Many of these businesses are owned by moderate-income entrepreneurs who do not qualify for conventional bank financing due to personal credit issues, the early stage of the business, and/or uneven performance of the business or the industry sector. TRF works hard to meet the needs of these business owners by providing them with the capital they need to grow. In turn, the businesses create jobs, revitalize commercial strips, and increase access to goods and services in low-income areas.

To prudently manage the risk of this growing portfolio, in 2000 TRF became the first non-depository institution in the nation to be licensed by the U.S. Small Business Administration to offer SBA loan guarantees on small business loans.

Today, TRF is the third largest SBA lender (in loan volume) to small businesses located in the city of Philadelphia — the majority in low- and moderate-income areas — and the leading SBA lender to minority-owned businesses. In recognition of TRF's accomplishments, Alan Wilson, Managing Director of Small Business Lending, was named the SBA's Minority Small Business Advocate for 2002 for eastern Pennsylvania.

Over the last three years, TRF has loaned more than \$3.9 million of SBA-guaranteed loans to 42 businesses, representing 51% of all TRF small business loans.

Outstanding Loans to Philadelphia-Based Small Businesses as of June 30, 2002

MEDIAN HOUSEHOLD INCOME AND TRF SMALL BUSINESS LOANS

Census tract income level

- Up to 50% regional average
- 50-100% of regional average
- Above regional average
- Non-residential area
- One TRF loan

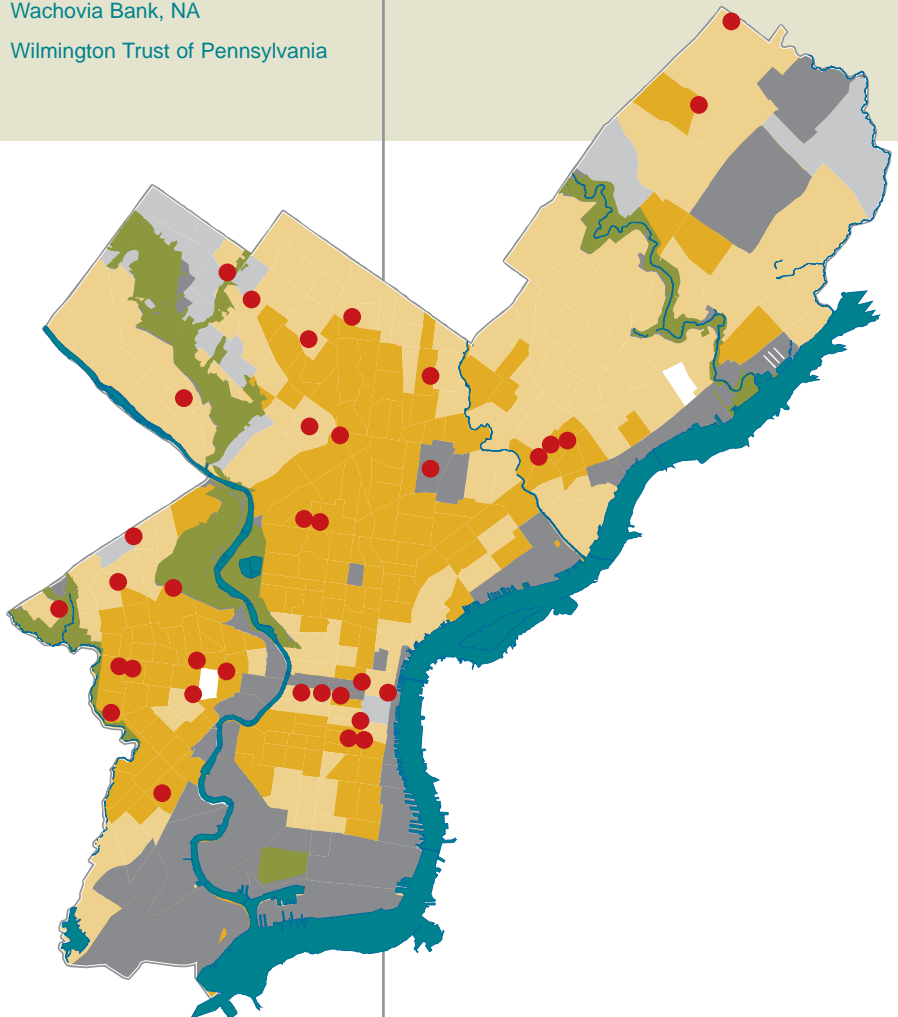
CLI Bank Investors

- Beneficial Savings Bank
- The Bryn Mawr Trust Company
- Citizens Bank of Pennsylvania
- Commerce Bank, NA
- Commerce Bank/Pennsylvania, N.A.
- Equity Bank
- Fleet National Bank
- Hudson United Bank
- J.P. Morgan Chase Community Development Group
- M&T Bank
- Mellon Bank Community Development Corporation
- Merrill Lynch Community Development Corporation, LLC
- NCB Development Corporation
- PNC Bank, National Association
- Roxborough Manayunk Bank
- Sun National Bank
- U.S. Trust Company
- Wachovia Bank, NA
- Wilmington Trust of Pennsylvania

DAVID DEBALKO PHOTOGRAPHY



Allegra McCullough, Regional Administration for Region III of the U.S. Small Business Administration, presents Alan Wilson, Managing Director of Small Business Lending, with the Minority Small Business Advocate of the Year Award for Eastern Pennsylvania.



Knowledge

TRF turns information into knowledge through new products and novel policy approaches. At the center of product and policy development is our concern with rebuilding older cities and towns and re-connecting people to the economic mainstream. Today we are widely regarded as a center for regional workforce and housing market information.

