

# **Reinvestment Fund, Inc. and Affiliates**

Consolidated Financial Report  
December 31, 2019

# Reinvestment Fund, Inc. and Affiliates

## Contents

Independent Auditor's Report on the Consolidated Financial Statements	1 - 2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Cash Flows	6 - 7
Notes to Consolidated Financial Statements	8 - 41
Independent Auditor's Report on the Supplementary Information	42
Supplementary Information	
Reinvestment Fund and Affiliates Consolidating Statements of Financial Position (Excluding SDF)	43 - 44
Reinvestment Fund and Affiliates Consolidating Statements of Activities (Excluding SDF)	45 - 46



## Independent Auditor's Report

RSM US LLP

Board of Directors  
Reinvestment Fund, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Reinvestment Fund, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reinvestment Fund, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, and all subsequent ASUs that modified Topic 842. The Organization applied the modified retrospective transition method to adopt the new standard in 2019. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* as of January 1, 2019, and retroactively applied it to 2018. Our opinion is not modified with respect to this matter.

*RSM US LLP*

Philadelphia, Pennsylvania  
April 24, 2020

**Reinvestment Fund, Inc. and Affiliates**

**Consolidated Statements of Financial Position  
December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 61,365,301	\$ 68,444,548
Grants and contributions receivable	542,951	6,054,817
Investments in marketable securities	45,477,987	43,331,662
Loans receivable, less allowance for losses of \$20,483,547 and \$22,681,941, respectively	410,749,007	430,956,878
Loans held for sale	12,047,337	-
Restricted cash and cash equivalents	27,786,608	26,885,445
Equity method and program investments	741,053	710,551
Equipment, leasehold improvements and software, net	679,183	680,959
Operating lease right-of-use assets	2,885,443	-
Other	5,772,954	5,343,020
<b>Total Assets</b>	<b>\$ 568,047,824</b>	<b>\$ 582,407,880</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,615,174	\$ 2,348,722
Escrow payable and due to third parties	3,870,941	8,401,034
Deferred revenue	1,769,776	1,398,113
Recoverable grants	8,252,100	8,687,600
Operating lease liabilities	3,988,451	-
Loans and bonds payable, net	354,900,874	373,958,094
Other	10,142,029	11,243,292
<b>Total Liabilities</b>	<b>385,539,345</b>	<b>406,036,855</b>
Commitments and Contingencies (Note 21)		
Net Assets		
Without donor restrictions	72,006,466	60,790,051
Without donor restrictions - Contractually limited as to use	10,215,490	9,860,253
Non-controlling interest in consolidated subsidiary	15,850	(12,205)
Total Without Donor Restrictions	82,237,806	70,638,099
With donor restrictions	100,270,673	105,732,926
<b>Total Net Assets</b>	<b>182,508,479</b>	<b>176,371,025</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 568,047,824</b>	<b>\$ 582,407,880</b>

*See Notes to Consolidated Financial Statements.*

**Reinvestment Fund, Inc. and Affiliates**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Financial Activity</b>			
Financial Income			
Interest from loans	\$ 26,894,587	\$ 491,418	\$ 27,386,005
Investment income, net	2,138,509	716,692	2,855,201
Loan fees	337,595	1,000	338,595
Gain on sale of loans receivable	27,850	-	27,850
Asset management fee, net	2,163,546	-	2,163,546
Total Financial Income	<u>31,562,087</u>	<u>1,209,110</u>	<u>32,771,197</u>
Financial Expense			
Interest expense	12,622,564	-	12,622,564
Losses in equity method investments	11,573	-	11,573
Credit for loan losses	(547,259)	-	(547,259)
Total Financial Expense	<u>12,086,878</u>	<u>-</u>	<u>12,086,878</u>
Net Financial Income	<u>19,475,209</u>	<u>1,209,110</u>	<u>20,684,319</u>
<b>Revenue and Support</b>			
Grants and contributions	1,202,273	3,425,282	4,627,555
Program services and fees	3,952,343	-	3,952,343
Other income	8,587	-	8,587
Net assets released from restrictions	10,016,645	(10,016,645)	-
Total Revenue and Support	<u>15,179,848</u>	<u>(6,591,363)</u>	<u>8,588,485</u>
<b>Program and General Expenses</b>			
Program - Lending and Community Investing	11,352,646	-	11,352,646
Program - Policy Solutions	1,674,996	-	1,674,996
Program - PolicyMap	3,723,790	-	3,723,790
Management and general	6,414,033	-	6,414,033
Total Program and General Expenses	<u>23,165,465</u>	<u>-</u>	<u>23,165,465</u>
<b>Other Decreases</b>			
Charges related to revolving loan fund, net	-	80,000	80,000
Change in value of derivatives	26,792	-	26,792
Total Other Decreases	<u>26,792</u>	<u>80,000</u>	<u>106,792</u>
Total Expenses and Other Decreases	<u>23,192,257</u>	<u>80,000</u>	<u>23,272,257</u>
<b>Change in net assets, before issuance of common stock grant and option awards</b>	11,462,800	(5,462,253)	6,000,547
<b>Issuance of common stock grant and option awards (Note 16)</b>	136,907	-	136,907
<b>Change in net assets</b>	11,599,707	(5,462,253)	6,137,454
<b>Net assets, December 31, 2018</b>	70,638,099	105,732,926	176,371,025
<b>Net assets, ending, December 31, 2019</b>	<u>\$ 82,237,806</u>	<u>\$ 100,270,673</u>	<u>\$ 182,508,479</u>

See Notes to Consolidated Financial Statements.

**Reinvestment Fund, Inc. and Affiliates**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Financial Activity</b>			
Financial Income			
Interest from loans and leases	\$ 23,922,975	\$ 531,936	\$ 24,454,911
Investment income, net	718,554	453,160	1,171,714
Gains in equity method investments	620,241	-	620,241
Loan and lease fees	293,125	-	293,125
Gain on sale of loans receivable	990,406	-	990,406
Asset management fee, net	5,042,980	-	5,042,980
Total Financial Income	<u>31,588,281</u>	<u>985,096</u>	<u>32,573,377</u>
Financial Expense			
Interest expense	10,847,676	-	10,847,676
Provision for loan losses	8,080,350	-	8,080,350
Total Financial Expense	<u>18,928,026</u>	<u>-</u>	<u>18,928,026</u>
Net Financial Income	<u>12,660,255</u>	<u>985,096</u>	<u>13,645,351</u>
<b>Revenue and Support</b>			
Grants and contributions	350,949	20,855,147	21,206,096
Program services and fees	2,969,400	-	2,969,400
Other income	18,690	-	18,690
Net assets released from restrictions	9,407,897	(9,407,897)	-
Total Revenue and Support	<u>12,746,936</u>	<u>11,447,250</u>	<u>24,194,186</u>
<b>Program and General Expenses</b>			
Program - Lending and Community Investing	11,010,358	-	11,010,358
Program - Policy Solutions	1,434,917	-	1,434,917
Program - PolicyMap	4,109,296	-	4,109,296
Management and general	5,894,602	-	5,894,602
Total Program and General Expenses	<u>22,449,173</u>	<u>-</u>	<u>22,449,173</u>
<b>Other Decreases (Increases)</b>			
Loss on disposition of intangible assets	254,087	-	254,087
Charges related to revolving loan fund, net	-	105,514	105,514
Redesignation of restrictions	(471,586)	471,586	-
Total Other Decreases (Increases)	<u>(217,499)</u>	<u>577,100</u>	<u>359,601</u>
Total Expenses and Other Decreases (Increases)	<u>22,231,674</u>	<u>577,100</u>	<u>22,808,774</u>
<b>Change in net assets, before issuance of common stock grant and option awards</b>	3,175,517	11,855,246	15,030,763
<b>Issuance of common stock grant and option awards (Note 16)</b>	105,194	-	105,194
<b>Change in net assets</b>	3,280,711	11,855,246	15,135,957
<b>Net assets, December 31, 2017</b>	67,357,388	93,877,680	161,235,068
<b>Net assets, ending, December 31, 2018</b>	<u>\$ 70,638,099</u>	<u>\$ 105,732,926</u>	<u>\$ 176,371,025</u>

See Notes to Consolidated Financial Statements.

**Reinvestment Fund, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 6,000,547	\$ 15,030,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Credit) provision for loan losses	(547,259)	8,080,350
Charge-offs related to revolving loan fund	80,000	107,399
Change in value of derivatives	26,792	-
Loss on disposition of intangible assets	-	254,087
Depreciation and amortization	130,236	434,572
Non-cash operating lease expense	466,983	-
Amortization of debt issuance costs	214,802	150,965
Deferred origination fees, net	(140,557)	(154,519)
Investment gains in marketable securities, net	(531,113)	(28,940)
Non-cash grant support	(8,020)	(1,500)
Investment loss (gain) in equity method investments	11,573	(620,241)
Returns on equity method investments	4,862	593,151
Gain on sale of loans receivable	(27,850)	(990,406)
Stock compensation expense	136,907	105,194
Decrease (increase) in:		
Grants and contributions receivable	5,511,866	(5,399,394)
Other assets	(1,879,340)	(3,642,312)
Increase (decrease) in:		
Accounts payable and accrued expenses	266,452	47,774
Escrow payable and due to third parties	(4,530,093)	4,046,550
Deferred revenue	371,663	607,724
Operating lease liabilities	(544,656)	-
Other liabilities	291,671	1,205,331
Recoverable grants	(408,000)	3,491,800
<b>Net cash provided by operating activities</b>	<b>4,897,466</b>	<b>23,318,348</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of marketable securities	(49,155,400)	(43,575,062)
Proceeds from sale of marketable securities	47,540,188	41,106,858
Purchases of equity method investments	(91,024)	(78,246)
Distributions from equity method investments	44,087	8,049
Cash disbursements on loans receivable	(109,934,067)	(151,959,165)
Cash receipts on loans receivable	120,014,148	82,590,962
Principal payments received on leases receivable	-	67,351
Proceeds from sale of loans receivable	85,114	3,650,000
Additions of equipment, leasehold improvements and software	(128,460)	(237,086)
<b>Net cash provided by (used in) investing activities</b>	<b>8,374,586</b>	<b>(68,426,339)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of loans and bonds payable	18,592,798	168,632,985
Principal payments on loans and bonds payable	(38,042,934)	(74,424,066)
Cash paid for debt issuance costs	-	(714,907)
<b>Net cash (used in) provided by financing activities</b>	<b>(19,450,136)</b>	<b>93,494,012</b>
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents*</b>	<b>(6,178,084)</b>	<b>48,386,021</b>
<b>Cash, cash equivalents, and restricted cash and cash equivalents, beginning*</b>	<b>95,329,993</b>	<b>46,943,972</b>
<b>Cash, cash equivalents, and restricted cash and cash equivalents, ending</b>	<b>\$ 89,151,909</b>	<b>\$ 95,329,993</b>

(Continued)

See Notes to Consolidated Financial Statements.



Reinvestment Fund, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash and cash equivalents	\$ 61,365,301	\$ 68,444,548
Restricted cash and cash equivalents	27,786,608	26,885,445
Cash, cash equivalents, and restricted cash and cash equivalents	<u>\$ 89,151,909</u>	<u>\$ 95,329,993</u>
Cash paid for interest	<u>\$ 11,130,196</u>	<u>\$ 8,577,685</u>
<b>Supplemental Schedules of Non-Cash Investing and Financing Activities:</b>		
Conversion of interest and fees receivable into loans receivable	<u>\$ 1,692,132</u>	<u>\$ 2,737,699</u>
Conversion of interest payable into loans payable	<u>\$ 186,134</u>	<u>\$ 138,274</u>
Non-cash transfer of loans receivable to accounts receivable	<u>\$ 295,637</u>	<u>\$ -</u>
Charge-off against recoverable grant	<u>\$ 27,500</u>	<u>\$ -</u>
Non-cash transfer of loans receivable to loans held for sale	<u>\$ 12,047,337</u>	<u>\$ -</u>
Assets and liabilities recorded upon adoption of ASU 2016-02	<u>\$ 2,983,878</u>	<u>\$ -</u>
Assets and liabilities acquired under operating leases	<u>\$ 315,637</u>	<u>\$ -</u>

\*Due to the retrospective adoption of ASU 2016-18, the Organization is now required to include restricted cash and cash equivalents as part of the change in cash, cash equivalents, and restricted cash and cash equivalents. As a result, amounts which were previously classified as cash flows from operating activities have been reclassified as they are recognized in the total change in cash, cash equivalents, and restricted cash and cash equivalents. The effect of the retrospective adoption is also reflected to the beginning balance of cash, cash equivalents, and restricted cash and cash equivalents as of January 1, 2018, which has been increased by \$34,229,680.

See Notes to Consolidated Financial Statements.

**Note 1. Description of Activities and Significant Accounting Policies**

Description of Organization and Activities:

Founded in 1985, Reinvestment Fund, Inc. (“Reinvestment Fund”) is a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. It marshals the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities. Reinvestment Fund is a Community Development Financial Institution (“CDFI”), as certified by the U.S. Department of the Treasury’s Community Development Financial Institutions Fund (“CDFI Fund”). CDFI certification is the U.S. Department of the Treasury’s recognition of specialized financial institutions serving low-income communities. Reinvestment Fund 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, loan fees and asset management fees earned from its investing and lending activities, grants and contributions, and program services and fees.

A description of each affiliated entity and its operations is summarized below:

Reinvestment Fund, Inc.: Reinvestment Fund is a Pennsylvania not-for-profit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Reinvestment Fund integrates data, policy and strategic investments to improve the quality of life in low-income neighborhoods. Using analytical and financial tools, it brings high-quality grocery stores, affordable housing, schools and health centers to the communities that need better access-creating anchors that attract investment over the long term and help families lead healthier, more productive lives. Reinvestment Fund serves communities across the country.

PolicyMap: PolicyMap, LLC was formed January 1, 2016 as a wholly owned subsidiary of Reinvestment Fund. Effective November 1, 2017, PolicyMap, LLC converted to a Benefit Corporation, PolicyMap, Inc. During November 2017, Reinvestment Fund purchased 10,000 shares of PolicyMap, Inc. (“PolicyMap”) for \$100, which was included in a \$300 thousand capital contribution made as part of a Board approved \$1.5 million commitment. During 2018, Reinvestment Fund paid the remaining \$1.2 million capital contributions to PolicyMap. During 2018, Reinvestment Fund received 2,000 shares of PolicyMap preferred stock.

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 IRC and is wholly owned by Reinvestment Fund. 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 underserved 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 Securities 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 Reinvestment Fund. NMTC was formed as a result of Reinvestment Fund receiving an allocation of New Markets 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 as defined in the operating agreement.

RF Clean Energy Fund I, LLC: RF Clean Energy Fund I, LLC (“CEF”) was formed on January 9, 2018 under the laws of the Commonwealth of Pennsylvania. CEF was organized to invest in various projects and assets related to energy efficiency and the generation of low-carbon emission energy. Reinvestment Fund is the sole member of CEF.

TRF Education Funding, LLC: TRF Education Funding, LLC (“Education Funding”) is a Delaware limited liability company, wholly owned by Reinvestment Fund. Education Funding was formed to manage Reinvestment Fund’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.

RF Impact Advisers, Inc.: RF Impact Advisers, Inc. (“RFIA”) was incorporated on August 21, 2017 under the Pennsylvania Nonprofit Corporation Law of 1988, as amended, and was organized on a non-stock basis, exclusively for charitable purposes. RFIA was formed to provide certain advisory, management and consulting services to private funds and holds a registration with the Pennsylvania Department of Banking and Securities as an Investment Adviser. RFIA intends to qualify as an exempt organization under Section 501(c)(3) of the IRC. Reinvestment Fund is the sole member of RFIA.

Notes to Consolidated Financial Statements

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

Description of Organization and Activities (Continued):

TRF Fund Manager, LLC: TRF Fund Manager, LLC (“Fund Manager”) is a Delaware limited liability company, wholly owned by Reinvestment Fund. Fund Manager was formed to act as a (.01%) member manager of Chase NMTC TRF 2011 Investment Fund, LLC, Chase NMTC PHN Investment Fund, LLC, 481 Philabundance Investment Fund, LLC and Chase NMTC Liberty Heights Investment Fund, LLC. During 2019, Chase NMTC TRF 2011 Investment Fund, LLC, Chase NMTC PHN Investment Fund, LLC, 481 Philabundance Investment Fund, LLC were unwound and no longer are managed by Fund Manager.

Reinvestment I, LLC, Reinvestment III, LLC and Reinvestment IV, LLC: Reinvestment I, LLC (“Reinvest I”), Reinvestment III, LLC (“Reinvest III”) and Reinvestment IV, LLC (“Reinvest IV”) are Pennsylvania limited liability companies, each wholly owned by Reinvestment Fund. These entities were formed to acquire and manage distressed real estate acquired through foreclosure or deed in lieu of foreclosure and to prepare properties for sale. Reinvest I, Reinvest III and Reinvest IV are inactive.

The Organization has three major programs, one that makes up the Organization’s financing program and two that provide public information and analysis:

- 1) Lending and Community Investing: Encompasses the Organization’s financing of housing, schools, healthy food access, healthcare facilities, childcare facilities, clean energy projects and other community assets that benefit low-wealth people and places and is the core lending function of the Organization.
- 2) Policy Solutions: Conducts policy, data and social impact analyses that advance Reinvestment Fund’s mission and effect system change, on behalf of Reinvestment Fund as well as public and philanthropic clients.
- 3) PolicyMap: Provides an on-line data analysis and mapping tool that provides broad access to data, reports and analytics useful for social investment strategies.

Basis of presentation: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation: Accounting guidance on reporting of related entities requires not-for-profit organizations with a controlling and economic interest in other organizations to consolidate those other organizations. Accordingly, the consolidated financial statements include the accounts of PolicyMap, EFI, NMTC, CEF, Education Funding, RFIA, Fund Manager, Reinvest I, Reinvest III and Reinvest IV. All significant intra-organization accounts and transactions have been eliminated in consolidation.

Various affiliated companies (Note 10) do not meet the criteria requiring consolidation and are therefore not included in the consolidated financial statements.

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.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents include cash and cash equivalents held in escrow as stipulated by the underlying loan and grant agreements. This includes escrow cash accounts held for borrowers as interest reserves and repair and replacement reserves designated for capital improvements.

Valuation of Investments in Marketable Securities: The Organization determines the fair value of each investment at the consolidated 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.

Notes to Consolidated Financial Statements

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

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 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.

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 consolidated statement of financial position. Any unrealized gains or losses are reported in the consolidated statement of activities as a change in net assets without donor restrictions, 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 24).

Interest rate swap: Interest rate swaps are recorded on the statement of financial position at fair value.

Loans 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 unless the loan is in default, then the default rate may apply. 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 interest income from loans and leases.

Impaired Loans: The Organization determines a loan to be impaired when based on current information and events, it is probable that the Organization will be unable to collect the scheduled contractual payments according to the loan agreements. Not all impaired loans are non-performing. Impaired loans include troubled debt restructurings ("TDRs"), and exclude loans measured at fair value.

Notes to Consolidated Financial Statements

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

Impaired loans are valued using the present value of expected future cash flows discounted at the loan's original effective interest rate for borrowers that are compliant with their loan agreements; observable market price; or fair value of collateral for loans considered collateral dependent. Specific reserve is established for impaired loans when a shortfall exists between the loan's recorded book value and asset value per impairment methodology at value date. The Organization performs an impairment analysis by reviewing the loan's internally assigned risk rating, its outstanding balance, guarantors, collateral, strategy, and current report of the action being implemented, to determine the appropriate valuation method. Uncollectible amounts are recorded as a reduction of the allowance for loan losses.