DAVID DEBALCO PHOTOGRAPHY



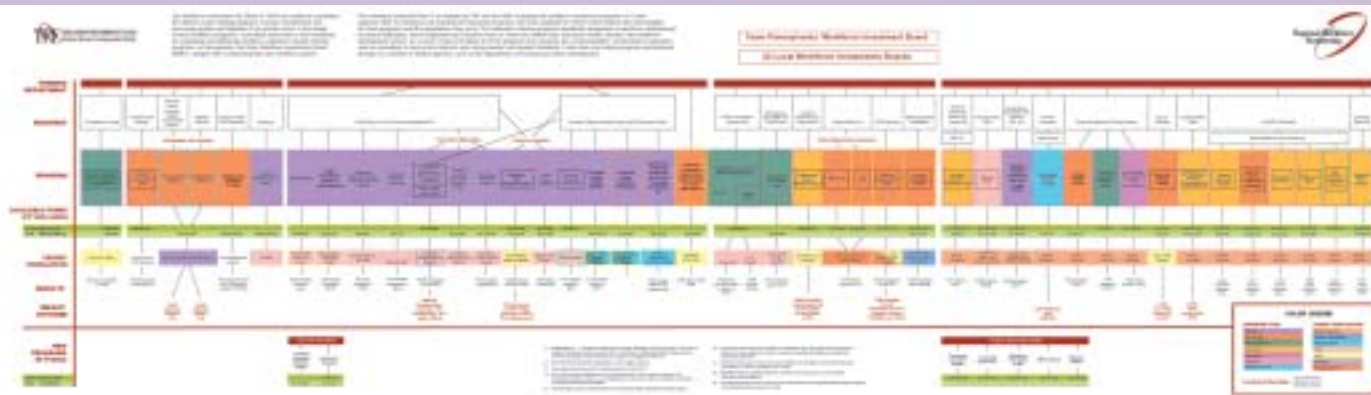
Sue McPhedran (center), TRF's Director, Neighborhood Reinvestment Strategies, with Geraldine Wang of the William Penn Foundation and Blane Stoddart of The Partnership CDC outside a distressed property on Sansom Street in West Philadelphia. (See map, p.7.)



From 2002 Workforce and Economic Development, An Agenda for Pennsylvania's Next Governor, published by TRF and the Regional Workforce Partnership.

This schematic shows five state agencies, their 49 workforce, job training and education programs, and the \$1.2 billion of federal and state funds available during fiscal year 2002.

The Workforce System in Pennsylvania: A Summary



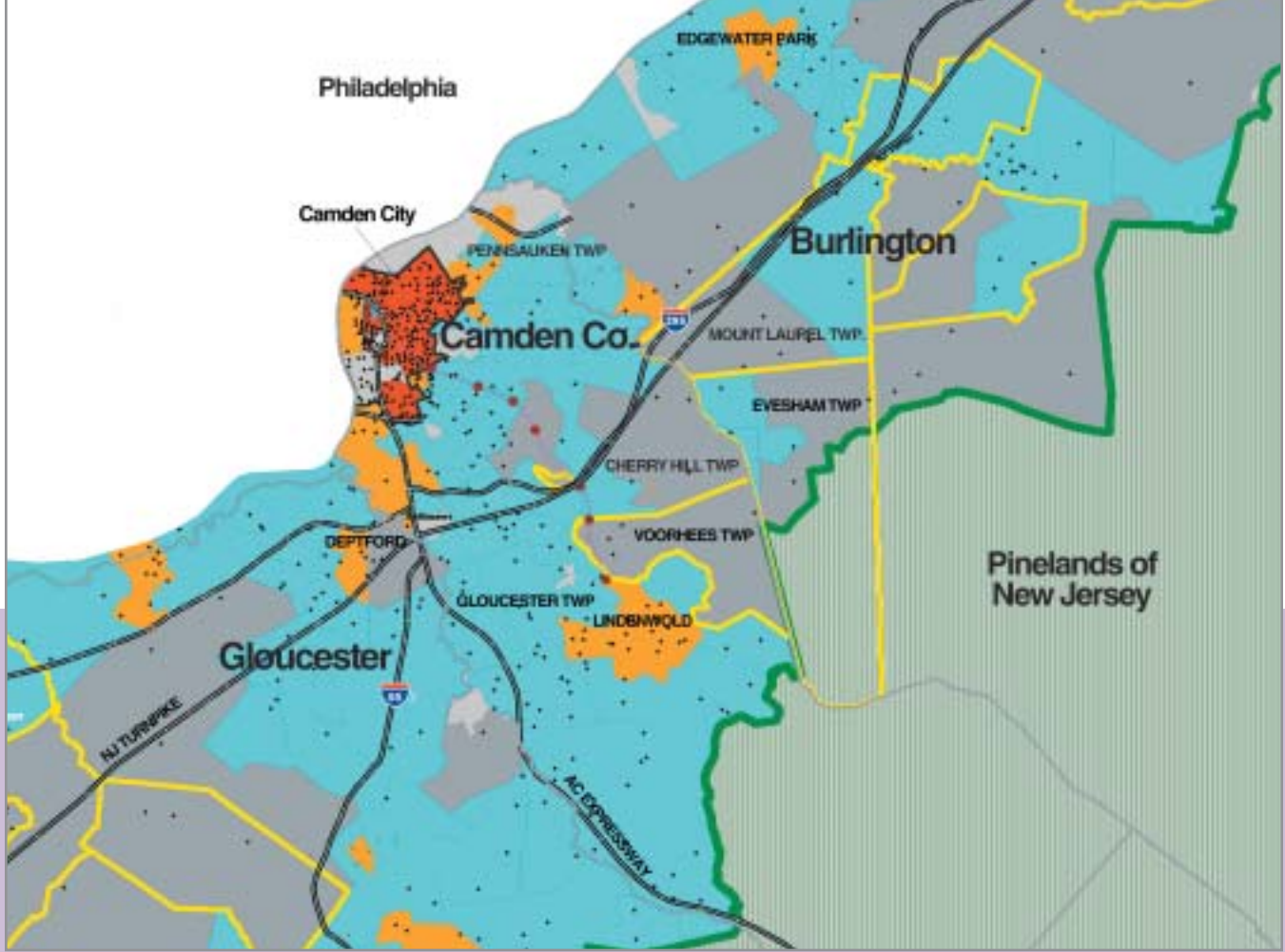
Understanding Pennsylvania's Workforce Investments