Non-performing Loans: The Organization considers a loan to be non-performing when the borrower is 90 days past due with their contractual payments including loans modified under troubled debt restructuring, borrowers are in foreclosure or the loan has been modified under a forbearance agreement.

The Organization places a loan on non-accrual status at the discretion of the Criticized Assets committee, based on the Organization's knowledge of deteriorating circumstances of a receivable. Future payments from the borrower are recorded as recovery of principal until satisfied, then towards interest income recorded on a cash basis. Accrual of interest is discontinued, and unpaid interest is adjusted against interest income.

For non-accrual loans under forbearance agreements, interest income is recognized on a cash basis based on the terms of the forbearance agreement. Loans may be returned to accrual status if the borrower makes timely contractual payments during a six (6) month performance period. Uncollected amounts are charged-off against the allowance for loan loss.

Allowance for Loan Losses: The allowance for loan losses is a valuation reserve that the Organization believes is adequate to absorb potential losses on the loan portfolio. It is established through provision for loan losses charged to expense, increased by subsequent recoveries and offset by charge-offs of uncollectible loans. The allowance is based on internal and external factors, past loss experience, the nature and volume of the portfolio and current economic conditions.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. The general component covers loans not considered impaired and is based on historical loss experience adjusted for qualitative factors. Current qualitative factors include loan rating, loan size and liquidation experience. Current industry factors include credit concentration and industry trends. This is a change from recent prior years that also included qualitative risk factors related to loan term, repayment and lien position as well as industry level risk factors for policy changes, charge-off/recovery trends and national and local economic changes. The Organization made this change to better represent actual risks experienced in managing the loan portfolio. 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.

Loans Held for Sale: Loans are classified as held for sale once a decision has been made by management to sell, loans to be sold have been identified, there is a marketing strategy in place, and there are potential buyers in the marketplace. Loans held for sale are valued at lower of amortized cost (which includes deferred loan fees) or fair value.

Equity Method and Program Investments: Equity method investments are accounted for using the equity method of accounting under which the Organization's share of net income or loss is recognized in the consolidated statement of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account. Program 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.

We have elected to follow the nature of the distribution approach when classifying distributions received from equity method investments in our consolidated statements of cash flows, whereby any distributions received is classified on the basis of the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as a cash inflow from operating activities) or a return of investment (classified as a cash inflow from investing activities) when such information is available.

Notes to Consolidated Financial Statements

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

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 seven 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 \$5,000 and useful life greater than one year.

Other Assets: Other assets include amounts due from third parties, including accounts receivable and interest receivable; prepaid expenses; and investment in the Federal Home Loan Bank of Pittsburgh (the "FHLB").

In 2014, Reinvestment Fund was granted membership to the FHLB. As a member of the FHLB, Reinvestment Fund is required to maintain an investment in capital stock of the FHLB. FHLB stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, this investment is carried at cost and evaluated periodically by management for impairment. At December 31, 2019 and 2018, the investment was \$404,000 and \$350,800, respectively. Management reviews for impairment based on the ultimate recoverability of the cost basis of the FHLB stock. No impairment was noted as of December 31, 2019 and 2018.

Deferred Revenue: Deferred revenue consists of advanced payments and billings in excess of revenue recognized. Amounts will be recognized when such services are provided.

Other Liabilities: Other liabilities include interest payable, obligation under interest rate swap, and loan participations that did not meet the characteristics of a participating interest in accordance with accounting rules governing the sale of a financial asset. There is no exposure to Reinvestment Fund on the loan participations sold.

Deferred Debt Issuance Costs: Debt issuance costs related to a recognized debt liability are presented on the statement of financial position as a direct reduction from the carrying amount of that debt liability and are amortized using the effective yield method over the term of the debt.

Non-Controlling Interest in Consolidated Subsidiary: Non-controlling interest represents the equity interest in PolicyMap, exclusive of any Reinvestment Fund interest.

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, free of conditions that constrain it from taking advantage of the right, to pledge or exchange the transferred assets, and (3) the Organization does not maintain effective control over the transferred assets through an agreement that obligates the Organization to repurchase or redeem the assets before maturity or the ability to unilaterally cause the holder to return specific assets.

Net Assets: Net assets that are not subject to donor-imposed restrictions are reported as net assets without donor restrictions. Net assets with donor restrictions are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions: The Organization accounts for contributions depending on the existence or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. Donor-restricted contributions whose restrictions are met as the contribution becomes unconditional are recorded as contributions without donor restrictions.

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.

**Notes to Consolidated Financial Statements**

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

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.

Revenue:

Asset management fees: Administrative services fees are earned for managing the operations of a Subsidiary Community Development Entity ("Sub-CDE") including reasonable efforts to cause the Sub-CDE to comply with all NMTC program requirements. The fee is generally calculated as a percentage of the aggregate capital contribution made by the limited partner of the Sub-CDE that has been designated a qualified equity investment. Revenue is recorded on the output method and is recognized monthly over the service period as the Sub-CDE simultaneously receives and consumes the benefits as the Organization performs the administrative services. Administrative services fees are paid quarterly during a seven-year program compliance period.

The Organization also earns asset management fees for monthly administrative services provided to three other entities. Revenue is recorded on the output method and recognized monthly over the service period as the entities simultaneously receive and consume the benefits provided by the Organization's performance as the Organization performs administrative services. Administrative services fees are paid quarterly for two of the entities and monthly for the third.

Sub-allocation fees are earned for transferring a portion of the Organization's NMTC allocation to a Sub-CDE. The fee is earned and paid on the date the transaction closes.

The success fee is an additional payment, made upon the end of the seven-year program compliance period, solely to the extent the NMTC tax credits have not been recaptured due to the actions or inactions of the Organization. Success fee revenue is not recorded until the end of the compliance period when the hurdle is met since there is variable consideration due to a probability of a significant reversal. Payment is due when the deal successfully unwinds with no recapture events.

Program services and fees: Professional services includes Policy Solutions' policy, data and social impact analyses conducted on behalf of public and philanthropic clients and PolicyMap's professional services provided to create branded mapping tools and customer-specific maps. For both types of professional services, revenue is billed on a time and materials basis. The Organization elected to utilize an output method to recognize revenue that is based on the amount to which the Organization has a right to invoice a customer for services performed to date, if that amount corresponds directly with the value provided to the customer for the related performance or its obligation completed to date. As such, the Organization recognized revenue in the amount to which it had the right to invoice customers. Payment is due within 30 days from the invoiced date.

Subscription services are comprised of subscription fees from customers accessing PolicyMap's cloud-based platform. Licenses, including data licenses and site licenses, allow customers to make PolicyMap's products available to everyone within their organization. Subscriptions and licenses include a right-to-access the software over a period of time, and revenue is recognized on a straight-line basis over the contract term. Payment is due within 45 days from the invoiced date.

Income Taxes: Reinvestment Fund and its affiliates, except for PolicyMap, Inc., are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC. Reinvestment Fund 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. Reinvestment Fund and its affiliates did not have any significant unrelated business income tax for the years ended December 31, 2019 and 2018.

As a benefit corporation, PolicyMap, Inc. is subject to federal and state income taxes.

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 years ended December 31, 2019 and 2018. The Organization files income tax returns in the U.S. federal and state jurisdictions. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

Notes to Consolidated Financial Statements

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

Functional Expense Allocation: The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, and office and occupancy related expenses, which are allocated on a full-time equivalent percentage per department, as well as certain salaries and benefits, which are allocated on the basis of estimates of time and effort.

Leases: On January 1, 2019, Reinvestment Fund adopted Topic 842 using the modified retrospective transition method by applying the new standard to all leases existing at the date of initial adoption. Comparative prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840.

Under Topic 842, Reinvestment Fund determines if an arrangement is a lease at inception. Reinvestment Fund's leases consist of real property and are classified as operating leases. Reinvestment Fund does not have any finance leases nor material arrangements as a lessor. Right of Use ("ROU") assets and lease liabilities are recognized at the lease commencement date based upon the present value of the remaining lease payments over the lease term. Reinvestment Fund uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the term of the lease. Lease terms may include options to renew or extend when it is reasonably certain that the option will be exercised. Lease agreements that contain both lease and non-lease components are accounted for as a single component. Short-term leases with an initial term of twelve months or less are not recorded on the statement of financial position.

Recent Accounting Pronouncements Adopted: In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which superseded the guidance in Topic 840 and required Reinvestment Fund to recognize operating leased assets and corresponding liabilities on the statement of financial position and to provide enhanced disclosures. Reinvestment Fund elected the package of practical expedients, which among other things, allowed it to carry forward its historical lease classification and its assessment of whether any existing leases as of the date of adoption are or contain leases.

Adoption on January 1, 2019 resulted in the recognition of \$3.0 million of operating ROU assets and \$4.2 million of operating lease liabilities on the consolidated statement of financial position, with no adjustment to net assets.

The difference of \$1.2 million represented deferred rent of \$680 thousand and lease incentives of \$550 thousand for leases that existed as of the date of adoption, which was an offset to the opening balance of ROU assets.

Adoption of the new standard did not materially impact Reinvestment Fund's consolidated statements of activities and consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*. The amendments provide guidance on eight specific cash flow classification issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, corporate and bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. Reinvestment Fund adopted this ASU as of January 1, 2019, and retrospectively applied this ASU to 2018, resulting in no significant impact on the Reinvestment Fund's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows and requires the entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. Reinvestment Fund adopted this ASU as of January 1, 2019, and retroactively applied this ASU to 2018. The adoption of this ASU resulted in an increase of cash and cash equivalents and restricted cash and cash equivalents in the consolidated statement of cash flows as of January 1, 2018 in the amount of \$34,229,680.