TRF believes that strategic and productive investments in human capital will help lay the groundwork for sustained economic growth. Business leaders, educators, and public officials all understand that a high quality workforce is key to Pennsylvania's future economic vitality. Yet this apparent unanimity has not led to workforce development policies that fully support Pennsylvania's economic development priorities.

To move workforce to the forefront of the 2002 gubernatorial campaign, TRF through its Regional Workforce Partnership developed a briefing paper to summarize the principles and strategies that can transform workforce development into a major catalyst for economic development.

The centerpiece of this briefing paper was our "mapping" of the workforce investment programs of five state agencies, their 49 workforce, job training, and education programs, their target populations, and the \$1.2 billion of federal and state funds available during the 2002 fiscal year. Noticeably lacking in the diagram were consistent employment outcomes resulting from this staggering investment. (See diagram above.)

TRF developed this schematic diagram both to highlight the extraordinary variety of ways that Pennsylvania invests in human resources and to call for consistent performance measures, standards, and impact measurement across the system. While developing a report card on workforce development is not an easy task, without such information it is impossible to report to Pennsylvania's citizens the return on their investment.



Development Opportunities and Constraints in Southern New Jersey

HOUSING

- 1 Dot = 10 Vacant Housing Units

Value of Home Purchase Mortgage

- Under \$50K
- \$50 – \$75K
- \$75 – \$125K
- Over \$125K
- Too few loans (less than 5) to compute value

POPULATION

- Highest Population Gain (Census tracts)

ENVIRONMENT

- Pinelands Growth Boundary
- Patco

Expanding our Housing Market Knowledge

Building on our comprehensive southeastern Pennsylvania housing market analysis as detailed in the 2001 publication of *CHOICES*, TRF extended its regional housing market analysis to southern New Jersey, specifically in and around the city of Camden. The New Jersey Department of Community Affairs and the Ford Foundation are funding this important work. This research will build upon an already substantial knowledge of New Jersey garnered through \$38.6 million in financings since 1985.

Camden is among the poorest cities in the country, with more than 56% of its children estimated to be living in poverty. Yet Camden is positioned squarely between Philadelphia's highly valued downtown and the quickly growing residential and commercial markets found in Haddonfield,

Moorestown, Evesham, and Voorhees. With the nearby presence of the environmentally rich and highly protected Pinelands of New Jersey, shortages of developable land cause high residential prices in many inner-ring communities. Yet residential vacancies continue to swell in Camden, and neighboring communities such as Merchantville, Collingswood, Pennsauken, and Gloucester City are beginning to feel the pain of real estate market distress.

Can the right public and private investments lead the way to a revival of distressed cities such as Camden? Working with government, the private sector, and local civic groups TRF is using its research and data capacity to help chart new development paths and opportunities for this beleaguered city, while framing the problems and possibilities of Camden and other Southern New Jersey towns within the lens of regional development.

Combining Market Knowledge With Development Capital

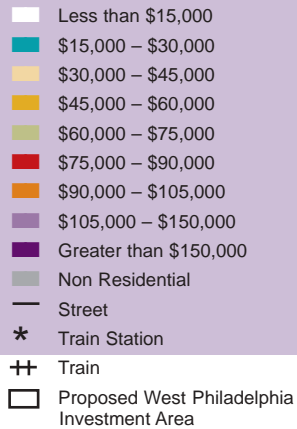
By linking the credibility and action of TRF's financial portfolio to our use of data and research, TRF is poised to become a new kind of change agent.

Seventeen years of experience in project finance have taught us how to build from the unique locational, institutional, and social assets of urban neighborhoods.

Our capacity to lead and support informed interventions was given a major boost through a new \$5 million Program Related Investment from the William Penn Foundation. The investment and an accompanying grant are giving us the opportunity to work with the Foundation in a major field test of a new research and investment targeting strategy. In partnership with the Foundation, TRF is identifying several areas in Philadelphia as candidates for investment. Working with neighborhood institutions we are defining portfolio projects that William Penn and TRF will support in an effort to influence key market indicators that we are tracking.

Comparison of Average Sale Prices of Single Family Properties in Proposed West Philadelphia Investment Area

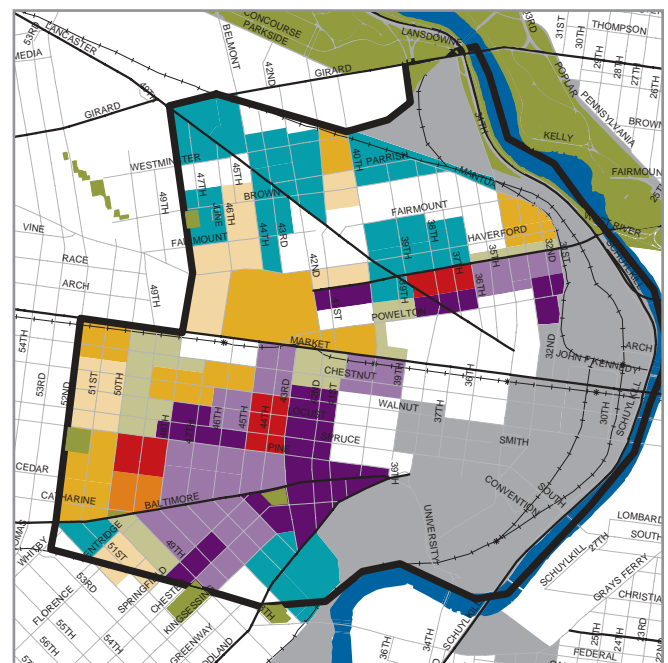
TRF makes strategic investments that restore market activity while helping local community development corporations preserve affordability. Together, these activities reward long-time residents and attract new home buyers.



Sold before 1996



Sold 2001–2002



SOURCE: BOARD OF REVISION OF TAXES



Inno

TRF has a long history of combining ideas and information into our lending and investment culture. We are an organization that acts and thinks, reflecting on experience and fostering new approaches to mission effectiveness. We combine the tools of community and economic development through a regional market approach. By linking poverty reduction to the growth patterns of business, labor, and real estate markets, we have transformed ourselves from a niche community development lender into a policy and product innovator. No other community or economic development institution in America has TRF's broad product mix or market range.

Customer service representatives at Verilaw Technologies, Inc., TRF Urban Growth Partners' first portfolio company. Verilaw, a leading provider of customized electronic filing and web-based systems for courts and lawyers, offers employment opportunities for entry-level workers.

Integrating Equity Capital With Human Capital

TRF is nationally recognized as a pioneer in linking private equity financing with human resource strategies. Through both our initial private equity fund (DVCRF Ventures) and our recently formed TRF Urban Growth Partners, we have invested more than \$6.3 million of equity and equity-like capital into 10 small and medium-sized businesses. By simultaneously providing a multifaceted array of workforce and human resource interventions to companies, we have added immeasurable value to the more than 1,600 jobs we have financed.

As an equity investor, TRF works closely with each company's management team to attract the capital, people, and other resources necessary to succeed. As a human resources investor, we offer interventions that help the employees succeed along with

the company and its investors. Whether we assist the company in locating affordable health care coverage for their employees, identify new career ladders, or increase the utilization of the Earned Income Tax Credit, our human capital interventions create new opportunities for low-income workers right at the shop floor.

Changing How Cities Use Data and Respond to Blight

TRF's data analysis in support of Philadelphia's Neighborhood Transformations Initiative has been noted in a variety of national journals and magazines from the *New York Times* to *The Washington Post*. It has not only changed the way city officials analyze neighborhood real estate conditions, but is having a national impact. By creating a taxonomy of neighborhood types and linking the

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TRF's Jacqueline Bratton (left) assists Ursula Jones of Allegheny Child Care Academy with tax preparation.



DAVID DEBALCO PHOTOGRAPHY

taxonomy to priority public actions (i.e. code enforcement, land assembly), TRF created a new kind of policy conversation regarding how government can best stimulate market forces in distressed neighborhoods.

Today, we are working with Philadelphia's Office of Information Services and Safe & Sound (a nonprofit organization that focuses on childhood welfare) to build a comprehensive data system that integrates real estate, economic, public safety, and social indicator information into a new public management tool.

Leveraging Resources for Sustainable Energy

TRF has developed financial products and technical services to help our customers make wiser decisions about the energy efficiency and sustainability of equipment purchases, capital improvements and building design.

Since 1993, TRF has assisted non-profits to analyze the front-end energy costs and lifetime operating costs of renovation or construction projects,

offering below-market rate financing for the energy efficient elements of their designs as an incentive. In 1999, TRF became manager of the Sustainable Development Fund, a \$32 million fund that supports renewable and clean energy ventures and projects through a broad range of financing tools.

TRF's newly created \$2 million Pennsylvania Advanced Industrial Technology Fund (PA-AIT) will significantly leverage our financial and technical resources to assist early stage clean energy companies. Funded by TRF's Sustainable Development Fund and managed by Blue Hill Partners, the new partnership will build a portfolio of companies that provide clean energy and economic benefits to the Pennsylvania region. PA-AIT provides not only early stage venture capital but also key venture management services in exchange for equity.

PA-AIT's first portfolio investment is in Princeton Energy Systems, a company that designs, installs and finances photovoltaic (solar electricity) projects for commercial, institutional and industrial buildings.

financing Transaction



PHOTO COURTESY OF THE CATHEDRAL CDC

Above: Cathedral Village, ten homes for low- to moderate-income families in Perth Amboy, New Jersey, developed by the Cathedral Community Development Corporation with financing from TRF. The CDC is affiliated with The Cathedral International, a religious institution with 7,000 members in three locations in New Jersey: Perth Amboy, Plainfield and Asbury Park.

Right: A residence in the Juniata Park neighborhood of Philadelphia operated by Volunteers of America Delaware Valley for developmentally disabled adults. TRF provided financing for the purchase of the 60-year old house, formerly a doctor's home and residence.

TRF Financing Transactions Closed in Fiscal Year 2002 \$37.4 Million; 136 Transactions

Community Service

Affordable Homes of Millville Ecumenical

American Cities Foundation

Associated Day Care Services

Berean Baptist Church

Center for Advocacy for the Rights and Interests of the Elderly

Chester County AIDS Support Services

Children's Village, Inc.

Community Academy of Philadelphia, a PA Charter School

Energy Coordinating Agency

Freire Charter School

Glassboro Child Development Corp.