**Notes to Consolidated Financial Statements**

---

**Note 1. Description of Activities and Significant Accounting Policies (Continued)**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, Reinvestment Fund applied the requirements on a modified prospective basis to agreements that either were not completed as of January 1, 2019 or entered into after January 1, 2019. There was no material impact the Reinvestment Fund's consolidated financial statements upon the adoption of ASU 2018-08.

Recent Accounting Pronouncements Not Yet Adopted:

The Organization is currently evaluating the effect that the following updated standards will have on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for the Organization as of January 1, 2023.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of Accounting Standards Codification (“ASC”) Topic 820. The ASU is effective for the Organization as of January 1, 2020.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued as part of the FASB's ongoing project to improve upon its ASC, and to clarify and improve areas of guidance related to recently issued standards on credit losses, hedging, and recognition and measurement. This guidance contains several effective dates. The amendments related to ASC 326 are effective for the Organization as of January 1, 2023, the amendments related to ASC 815 are effective for the Organization as of January 1, 2021, and the amendments related to ASC 825 are effective for the Organization as of January 1, 2020.

In May 2019, the FASB issue ASU 2019-05; *Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, “Financial Instruments – Credit Losses – Measured at Amortized Cost,” with an option to irrevocably elect the fair value option in Subtopic 825-10, “Financial Instruments – Overall,” applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. As such, the ASU is effective for the Organization as of January 1, 2023.

Reclassifications: Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation with no effect on the change in net assets or net assets previously reported.

**Note 2. Liquidity and Availability of Resources**

Reinvestment Fund regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to balance risk and returns to prioritize capital preservation. The below reflects Reinvestment Fund's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to donor-imposed restrictions, and liquidity resources available within one year of the statement of financial position date.

## Reinvestment Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### Note 2. Liquidity and Availability of Resources (Continued)

	2019	2018
Financial assets at December 31,	\$ 108,636,127	\$ 113,030,300
Less those unavailable for general expenditure within one year, due to donor-imposed time or purpose restrictions	<u>(45,415,042)</u>	<u>(57,722,492)</u>
Total financial assets available within one year	63,221,085	55,307,808
Liquidity resource:		
Undrawn lines of credit without restriction (as discussed in Note 12)	<u>7,425,788</u>	<u>9,661,417</u>
Total financial assets and liquidity resources available within one year	<u>\$ 70,646,873</u>	<u>\$ 64,969,225</u>

\* Financial assets includes cash and cash equivalents, investments in marketable securities, and accounts receivable of \$1,792,839 and \$1,254,090, respectively, included in other assets

At December 31, 2019 and 2018, total financial assets and liquidity resources available within one year are available to be used to fund general expenditures and lending activities. The above does not include loans receivable or liquidity resources available to fund loan originations as the Organization manages its portfolio of loans receivable to match debt maturities.

#### Note 3. Restricted Cash and Cash Equivalents

Several grant and loan agreements require cash to be held in separate bank accounts. This cash is restricted in use and maintained in separate accounts which were as follows at December 31:

	2019	2018
Fresh Food Financing Initiative ("FFFI")	\$ 1,323,701	\$ 1,856,794
Escrow payable	2,659,546	3,478,357
CEF Escrow payable	527,285	1,970,000
Pennsylvania Green Energy Loan Fund ("GELF")	3,377,929	1,464,856
Sustainable Development Fund ("SDF") programs	3,837,914	2,406,333
United States Department of Education ("US ED") funds for charter school lending programs	3,259,529	389,660
Greenworks energy loan fund	1,689,038	1,706,522
EnergyWorks loan fund	6,107,729	6,126,644
Pennsylvania State Energy Program ("SEP")	399,359	285,952
CDFI-Bond Guarantee Program ("Bond Program")	3,436,079	3,955,179
Baltimore Energy Efficiency	397,891	1,127,817
Philadelphia Authority of Industrial Development - Gap financing	<u>770,608</u>	<u>2,117,331</u>
	<u>\$ 27,786,608</u>	<u>\$ 26,885,445</u>

Notes to Consolidated Financial Statements

Note 4. Investments in Marketable Securities

Investments at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Investments in marketable securities:		
Debt and Mortgage-backed securities:		
Federal Home Loan Mortgage Company	\$ 5,107,928	\$ 4,688,583
Federal National Mortgage Association	5,012,301	1,498,861
U.S. Treasury Notes and Bills	26,855,630	27,055,391
Corporate debt securities	<u>8,502,128</u>	<u>10,088,827</u>
	<u>\$ 45,477,987</u>	<u>\$ 43,331,662</u>
Included in the above are:		
Investments in marketable securities restricted as to use:		
U.S. ED funds for charter school lending programs	\$ 19,859,946	\$ 22,229,818
GELF	<u>4,454,519</u>	<u>845,056</u>
	<u>\$ 24,314,465</u>	<u>\$ 23,074,874</u>

Investment net gains of \$531,113 and \$28,940 and investment interest income of \$2,403,463 and \$1,214,385 were included on the consolidated statement of activities under investment income, net for the years ended December 31, 2019 and 2018, respectively.

Note 5. Grants and Contributions Receivable

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

	<u>2019</u>	<u>2018</u>
Programs		
Lending and Community Investing	\$ 460,316	\$ 6,043,389
Policy Solutions	<u>82,635</u>	<u>11,428</u>
	<u>\$ 542,951</u>	<u>\$ 6,054,817</u>

At December 31, 2019 and 2018, all grants and contributions receivable are due within one year 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 each financial institution. At times during the years ended December 31, 2019 and 2018, the Organization had cash balances in excess of the FDIC limits. At December 31, 2019 and 2018, the cash balances in excess of FDIC limits approximated \$23,708,000 and \$27,596,000, respectively. At December 31, 2019 and 2018, total cash equivalents and restricted cash equivalents include short-term money market funds of approximately \$62,550,00 and \$67,053,000, respectively, which is invested in a government money market fund, which invests in obligations issued or guaranteed by the U.S. Government or its agencies. All other cash equivalents represent short-term government holdings.

At December 31, 2019, at least 76% of the Organization's loans receivable due were used to fund projects within the mid-Atlantic region. Additionally, at December 31, 2019, the Organization's portfolio of education, commercial enterprise, and food commerce loans constituted 33%, 21% and 13%, 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 commercial real estate sectors, healthy food retailers and charter schools in the mid-Atlantic region.

Notes to Consolidated Financial Statements

Note 6. Concentration of Credit Risk (Continued)

Approximately 4% and 5% of the total loans receivable portfolio represents loans made to entities associated with the NMTC program at December 31, 2019 and 2018, respectively. Of these amounts, 0% and 15% represent loans to related parties at December 31, 2019 and 2018, respectively.

Note 7. Loans Receivable

Loans receivable at December 31 consisted of the following:

	2019	2018
Education	\$ 143,845,559	\$ 162,216,129
Commercial Enterprise	92,202,225	93,750,377
Food Commerce	55,287,154	53,387,158
Healthcare	40,035,819	45,520,515
Housing	38,960,271	52,944,938
Community Assets	31,149,746	31,657,545
Clean Energy	22,699,089	10,278,309
Intermediary Lending	7,052,691	3,883,848
	<u>431,232,554</u>	<u>453,638,819</u>
Allowance for loan losses	<u>(20,483,547)</u>	<u>(22,681,941)</u>
	<u>\$ 410,749,007</u>	<u>\$ 430,956,878</u>

The Organization segregates its portfolio in the following segments based on areas of lending specialization:

**Education:** Loans to organizations to purchase, build, improve, operate or provide operating space for accredited schools or preschools, including loans to fund public and private K-12 schools, infant care and preschool programming, colleges and universities, and adult education facilities and programs.

**Commercial Enterprise:** Loans for non-residential real estate, with an emphasis on borrowers that provide amenities to low income communities. Loans include all forms of financing used to purchase, build, improve, operate or provide operating space for privately held, revenue-driven enterprises.

**Food Commerce:** Loans for healthy food retail, supermarkets or grocery stores in underserved areas, as well as other mixed-use real estate borrowers. Loans include all forms of financing used to purchase, build, improve, equip, stock, otherwise operate or provide the operating space for a business directly involved in the production, preparation, wholesale distribution or retail sale of grocery foods. This includes grocery stores, farmers markets and produce stands and also includes equipment and facilities for food distributors and producers.

**Healthcare:** Loans to support community health centers or programs with a focus on Federally Qualified Health Centers that serve medically underserved areas or population. Loans include all forms of financing used to purchase, build, improve or otherwise operate a business dedicated to health services staffed by medical professionals and/or paraprofessionals. This includes financing for public and private primary and advanced care facilities, behavioral and dental health care facilities, addiction and recovery services, medical equipment and wellness services including nutrition.

**Housing:** Loans that finance a diverse group of borrowers including nonprofit community-based organizations, nonprofit and for-profit developers, and special needs housing providers through predevelopment, acquisition, construction and term lending. Loans include forms of financing used to purchase, build, improve or operate single-family or multi-unit homes in neighborhoods where quality affordable housing is in short supply.

**Community Assets:** Loans to mission-driven organizations to provide public services to low income communities. This includes businesses with a stated public service mission such as arts and cultural organizations, religious and civic organizations, social service and training organizations, museums and libraries, and food banks.

# Reinvestment Fund, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7. Loans Receivable (Continued)

Clean Energy: Loans for financing Power Purchase and Energy Saving Contracts, as well as direct financing of energy efficiency renovation and construction projects.

Intermediary Lending: Loans to financial institutions to further lending activities to borrowers with smaller financing needs that would be better supported by other financing intermediaries.

Outstanding loans, other than pre-development loans, have annual interest rates ranging from 0% to 8.75%. Loans receivable have various maturities through 2045.

Net deferred loan fees of \$806,818 and \$947,375 have been included in the carrying value of loans receivable as of December 31, 2019 and 2018, respectively.