Home Away from Home Day Care

Independence Charter School

Institute for the Development of African American Youth

Institute for the Study of Civic Values

New Liberty Productions

Ogontz Avenue Revitalization Corp.

People United Together

Philadelphia FIGHT

Russell Byers Charter School

School Lane Charter School

Universal Community Homes*

VOADV Property, Inc.*

Wissahickon Charter School

Women's Anti-Violence Education

Youth Empowerment Services

Youthbuild Philadelphia Charter School

YWCA of Germantown

**Total: 30
Transactions
\$5,905,825**

Affordable Housing

1260 Housing Development Corporation*

Antro Builders

Assisted Living Inc.

Belmont Affordable Housing III, LP

Cathedral CDC

CIP Housing, Inc.*



PHOTO COURTESY OF SANDRA CHOUKROUN

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ANDREW PINKHAM PHOTOGRAPHY



TRF made an affordable housing equity investment in Copley Manor apartments in east Germantown with partner Octavia Hill Association, a long-time customer and respected owner/manager of multi-family rental projects in Philadelphia. Octavia Hill received a George Bailey Award at TRF's 2002 annual meeting. Left, Octavia Hill President Thomas P. Williams. Right, Lance Simmons, TRF Senior Loan Officer.

PHOTO COURTESY OF SANDRA CHOUKROUN



From left, Joseph H. Proietta, Chief Administrative Officer of the Community Academy Charter School in Philadelphia with Herman and Marciene Mattleman, members of the Children and Youth Committee of the Greater Philadelphia Urban Affairs Coalition, which sponsored a briefing and tour of local charter schools. Marciene Mattleman is also a TRF investor. TRF has made two loans to the school.

Community Ventures

- Cooper Riverview Homes
- Deer Lake Associates, LP*
- Frankford CDC
- Genesis Housing Corporation
- Hispanic Association of Contractors and Enterprises*
- Holmes School L.P.
- Housing and Community Development Network of New Jersey
- Housing Development Corporation of Lancaster County*
- Ingerman Affordable Housing
- National Commonlife Communities, LLC
- Neighborhood Restorations L.P. XI
- North Camden Land Trust
- Octavia Hill, L.P.
- Ogontz Avenue Revitalization Corp.*
- Parkside 2000 L.P.*
- Parkside Business Community in Partnership
- Partnership CDC*
- Ray Murphy*
- RDA Mend 2 Loan Pool*
- Sharon Hill Commons, LP*
- The Center in Asbury Park
- Ujima Village

United Communities Community Development Corporation*

- Universal Community Homes*
- Women's Community Revitalization Corporation*
- Yorktown Community Development Corporation

Total: 62 Transactions
\$21,649,394

Energy Group

- Franklin Fuel Cells, Inc.
- Germantown Jewish Centre
- Math Science and Technology Charter School
- Mill Run Windpower
- Pennsylvania Advanced Industrial Technology Fund, L.P.
- Power and Energy
- Self Help Movement, Inc.
- Wallquest, Inc.

Total: 8 Transactions
\$5,539,450

Small Business

- Addison Baking Company
- Caliche, Inc.

Cuddles-n-Care, Inc.

- Delancey Arch Associates, L.P.
- Global Black Woman Magazine
- Grupo Bogata, Inc.*
- Home Care Associates
- Impulse Construction, Inc.
- Jubilee HVAC, Inc.
- La Fortaleza Physical Therapy Center, Inc.*

- Melody Vision
- MeShellay's Hair Studio
- Mezalick Design Studio
- Molly's Café and Bookstore
- Nursing Solutions, Inc.*
- Philadelphia CORS
- Philadelphia Protection Service*
- T.Y.L. II Montessori Preschool
- The Irish Bread Shoppe
- Tommy D's Home Improvement*
- Total Child Care System
- Unique Staffing, Inc.
- Weavers Way Co-Operative Association
- Westley, Inc.

Total: 36 Transactions
\$4,341,900

* Multiple Transactions

from management Report

Financial Overview

The Reinvestment Fund (TRF) ended the year with \$93.9 million in consolidated assets, up \$5.8 million from fiscal year-end 2001. Loans and investments grew by \$4.6 million. This growth was fueled by a \$39 million increase in capital under management.

Consolidated net assets increased by \$164 thousand to \$42.7 million. Net assets excluding our Sustainable Development Fund (SDF) increased \$757 thousand. Our capital adequacy ratio (net assets/total assets) excluding SDF ended the year at 20%.

The Reinvestment Fund attained several notable accomplishments including:

- ➔ TRF closed 136 financing transactions totaling \$37.4 million in fiscal 2002, 22% higher than fiscal 2001.
- ➔ In recognition of TRF's accomplishments in the small business lending area, Alan Wilson, Managing Director of Small Business Lending, was named the SBA's Minority Small Business Advocate for 2002 for eastern Pennsylvania.
- ➔ Our Small Business Lending unit closed 36 loans totaling \$4,341,900 and ranks as the third largest SBA lender (in loan volume) in the city of Philadelphia and the leading SBA lender to minority businesses.

➔ Through a partnership with NCB Development Corporation, we received a \$6.4 million grant from the Federal Department of Education to support the expansion of charter school lending throughout Pennsylvania, New Jersey and Delaware. This partnership will allow us to expand our already existing leadership role as a provider of credit to child care centers and early childhood educational services.

➔ TRF's Collaborative Lending Initiative (CLI), a bank collaborative that provides capital to large-scale affordable housing developers, increased loans outstanding by \$2.6 million, ending the year with \$7.2 million. During fiscal 2002, we streamlined the operations of CLI into a \$25 million syndicated credit facility resulting in lower costs of funds and administrative costs.

➔ TRF's Sustainable Development Fund committed \$2 million to the Pennsylvania Industrial Technology Fund (PA-AIT). PA-AIT provides early stage venture financing and management services to clean energy companies.

➔ The loan portfolio had another impressive year with a loan loss experience of less than 1% and low delinquencies.

➔ TRF, through its Regional Workforce Partnership, developed a briefing paper for the 2002 Pennsylvania gubernatorial campaign on workforce development as a catalyst for economic development.

➔ Our Public Policy & Program Assessment department contributed significant data analysis of Philadelphia's housing markets in support of Philadelphia's Neighborhood Transformation Initiative.

➔ We closed on our second private equity fund, TRF Urban Growth Partners, L.P. that currently has capital commitments of \$42 million.

➔ Through both our initial private equity fund (DVCRF Ventures) and TRF Urban Growth Partners, we have invested \$6.3 million into 10 small- and medium-sized businesses.

➔ Our Human Capital department performed an intervention in almost every company in which TRF venture capital invested. These services support improved recruitment, training, development of human resource infrastructure and benefits for employees. In one company alone, we prepared individual income tax returns for more than 30 employees, resulting in returns averaging \$1,800, with over 40% receiving earned income tax credits for lower-income workers.

Financial Summary

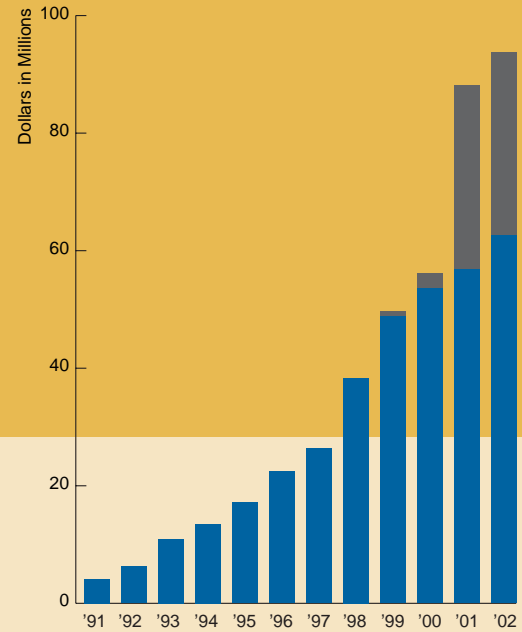
Financial Position

Consolidated loans and program investments outstanding totaled \$36.6 million at June 30, 2002, an increase of \$4.6 million (14%) over the prior year. Community Development, which includes Affordable Housing and Community Services, increased \$2.2 million (9%) to \$27.4 million. The growth was primarily due to increased construction lending in affordable housing and energy efficiency loans in community services. Small business lending increased \$1.9 million (46%) to \$5.9 million and our Sustainable Development Fund increased \$912 thousand to \$1.8 million.

Net charge-offs were 0.70 percent of average loans outstanding in fiscal 2002 (\$230 thousand) and 0.35 percent (\$99 thousand) in fiscal 2001. The allowance for loan losses was 5.2 and 5.1 percent of loans outstanding at June 30, 2002 and 2001, respectively. The provision for loan losses was \$433 thousand in fiscal 2002 and \$398 thousand in fiscal 2001. Components of the provision in fiscal 2002 included net charge-offs and increased level of loans outstanding.

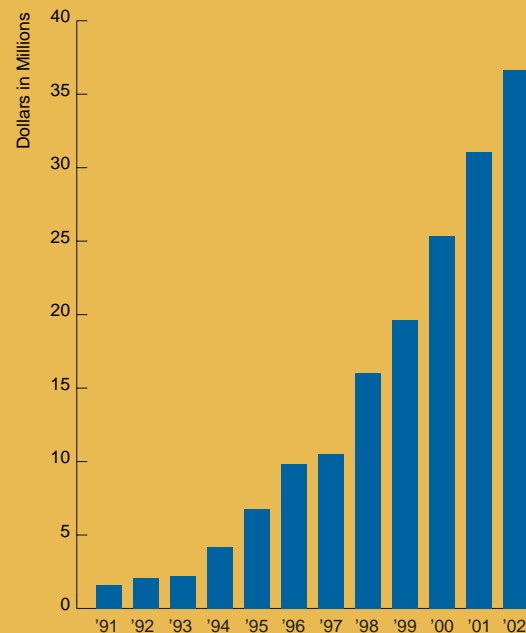
Net assets, excluding the Sustainable Development Fund, increased \$757 thousand to \$12.3 million. Our net assets ratio (net assets/total assets), excluding the Sustainable Development Fund, of 20% demonstrates that The Reinvestment Fund is sufficiently capitalized for long-term sustainability.

Our total capital under management increased to \$139 million, up \$39 million (39%) over the prior year. This growth was funded primarily by the initial capitalization of our second venture fund, TRF Urban Growth Partners, increased participation by financial institutions in the CLI syndicated credit facility, as well as the continued support of our diverse institutional and individual investor base. Capital under management was utilized as follows: 26% for loans & investments outstanding, 17% for loans



Summary of Consolidated Assets

Sustainable Development Fund assets shown in dark gray



Summary of Outstanding Loans and Investments

& investments closed but not yet funded, 25% for loan/investment commitments, 17% available for new investments by TRF Urban Growth Partners, 8% available for new Community and Economic Development loans/investments, and 7% held as a required liquidity reserve. The Reinvestment Fund also has an available \$10 million revolving line of credit with a bank to ensure sufficient liquidity. We have not used this line of credit.