The following tables present the aging of past due loans as of December 31:

(in 000's)	2019						
	Past Due and 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					
Education	\$ -	\$ -	\$ -	\$ -	\$ 143,846	\$ 143,846	
Commercial Enterprise	-	-	-	-	92,202	92,202	
Food Commerce	-	-	455	455	54,832	55,287	
Healthcare	-	-	-	-	40,036	40,036	
Housing	-	-	-	-	38,960	38,960	
Community Assets	-	-	220	220	30,930	31,150	
Clean Energy	-	-	-	-	22,699	22,699	
Intermediary Lending	-	-	-	-	7,053	7,053	
<b>Total loans</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 675</b>	<b>\$ 675</b>	<b>\$ 430,558</b>	<b>\$ 431,233</b>	

(in 000's)	2018						
	Past Due and 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					
Education	\$ -	\$ -	\$ 3,356	\$ 3,356	\$ 158,860	\$ 162,216	
Commercial Enterprise	-	-	-	-	93,750	93,750	
Food Commerce	-	-	50	50	53,337	53,387	
Healthcare	-	-	-	-	45,521	45,521	
Housing	1,186	-	-	1,186	51,759	52,945	
Community Assets	-	-	1,575	1,575	30,083	31,658	
Clean Energy	-	-	-	-	10,278	10,278	
Intermediary Lending	-	-	-	-	3,884	3,884	
<b>Total loans</b>	<b>\$ 1,186</b>	<b>\$ -</b>	<b>\$ 4,981</b>	<b>\$ 6,167</b>	<b>\$ 447,472</b>	<b>\$ 453,639</b>	

Non-performing loans at December 31, 2019 and 2018 totaled \$675,000 and \$4,981,274, respectively.

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 provides ongoing assessment and guidance to lenders regarding acceptable risk tolerances. 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. Portfolio diversification is a means of managing risk with fluctuations in economic conditions.

Notes to Consolidated Financial Statements

---

**Note 7. Loans Receivable (Continued)**

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

- Risk ratings of "Risk grade - 1" are used for loans that have committed sources of repayment and are in strong financial condition. These loans also have strong collateral coverage, with loan to value ratios of <70%. They are performing and are expected to continue to meet all the terms and conditions set forth in the original loan documentation.
- Risk ratings of "Risk grade - 2" are used for loans in satisfactory financial condition which may have a few unmet terms from committed repayment sources. These loans also have adequate collateral coverage of <80%. Borrowers in this classification generally exhibit a low level of credit risk, as demonstrated by project operations, guarantor net worth and liquidity or borrower payment history.
- Risk ratings of "Risk grade - 3" are used for loans in satisfactory but not yet stabilized financial condition and may require a higher degree of regular, careful attention. Early stage loans with this rating may be in higher risk phases of deployment and construction. Later stage borrowers with this rating may be exhibiting weaker balance sheets or inconsistent project cash flow coverage. Loans may have weaker collateral coverage, with loan to value ratios of >80%. Borrowers in this classification generally exhibit a higher level of credit risk in one or more areas, but do not expose the Organization to sufficient risk to warrant adverse classification.
- Risk ratings of "Risk grade - 4" are loans that do not presently expose the Organization to a significant degree of risk, but have identified weaknesses/deficiencies deserving management's closer attention. If left uncorrected, these 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 their ability to service debt. This category may include credits with inadequate loan collateral, tight profitability upon completion of construction, and legal or management conflicts in the operating team.
- Risk ratings of "Risk grade - 5" are assigned to loans where a material deficiency has been identified and the repayment capacity of the obligor or the collateral security is no longer assumed sufficient to satisfy the borrower's obligation to the Organization. Loans with this rating are characterized by the loss of a significant repayment source, borrower bankruptcy or other significant impairment to the project. Recovery from secondary sources and other workout measures are indicated at this rating.
- Risk ratings of "Risk grade - 6" are assigned to loans which have all the weaknesses inherent in those classified "Risk grade - 5" with the added characteristic that the weakness makes the collection or liquidation in full, on the basis of current existing facts, conditions, and values, improbable. The borrower's recent performance indicates an inability to repay the debt and recovery from secondary sources is uncertain and may be pending. Loss is likely, but because of certain important and reasonably specific pending factors, a full write-off is deferred.

**Reinvestment Fund, Inc. and Affiliates**
**Notes to Consolidated Financial Statements**
**Note 7. Loans Receivable (Continued)**

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

2019							
(in 000's)	Risk Grade 1	Risk Grade 2	Risk Grade 3	Risk Grade 4	Risk Grade 5	Risk Grade 6	Total
Education	\$ 1,812	\$ 77,482	\$ 63,886	\$ 666	\$ -	\$ -	\$ 143,846
Commercial Enterprise	590	51,204	37,537	2,871	-	-	92,202
Food Commerce	1,236	26,438	27,158	-	455	-	55,287
Healthcare	566	29,532	9,938	-	-	-	40,036
Housing	107	15,685	23,168	-	-	-	38,960
Community Assets	-	12,797	18,133	-	-	220	31,150
Clean Energy	-	16,431	6,268	-	-	-	22,699
Intermediary Lending	-	6,643	410	-	-	-	7,053
<b>Total loans</b>	<b>\$ 4,311</b>	<b>\$ 236,212</b>	<b>\$ 186,498</b>	<b>\$ 3,537</b>	<b>\$ 455</b>	<b>\$ 220</b>	<b>\$ 431,233</b>

2018							
(in 000's)	Risk Grade 1	Risk Grade 2	Risk Grade 3	Risk Grade 4	Risk Grade 5	Risk Grade 6	Total
Education	\$ -	\$ 89,997	\$ 61,758	\$ 7,105	\$ 3,356	\$ -	\$ 162,216
Commercial Enterprise	602	59,013	29,346	4,789	-	-	93,750
Food Commerce	1,264	28,724	22,144	1,205	50	-	53,387
Healthcare	747	34,069	10,705	-	-	-	45,521
Housing	-	25,886	26,690	369	-	-	52,945
Community Assets	-	12,260	17,823	-	1,575	-	31,658
Clean Energy	-	8,702	1,576	-	-	-	10,278
Intermediary Lending	-	3,764	120	-	-	-	3,884
<b>Total loans</b>	<b>\$ 2,613</b>	<b>\$ 262,415</b>	<b>\$ 170,162</b>	<b>\$ 13,468</b>	<b>\$ 4,981</b>	<b>\$ -</b>	<b>\$ 453,639</b>

Interest recognized on a cash basis for impaired loans was \$31,225 and \$0 in 2019 and 2018, respectively.

Impaired loans as of December 31 are set forth in the following tables:

2019							
(in 000's)	Unpaid Principal Balance	Total Recorded Impaired Loans	Recorded Loans with no Allowance	Recorded Loans with Allowance	Related Allowance	Average Recorded Loans	Interest Collected on Impaired Loans
Education	\$ 715	\$ 715	\$ -	\$ 715	\$ 6	\$ 732	\$ 7
Commercial Enterprise	250	250	-	250	250	250	5
Food Commerce	539	455	-	455	36	455	17
Community Assets	1,575	220	220	-	-	898	-
<b>Total loans</b>	<b>\$ 3,079</b>	<b>\$ 1,640</b>	<b>\$ 220</b>	<b>\$ 1,420</b>	<b>\$ 292</b>	<b>\$ 2,335</b>	<b>\$ 29</b>

## Notes to Consolidated Financial Statements

## Note 7. Loans Receivable (Continued)

2018							
(in 000's)	Unpaid Principal Balance	Total Recorded Impaired Loans	Recorded Loans with no Allowance	Recorded Loans with Allowance	Related Allowance	Average Recorded Loans	Interest Collected on Impaired Loans
Education	\$ 13,669	\$ 10,839	\$ 10,779	\$ 60	\$ 1	\$ 12,074	\$ 471
Commercial Enterprise	4,789	4,789	3,179	1,610	376	4,789	291
Food Commerce	333	50	-	50	50	50	19
Housing	250	250	-	250	250	250	-
Community Assets	1,575	1,575	-	1,575	1,285	1,575	79
Total loans	<u>\$ 20,616</u>	<u>\$ 17,503</u>	<u>\$ 13,958</u>	<u>\$ 3,545</u>	<u>\$ 1,962</u>	<u>\$ 18,738</u>	<u>\$ 860</u>

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. The Organization considers all loans modified in a troubled debt restructuring to be impaired and includes them in loans individually evaluated for impairment in the allowance for loan losses.

At the time a loan is modified in a troubled debt restructuring, the Organization considers 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 the Organization expects the loan to continue to perform under the restructured terms with a debt coverage ratio that complies with the Organization's minimum underwriting policy.

The Organization also reviews 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 and 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 loan restructured in a TDR and that is on non-accrual must make six consecutive monthly regular debt service payments to be on accrual status.

There were no TDRs entered into in 2019 and 2018 that subsequently defaulted. One TDR totaling \$666,441 was executed in 2019 and one TDR totaling \$60,000 was executed in 2018. Of the two loans identified as TDRs, none were considered to be in default.

The following is an analysis of loans modified in a troubled debt restructuring by type of concession.

2019				
(in 000's)	Balance at January 1	TDRs paid off, sold, reclassified, or written off	New TDRs	Balance at December 31
Education:				
Extended under forbearance	\$ 3,674	\$ (3,674)	\$ 666	\$ 666
Extensions resulting from financial difficulty	60	(11)	-	49
Total	<u>\$ 3,734</u>	<u>\$ (3,685)</u>	<u>\$ 666</u>	<u>\$ 715</u>



Notes to Consolidated Financial Statements

Note 7. Loans Receivable (Continued)

<b>2018</b>				
(in 000's)	Balance at January 1	TDRs draws, paid off, sold, reclassified, or written off	New TDRs	Balance at December 31
Education:				
Extended under forbearance	\$ 6,145	\$ (2,471)	\$ -	\$ 3,674
Extensions resulting from financial difficulty	-	-	60	60
Food Commerce:				
Extended under forbearance	368	(368)	-	-
Housing:				
Extended under forbearance	2,857	(2,857)	-	-
<b>Total</b>	<b>\$ 9,370</b>	<b>\$ (5,696)</b>	<b>\$ 60</b>	<b>\$ 3,734</b>

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

<b>2019</b>						
(in 000's)	TDRs in compliance and accruing		TDRs not accruing interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Education	\$ 715	2	\$ -	-	\$ 715	2

<b>2018</b>						
(in 000's)	TDRs in compliance and accruing		TDRs not accruing interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Education	\$ 378	3	\$ 3,356	1	\$ 3,734	4

There were no commitments to lend additional funds to borrowers with loans modified in troubled debt restructurings.