Operations

From a financial perspective, we separate our programs and services into two categories: financing programs that have a goal of self-sufficiency, and workforce and policy programs that are substantially grant and contract funded. The Sustainable Development Fund is a financing program that is fully capitalized at \$30.4 million and whose assets are targeted for renewable and clean energy projects. Given its size and targeted mission, SDF is shown separately in the Selected Financial Highlights table.

Financing Programs

We continue to stress self-sufficiency in our financing programs. Our self-sufficiency ratio in financing programs was 54%, 78% and 59%, respectively for the last three years. This ratio measures the extent of expense coverage through earned revenue and is calculated as net financial income/program and related management and general expenses.

Fiscal 2002 was adversely affected by a historic low interest rate environment having a negative impact on both interest earnings on our idle funds awaiting deployment and interest spreads on our outstanding loans.

Total financings closed during fiscal 2002 were \$37.4 million, an increase of \$6.8 million (22%) over the prior year. Financings increased in all of our programs. Our energy group led

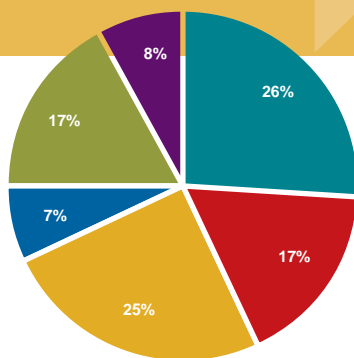
the way with \$5.5 million in financings, an increase of \$4.0 million (254%) over fiscal 2001, as SDF began to deploy its assets in clean and renewable energy ventures. Small business lending continued its year over year growth with \$4.3 million in loan closings, an increase of \$1.0 million (29%). Community Services closings increased \$869 thousand (17%) to \$5.9 million while Affordable Housing increased \$1.0 million (5%) to \$21.7 million.

Our loan loss experience was 0.70% for the year, continuing a long-term trend of negligible charge-offs. At year-end, our allowance for loan losses totaled \$1.8 million resulting in reserve coverage of 5.2% (allowance for loan losses/loans receivable). The maintenance of this level of reserves reflects our conservative approach to portfolio management and underwriting.

Workforce and Policy Programs

TRF has been successful in attracting significant grant and contract support for research and workforce projects that have allowed us to create new regional policy approaches and lending and investing products in support of our mission. We continue to adhere to a financial discipline of securing financial support prior to embarking on new programs. It should be noted that under generally accepted accounting principles, grant revenue is recorded in the year an unconditional promise to give is received, while expenses are recorded in the year the liability is incurred. Accordingly, grant revenue and related expenses may not be recorded in the same fiscal year.

The Reinvestment Fund, Inc. and Affiliates received an unqualified opinion from its auditors for fiscal year 2002. The complete audit report, including financial statements and footnotes is available upon request at the office of The Reinvestment Fund, 718 Arch Street, Suite 300N, Philadelphia, PA 19106, telephone 215-925-1130.



Capitalization and Assets Employed as of June 30, 2002

- Loans and investments outstanding
- Loans and investments closed but not funded
- Loan and investment commitments
- Required liquidity reserve
- Available for new loans and investments
- TRF Urban Growth Partners
- Community and Economic Development

The Reinvestment Fund, Inc. and Affiliates Selected Financial Highlights

Fiscal Year 2002

(\$ in thousands)

	Financing Programs	Sustainable Development Fund	Workforce and Policy Programs	Total
Capital Under Management	\$108,403	\$30,483	\$ —	\$138,886
Loans and Investments Outstanding	34,808	1,806	—	36,614
Loss Reserve	1,770	23	—	1,793
Net Assets	10,363	30,404	1,957	42,724
Revenues				
Net Financial Income	\$ 2,187	\$ 754	\$ —	\$ 2,941
Revenue and Support — Contributions and grants	3,442	390	1,574	5,406
Revenue and Support — Program services and fees	379	120	140	639
Total Revenues	6,008	1,264	1,714	8,986
Expenses				
Program Expenses	2,955	1,857	2,496	7,308
Management and general expenses	1,120	—	394	1,514
Total Expenses	4,075	1,857	2,890	8,822
Change in Net Assets	\$ 1,933	\$ (593)	\$(1,176)	\$ 164
Loan Loss Reserve % of Loans Outstanding	5.2%			
Capital Adequacy Ratio (net assets/total assets) — excludes SDF	20%			
Net Financial Income % of Expenses — lending & investing programs	54%			

Fiscal Year 2001

(\$ in thousands)

	Financing Programs	Sustainable Development Fund	Workforce and Policy Programs	Total
Capital Under Management	\$79,978	\$19,567	\$ —	\$99,545
Loans and Investments Outstanding	31,403	657	—	32,060
Loss Reserve	1,579	12	—	1,591
Net Assets	8,430	30,997	3,133	42,560
Revenues				
Net Financial Income	\$ 2,339	\$ 586	\$ 5	\$ 2,930
Revenue and Support — Contributions and grants	45	28,679	3,029	31,753
Revenue and Support — Program services and fees	202	—	299	502
Total Revenues	2,587	29,265	3,333	35,185
Expenses				
Program Expenses	2,480	516	3,374	6,370
Management and general expenses	515	—	855	1,370
Total Expenses	2,995	516	4,229	7,740
Change in Net Assets	\$ (409)	\$28,750	\$ (896)	\$27,445
Loan Loss Reserve % of Loans Outstanding	5.1%			
Capital Adequacy Ratio (net assets/total assets) — excludes SDF	20%			
Net Financial Income % of Expenses — lending & investing programs	78%			

Fiscal Year 2000

(\$ in thousands)

	Financing Programs	Sustainable Development Fund	Workforce and Policy Programs	Total
Capital Under Management	\$78,009	\$1,922	\$ —	\$79,931
Loans Outstanding	25,280	55	—	25,335
Loss Reserve	1,291	2	—	1,293
Net Assets	8,960	2,248	3,907	15,115
Revenues				
Net Financial Income	\$ 1,803	\$ 67	\$ —	\$ 1,870
Revenue and Support — Contributions and grants	704	1,699	3,520	5,923
Revenue and Support — Program services and fees	213	—	90	303
Total Revenues	2,720	1,766	3,610	8,096
Expenses				
Program Expenses	2,247	304	2,004	4,555
Management and general expenses	787	—	315	1,102
Total Expenses	3,034	304	2,319	5,657
Change in Net Assets	\$ (314)	\$1,462	\$1,291	\$ 2,439
Loan Loss Reserve % of Loans Outstanding	5.1%			
Capital Adequacy Ratio (net assets/total assets) — excludes SDF	24%			
Net Financial Income % of Expenses — lending & investing programs	59%			

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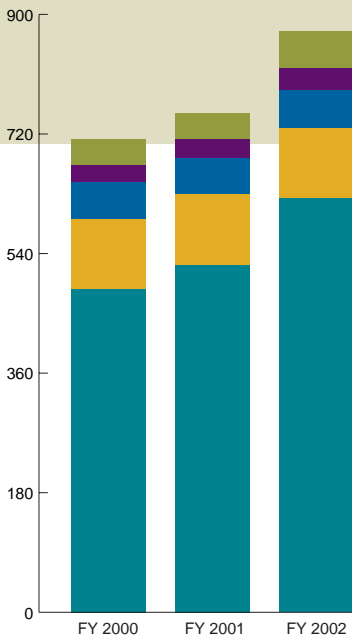
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- Individuals
- Religious Institutions
- Financial Institutions
- Foundations
- Corporate, Civic and Government

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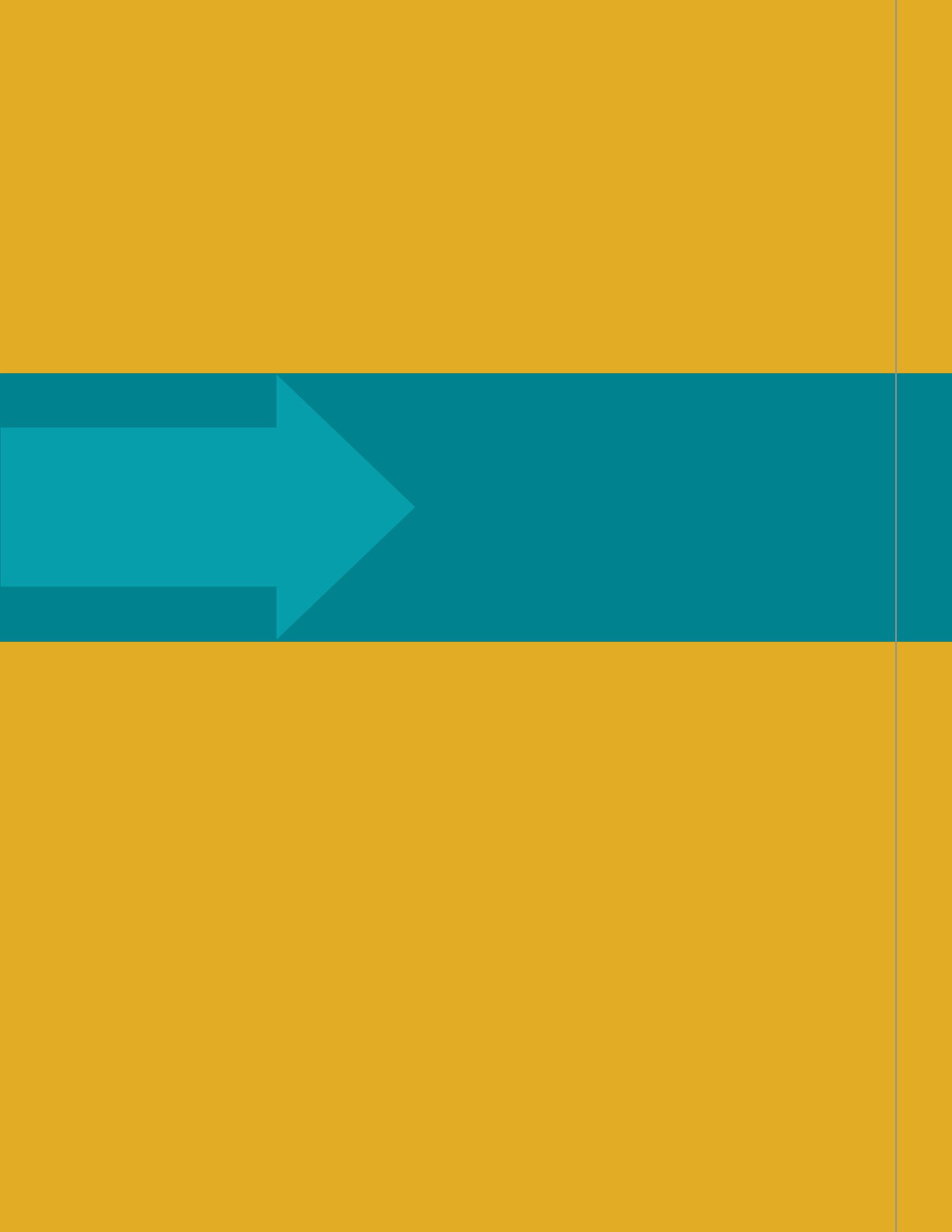
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Suite 300 North • 718 Arch Street • Philadelphia, PA 19106-1591
Phone: 215.925.1130 • Fax: 215.923.4764 • www.trfund.com

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