Note 8. Allowance for Loan Losses

The Organization considers that the determination of the allowance for loan losses involves a higher degree of judgment and complexity than its other significant accounting policies. The balance in the allowance for loan 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 losses may be required and may adversely impact earnings in future periods.

Notes to Consolidated Financial Statements

Note 8. Allowance for Loan Losses (Continued)

The following tables present an analysis of the allowance for loan losses for the years ended December 31:

2019									
(in 000's)									
	Education	Commercial Enterprise	Food Commerce	Healthcare	Housing	Community Assets	Clean Energy	Intermediary Lending	Total
Beginning balance	\$ 7,618	\$ 4,472	\$ 3,325	\$ 1,618	\$ 2,542	\$ 2,553	\$ 409	\$ 145	\$ 22,682
Provision for loan losses									
Without donor restrictions	(849)	45	78	(418)	(657)	663	426	165	(547)
Net reduction in net assets with donor restrictions	-	-	80	-	-	-	-	-	80
Charge-offs	(303)	-	(396)	-	-	(1,296)	-	-	(1,995)
Recoveries	3	-	40	-	201	20	-	-	264
(Credit) provision and net charge-offs	(1,149)	45	(198)	(418)	(456)	(613)	426	165	(2,198)
Ending balance	\$ 6,469	\$ 4,517	\$ 3,127	\$ 1,200	\$ 2,086	\$ 1,940	\$ 835	\$ 310	\$ 20,484
Period-end amount allocated to:									
Loans individually evaluated for impairment	\$ 6	\$ 250	\$ 36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292
Loans collectively evaluated for impairment	6,463	4,267	3,091	1,200	2,086	1,940	835	310	20,192
	\$ 6,469	\$ 4,517	\$ 3,127	\$ 1,200	\$ 2,086	\$ 1,940	\$ 835	\$ 310	\$ 20,484
Loans, ending balance:									
Loans individually evaluated for impairment	\$ 715	\$ 250	\$ 455	\$ -	\$ -	\$ 220	\$ -	\$ -	\$ 1,640
Loans collectively evaluated for impairment	143,131	91,952	54,832	40,036	38,960	30,930	22,699	7,053	429,593
Total	\$ 143,846	\$ 92,202	\$ 55,287	\$ 40,036	\$ 38,960	\$ 31,150	\$ 22,699	\$ 7,053	\$ 431,233

2018									
(in 000's)									
	Education	Commercial Enterprise	Food Commerce	Healthcare	Housing	Community Assets	Clean Energy	Intermediary Lending	Total
Beginning balance	\$ 8,328	\$ 3,595	\$ 3,198	\$ 1,125	\$ 1,451	\$ 1,299	\$ 244	\$ 224	\$ 19,464
Provision for loan losses									
Without donor restrictions	1,412	827	2,895	493	965	1,402	165	(79)	8,080
Net reduction in net assets with donor restrictions	-	-	106	-	-	-	-	-	106
Charge-offs	(2,122)	-	(2,908)	-	-	(148)	-	-	(5,178)
Recoveries	-	50	34	-	126	-	-	-	210
Provision (credit) and net charge-offs	(710)	877	127	493	1,091	1,254	165	(79)	3,218
Ending balance	\$ 7,618	\$ 4,472	\$ 3,325	\$ 1,618	\$ 2,542	\$ 2,553	\$ 409	\$ 145	\$ 22,682
Period-end amount allocated to:									
Loans individually evaluated for impairment	\$ 1	\$ 376	\$ 50	\$ -	\$ 250	\$ 1,285	\$ -	\$ -	\$ 1,962
Loans collectively evaluated for impairment	7,617	4,096	3,275	1,618	2,292	1,268	409	145	20,720
	\$ 7,618	\$ 4,472	\$ 3,325	\$ 1,618	\$ 2,542	\$ 2,553	\$ 409	\$ 145	\$ 22,682
Loans, ending balance:									
Loans individually evaluated for impairment	\$ 10,839	\$ 4,789	\$ 50	\$ -	\$ 250	\$ 1,575	\$ -	\$ -	\$ 17,503
Loans collectively evaluated for impairment	151,377	88,961	53,337	45,521	52,695	30,083	10,278	3,884	436,136
Total	\$ 162,216	\$ 93,750	\$ 53,387	\$ 45,521	\$ 52,945	\$ 31,658	\$ 10,278	\$ 3,884	\$ 453,639

## Notes to Consolidated Financial Statements

## Note 9. Loans Held for Sale

At December 31, 2019, loans held for sale represent loans that have been identified to be sold to RFIA Impact Accelerator Bridge Loan Fund I, LLC, in which Reinvestment Fund became an equity investor in during February 2020. These loans have maturity dates ranging from May 2020 to May 2022, and interest rates of London Interbank Offered Rate ("LIBOR") plus 475 bps to 525 bps. As of December 31, 2019 the Organization has \$12,047,337 loans held for sale with no valuation allowance recorded.

## Note 10. Equity Method and Program Investments

Investments in limited partnerships and limited liability companies are accounted for under the equity method and program investments are recorded at estimated fair value. At December 31, these investments consisted of the following:

	2019	2018
Equity Method Investments		
New Markets Tax Credit Program	\$ 23,042	\$ 25,139
New Markets Tax Credit Investment Funds		
Chase NMTC TRF 2011 Investment Fund, LLC	-	476
Chase NMTC PHN Investment Fund, LLC	-	336
481 Philabundance Investment Fund, LLC	-	189
Chase NMTC Liberty Heights Investment Fund, LLC	405	401
	<u>405</u>	<u>1,402</u>
Limited Partnerships and Limited Liability Companies		
Charter School Financing Partnership (a)	140,290	131,284
FSCLF Holding, LLC (b)	162,617	179,951
Octavia Hill Bel-Air Partners, LP (c)	-	-
Octavia Hill Cheltenham Partners, LP (d)	-	-
HealthCo Participation LLC (e)	17,244	10,382
Alliance Fund Management, LLC (f)	-	-
Domestic Small Cap Pay For Success Fund I, LP (g)	131,212	90,783
CDFI Coalition Revolving Fund, LLC (h)	(5,367)	-
	<u>445,996</u>	<u>412,400</u>
Total equity method investments	<u>469,443</u>	<u>438,941</u>
Program Investments		
The Community Development Trust	271,610	271,610
Total program investments	<u>271,610</u>	<u>271,610</u>
	<u>\$ 741,053</u>	<u>\$ 710,551</u>

**New Markets Tax Credit Program:** During fiscal years 2019 and 2018, Reinvestment Fund received New Markets Tax Credit Program ("Program") allocations of \$0 and \$70,000,000, respectively. Pursuant to the requirements of the Program administered by the CDFI Fund, a division of the U.S. Department of Treasury, Reinvestment Fund formed a for-profit entity TRF NMTC Fund, LLC ("NMTC"). As of December 31, 2019, NMTC is the general partner of TRF NMTC Fund XXII, L.P. through TRF NMTC Fund XLVIII, L.P., (collectively the "NMTC Funds") with a 0.01% ownership interest in each entity. The Organization does not consolidate the NMTC Funds because the rights granted to the limited partners as defined in the partnership agreements overcome the presumption of control of the general partner.

Notes to Consolidated Financial Statements

Note 10. Equity Method and Program Investments (Continued)

New Markets Tax Credit Program (Continued):

Reinvestment Fund formed TRF Fund Manager, LLC (“Fund Manager”) to act as the 0.01% managing member of Chase NMTC TRF 2011 Investment Fund, LLC; Chase NMTC PHN Investment Fund, LLC; 481 Philabundance Investment Fund, LLC and Chase NMTC Liberty Heights Investment Fund, LLC. Due to unwinds, as of December 31, 2019, Fund Manager continues to manage only Chase NMTC Liberty Heights Investment Fund, LLC. The Organization does not consolidate these investment funds because the rights granted to the investor members as defined in the respective operating agreements overcome the presumption of control of the managing member.

For administrative services performed for the NMTC Funds, the Organization earned revenue of \$1,293,738 and \$1,304,886 for the years ended December 31, 2019 and 2018, respectively. These amounts are included in asset management fees on the consolidated statement of activities.

TRF NMTC Fund XLV, L.P. and TRF NMTC Fund XLVII, L.P. were formed during 2019. TRF NMTC Fund XL, L.P. through TRF NMTC Fund XLIV, L.P., and TRF NMTC Fund XLVI, L.P. and TRF NMTC Fund XLVIII, L.P. were formed during 2018. In connection with these formations, the Organization received fees of \$830,000 and \$1,628,250 for the years ended December 31, 2019 and 2018, respectively. The fees received as a result of the NMTC fund formations are included in asset management fees on the consolidated statement of activities.

During 2019 TRF NMTC Fund XVII, L.P through TRF NMTC Fund XXI, L.P. as well as Chase NMTC TRF 2011 Investment Fund, LLC, Chase NMTC PHN Investment Fund, LLC and 481 Philabundance Investment Fund, LLC were unwound. During 2018, TRF NMTC Fund XIV, L.P, TRF NMTC Fund XV, L.P. and TRF NMTC Fund XVI, L.P, were unwound. As a result, Reinvestment Fund earned \$0 and \$2,079,126 in success fees in 2019 and 2018, respectively. Success fees are included in asset management fees on the consolidated statement of activities.

The information below for each NMTC fund, as it relates to the total assets, liabilities, equity and net income amounts as of December 31 is for information purposes and is not consolidated in Reinvestment Fund’s financial statements.

2019					
	Total Assets	Total Liabilities	Total Equity	Net Income	Reinvestment Fund Investment Balance
TRF NMTC Fund XXII, L.P.	\$ 9,526,138	\$ 3,957	9,522,181	\$ 263,723	\$ 952
TRF NMTC Fund XXIII, L.P.	12,621,000	15,625	12,605,375	416,500	1,260
TRF NMTC Fund XXIV L.P.	6,006,710	2,500	6,004,210	43,320	600
TRF NMTC Fund XXV, L.P.	5,553,295	6,875	5,546,420	183,480	554
TRF NMTC Fund XXVI, L.P.	9,532,355	11,875	9,520,480	75,196	953
TRF NMTC Fund XXVII, L.P.	5,522,435	6,875	5,515,560	60,038	552
TRF NMTC Fund XXVIII, L.P.	6,018,570	7,500	6,011,070	41,880	601
TRF NMTC Fund XXIX L.P.	12,036,998	5,000	12,031,998	369,576	1,203
TRF NMTC Fund XXX, L.P.	10,034,003	4,167	10,029,836	346,037	1,003
TRF NMTC Fund XXXI, L.P.	10,051,208	20,834	10,030,374	70,500	1,002
TRF NMTC Fund XXXII, L.P.	11,042,351	13,750	11,028,601	110,000	1,103
TRF NMTC Fund XXXIII, L.P.	8,009,332	3,333	8,005,999	57,255	801
TRF NMTC Fund XXXIV, L.P.	12,009,030	5,000	12,004,030	33,960	1,200
TRF NMTC Fund XXXV, L.P.	9,009,285	3,750	9,005,535	55,620	900
TRF NMTC Fund XXXVI, L.P.	8,527,406	3,542	8,523,864	276,173	853
TRF NMTC Fund XXXVII, L.P.	13,029,302	5,416	13,023,886	270,147	1,302
TRF NMTC Fund XXXVIII, L.P.	8,035,373	3,333	8,032,040	374,880	804
TRF NMTC Fund XXXIX, L.P.	6,506,563	2,708	6,503,855	34,706	650
TRF NMTC Fund XL, L.P.	5,509,045	2,292	5,506,753	25,578	551
TRF NMTC Fund XLI, L.P.	8,012,865	4,809	8,008,056	27,346	727
TRF NMTC Fund XLII, L.P.	6,513,777	2,711	6,511,066	122,565	652
TRF NMTC Fund XLIII, L.P.	8,007,858	3,333	8,004,525	44,688	801
TRF NMTC Fund XLIV, L.P.	8,008,290	3,333	8,004,957	49,880	800
TRF NMTC Fund XLV, L.P.	8,526,594	10,625	8,515,969	20,831	851
TRF NMTC Fund XLVI, L.P.	6,672,672	3,542	6,669,130	(1,806,540)	666
TRF NMTC Fund XLVII, L.P.	15,015,204	6,250	15,008,954	70,314	1,501
TRF NMTC Fund XLVIII, L.P.	2,009,223	833	2,008,390	98,280	200
Total	\$ 231,346,882	\$ 163,768	\$ 231,183,114	\$ 1,735,933	\$ 23,042

Notes to Consolidated Financial Statements

Note 10. Equity Method and Program Investments (Continued)

New Markets Tax Credit Program (Continued):

2018						
	Total Assets	Total Liabilities	Total Equity	Net Income	Reinvestment Fund Investment Balance	
TRF NMTC Fund XVII, L.P.	\$ 12,880,448	\$ 5,456	\$ 12,874,992	\$ 113,642	\$	1,310
TRF NMTC Fund XVIII, L.P.	8,539,177	10,634	8,528,543	298,127		859
TRF NMTC Fund XIX, L.P.	8,009,910	3,469	8,006,441	48,543		801
TRF NMTC Fund XX, L.P.	9,236,603	3,839	9,232,764	230,699		923
TRF NMTC Fund XXI, L.P.	3,010,621	2,501	3,008,120	46,920		301
TRF NMTC Fund XXII, L.P.	9,526,138	3,957	9,522,181	263,698		952
TRF NMTC Fund XXIII, L.P.	12,621,000	15,625	12,605,375	416,500		1,260
TRF NMTC Fund XXIV L.P.	6,006,710	2,500	6,004,210	43,320		600
TRF NMTC Fund XXV, L.P.	5,553,295	6,875	5,546,420	183,480		554
TRF NMTC Fund XXVI, L.P.	9,532,226	11,875	9,520,351	75,231		953
TRF NMTC Fund XXVII, L.P.	5,522,435	6,875	5,515,560	60,038		552
TRF NMTC Fund XXVIII, L.P.	6,018,570	7,500	6,011,070	41,880		601
TRF NMTC Fund XXIX L.P.	12,036,998	5,000	12,031,998	369,575		1,203
TRF NMTC Fund XXX, L.P.	10,034,003	4,167	10,029,836	346,037		1,003
TRF NMTC Fund XXXI, L.P.	10,051,208	20,834	10,030,374	70,500		1,002
TRF NMTC Fund XXXII, L.P.	11,042,351	13,750	11,028,601	110,000		1,103
TRF NMTC Fund XXXIII, L.P.	8,009,232	3,333	8,005,899	57,255		801
TRF NMTC Fund XXXIV, L.P.	12,009,030	5,000	12,004,030	33,960		1,200
TRF NMTC Fund XXXV, L.P.	9,009,285	3,750	9,005,535	55,620		900
TRF NMTC Fund XXXVI, L.P.	8,527,406	3,542	8,523,864	276,173		853
TRF NMTC Fund XXXVII, L.P.	13,029,302	5,416	13,023,886	270,147		1,302
TRF NMTC Fund XXXVIII, L.P.	8,035,373	3,333	8,032,040	374,880		804
TRF NMTC Fund XXXIX, L.P.	6,506,462	2,708	6,503,754	34,713		650
TRF NMTC Fund XL, L.P.	5,508,438	2,292	5,506,146	6,324		550
TRF NMTC Fund XLI, L.P.	8,012,537	5,507	8,007,030	6,230		800
TRF NMTC Fund XLII, L.P.	6,513,775	2,709	6,511,066	18,402		652
TRF NMTC Fund XLIII, L.P.	8,007,858	3,333	8,004,525	8,069		800
TRF NMTC Fund XLIV, L.P.	8,008,290	3,333	8,004,957	13,994		800
TRF NMTC Fund XLVI, L.P.	8,503,845	1,873	8,501,972	1,122		850
TRF NMTC Fund XLVIII, L.P.	2,009,223	833	2,008,390	26,481		200
Total	\$ 251,311,749	\$ 171,819	\$ 251,139,930	\$ 3,901,560	\$	25,139

Equity Method Investments:

- (a) 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, Reinvestment Fund purchased \$60,000 in Class "A" units, which represents a 20% voting interest in CSFP. Equity earnings or losses are allocated to Reinvestment Fund at 10%. Reinvestment Fund recorded an increase in equity earnings of \$9,006 and \$48,291 for the years ended December 31, 2019 and 2018, respectively.
- (b) 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 Reinvestment Fund had a 50% participation. Accordingly, Reinvestment Fund owns a 50% non-managing member interest in FSCLF. Reinvestment Fund recorded equity losses of \$17,334 and \$15,799 for the years ended December 31, 2019 and 2018, respectively.
- (c) Octavia Hill Bel-Air Partners, LP ("Bel-Air") is a limited partnership formed for the purpose of purchasing and operating multifamily residential rental buildings. Reinvestment Fund'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, Reinvestment Fund will be allocated 80.25% of net income or 81.91% of losses. Reinvestment Fund recorded no equity earnings for the years ended December 31, 2019 and 2018.

**Note 10. Equity Method and Program Investments (Continued)**

- (d) Octavia Hill Chelten Partners, LP (“Chelten”) is a limited partnership formed for the purpose of purchasing and operating a housing rental building. Reinvestment Fund’s non-controlling limited partnership interest in Chelten 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, Reinvestment Fund will be allocated 80.25% of net income or 96.28% of losses. Reinvestment Fund recorded no equity earnings for the years ended December 31, 2019 and 2018.
- (e) HealthCo Participation LLC (“HealthCo”) is a limited liability company formed in 2013 as a financing vehicle to provide indirect facility financing for federally qualified healthcare centers. Reinvestment Fund is one of three equal members at 33.34%. Under the limited liability company agreement, any income or expense of HealthCo is shared equally by the three members. For the years ended December 31, 2019 and 2018, Reinvestment Fund recorded an equity loss of \$1,259 and \$4,628, respectively. During the years ended December 31, 2019 and 2018, Reinvestment Fund contributed capital of \$8,121 and \$10,000, respectively.

At December 31, 2019 and 2018, Reinvestment Fund holds a liability of \$4,446,000 for a loan participation sold to HealthCo that did not meet the characteristics of a participating interest in accordance with accounting rules governing the sale of a financial asset.

- (f) Alliance Fund Management, LLC (“AFM”) is a limited liability company formed in 2014 to provide management services to funds and trusts seeking investments in affordable rental housing preservation. Reinvestment Fund owns ten Class A Preferred Member Units of AFM at a total cost of \$250,000. During 2017, the Organization evaluated this investment and determined that the asset is impaired and recorded an equity loss of \$250,000 for the year ended December 31, 2017. The balance of this investment was \$0 at December 31, 2019 and 2018.
- (g) Domestic Small Cap Pay for Success Fund I, LP (“PFS”) is a limited partnership formed in 2017 to make, hold, manage, sell, exchange or otherwise deal in portfolio investments or transactions in social welfare policy areas. In 2017, Reinvestment Fund received 500 Class A Units for a commitment to contribute \$500,000 of capital and 500 Class B Units for a commitment to contribute \$500,000 of capital. Through 2018, Reinvestment Fund and RFIA have ownership interests in PFS of 10% and 0.1%, respectively. During 2019, a new investor was brought into PFS and Reinvestment Fund’s ownership interest was reduced to 9.5%. Reinvestment Fund made contributions totaling \$80,553 and \$63,598 during the years ended December 31, 2019 and 2018, respectively. Reinvestment Fund recorded equity gains of \$2,649 and equity losses of \$513 for the years ended December 31, 2019 and 2018, respectively.

Reinvestment Fund received distributions totaling \$42,773 and \$411 during the years ended December 31, 2019 and 2018, respectively.

- (h) CDFI Coalition Revolving Fund, LLC (“CCRF”) is a limited liability company formed in 2019 to provide capital for acquisition, construction, and/or rehabilitation of affordable housing and community development projects in the State of Georgia. Reinvestment Fund is one of five equal members with 20% ownership. Under the operating agreement, any income or expense of CCRF is shared equally by the five members. For the year ended December 31, 2019, Reinvestment Fund recorded an equity loss of \$5,367. A negative investment was recorded as CCRF received an \$8 million grant from the Georgia Housing and Finance Authority that is to be recognized as grant revenue as loans are funded.

Program Investments:

At December 31, 2019 and 2018, Reinvestment Fund owned 27,160 common “B” shares of The Community Development Trust, Inc. carried at \$271,610.

Notes to Consolidated Financial Statements

**Note 11. Equipment, Leasehold Improvements and Software, Net**

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

	2019	2018
Office furniture, equipment and software	\$ 1,809,964	\$ 1,817,677
Leasehold improvements	1,103,693	1,045,593
Software development	5,610,318	5,610,318
Accumulated depreciation	<u>(7,844,792)</u>	<u>(7,792,629)</u>
	<u>\$ 679,183</u>	<u>\$ 680,959</u>

Depreciation and amortization expense of \$130,236 and \$434,572, was recorded for the years ended December 31, 2019 and 2018, respectively.

During 2018, the Organization wrote off \$1,515,888 of software development and \$1,261,801 in related accumulated amortization as part of implementing a new platform. As a result, the Organization recorded a loss on disposition of intangible assets of \$254,087. The Organization also removed \$78,072 and \$210,797 of fully depreciated assets from office furniture, equipment and software that are no longer in use, in 2019 and 2018, respectively.

**Note 12. Loans and Bonds Payable**

Loans and bonds payable at December 31 consisted of the following:

	2019	2018
Loans payable current portion	\$ 34,057,959	\$ 39,462,260
Loans payable long-term portion	<u>195,929,478</u>	<u>209,207,199</u>
Gross loans payable	<u>229,987,437</u>	<u>248,669,459</u>
Bonds payable current portion	600,000	-
Bonds payable long-term portion	<u>125,480,000</u>	<u>126,670,000</u>
Gross bonds payable	<u>126,080,000</u>	<u>126,670,000</u>
Gross loans and bonds payable	356,067,437	375,339,459
Deferred debt issuance costs	<u>(1,166,563)</u>	<u>(1,381,365)</u>
Net loans and bonds payable	<u>\$ 354,900,874</u>	<u>\$ 373,958,094</u>

Loans payable				
Lender	Maturity Date	2019		2018
		Interest rate	Balance	Balance
Government	2019-2045	1.94% - 3.41%	\$ 74,652,402	\$ 86,811,048
Financial institutions, partnerships, and corporations	2019-2035	0.00% - 5.19%	97,698,417	97,798,322
Foundations, religious, and civic organizations	2019-2030	0.00% - 4.50%	45,280,714	53,244,443
Individuals	2019-2045	0.00% - 4.50%	12,355,904	10,815,646
Gross loans payable			<u>\$ 229,987,437</u>	<u>\$ 248,669,459</u>

Notes to Consolidated Financial Statements

Note 12. Loans and Bonds Payable (Continued)

Bonds payable	2019			2018
	Maturity Date	Interest rate	Balance	Balance
Impact Investment Bonds, Taxable Series 2017	2023-2025	3.17% - 3.51%	\$ 50,345,000	\$ 50,935,000
Impact Investment Bonds, Taxable Series 2018	2021-2028	3.29% - 3.93%	75,735,000	75,735,000
Gross bonds payable			\$ 126,080,000	\$ 126,670,000

The Organization had 872 and 831 issuances of debt at December 31, 2019 and 2018, respectively. The Organization's variable rate loans are based on 30-day LIBOR, which was 1.78% and 2.52% at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the Organization had \$354,534,042 and \$374,165,266 of fixed rate debt, respectively, and \$1,533,395 and \$1,174,193 of variable rate debt, respectively. At December 31, 2019 and 2018, the Organization had \$81,612,371 and \$81,312,165 of secured debt, respectively, and \$274,455,066 and \$294,027,294 of unsecured debt, respectively.

At December 31, 2019, the Organization has certain debt agreements with note holders that have matured. Note holders are contacted at least 30 days prior to the maturity date, with an option to elect to receive payment or renew its investment at maturity. As of December 31, 2019, all note holders were notified and the Organization is awaiting a response.

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, 2019, and 2018, the Organization was in compliance with all of its financial covenants.

Aggregate maturities for loans and bonds payable at December 31, 2019 are as follows:

2020	\$ 34,657,959
2021	32,978,317
2022	32,869,102
2023	38,426,047
2024	42,067,571
Thereafter	175,068,441
	<u>\$ 356,067,437</u>

Loans and bonds specified below represent certain debt instruments

Government debt includes amounts due to government agencies as follows:

**Secured**

Reinvestment Fund was previously approved to receive \$130,000,000 through the CDFI Bond Guarantee Program ("Bond Program") of which the Organization drew \$2,853,080 and \$15,600,000 in 2019 and 2018, respectively. The Bond Program gives Reinvestment Fund access to long-term fixed rate capital for terms of up to 29.5 years. The Organization is required to commit the bond proceeds within 24 months with full deployment prior to the end of 2021. Reinvestment Fund entered into a loan agreement with CRF QI, LLC (Qualified Issuer). As a condition of the program, Reinvestment Fund must pledge eligible secondary borrower loans as collateral to draw down on the loan. Under the program, the bonds are purchased by The Federal Financing Bank and the U.S. Treasury will guarantee repayment. As of December 31, 2019, and 2018, the loans payable of approximately \$74,152,000 and \$73,852,000, respectively, were secured by pledged loans receivable of approximately \$76,389,000 and \$75,670,000, respectively, and restricted cash of approximately \$3,436,000 and \$3,955,000, respectively.



**Note 12. Loans and Bonds Payable (Continued)**

***Unsecured***

Reinvestment Fund entered into an Equity Equivalent Investment ("EQ2") agreement with the Small Business Loan Fund of the U.S. Department of the Treasury which had a balance of \$0 and \$11,708,000 at December 31, 2019 and 2018, respectively. 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.

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

***Secured***

In connection with its NMTC program activities, Reinvestment Fund has one NMTC eligible loan payable to JPMorgan Chase Bank, N.A. ("JPMC"). As of December 31, 2019 and 2018, loans payable in the amount of \$2,460,000 were secured by prospective loans receivable of \$2,460,000. As a condition of the program, Reinvestment Fund has assigned to the lender a lien on a security interest in all of Reinvestment Fund's rights, title and interest to the related loans receivable.

Reinvestment Fund is a member of the FHLB and is able to pledge eligible loans receivable as collateral in order to have a revolving line of credit of 60% of the collateral value. As of December 31, 2019 and 2018, the loans payable balance was \$5,000,000, for each year, secured by pledged loans receivable of approximately \$20,635,000 and \$24,275,000, respectively.

***Unsecured***

Reinvestment Fund entered into two EQ2 agreements with Wells Fargo Community Investment Holdings totaling \$7,000,000 at December 31, 2019 and 2018. The funds are to be used to promote the public welfare in Reinvestment Fund's target markets.

***Foundations, religious, civic organizations and individuals***

Foundations, religious, civic organizations and individuals include only unsecured debt.

***Bonds payable***

On April 27, 2017, Reinvestment Fund issued \$50,935,000 of Impact Investment Bonds, Taxable Series 2017 ("2017 Bonds") primarily to finance loans to organizations and businesses in pursuit of Reinvestment Fund's mission and refinance certain existing obligations. The 2017 Bonds were issued pursuant to a Trust Indenture dated April 1, 2017, by and between Reinvestment Fund and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2017 Bonds are the general obligation of Reinvestment Fund and payable from all legally available revenues and assets of Reinvestment Fund. They are not secured by a lien on any revenue or assets.

The 2017 Bonds bear interest at a fixed rate which is payable semi-annually. The 2017 Bonds are issued in minimum denominations of \$5,000 and increments of \$1,000.

The 2017 Bonds are subject to optional redemption by Reinvestment Fund prior to maturity on any business day at a make-whole redemption price plus accrued interest to the redemption date. The 2017 Bonds maturing on November 1, 2023 are also subject to mandatory sinking fund redemption prior to maturity, commencing on November 1, 2019.

The trust indenture contains certain covenants related to permitted liens, limits on the aggregate amount of secured indebtedness as a percentage of total assets, minimum asset to debt ratio requirements, and limitations related to the occurrence of additional indebtedness and guarantees.

Notes to Consolidated Financial Statements

**Note 12. Loans and Bonds Payable (Continued)**

On September 6, 2018, Reinvestment Fund issued \$75,735,000 of Impact Investment Bonds, Taxable Series 2018 (“2018 Bonds”) primarily to finance loans to organizations and businesses in pursuit of Reinvestment Fund’s mission and refinance certain existing obligations. The 2018 Bonds were issued pursuant to a Trust Indenture dated September 1, 2018, by and between Reinvestment Fund and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2018 Bonds are the general obligation of Reinvestment Fund and payable from all legally available revenues and assets of Reinvestment Fund. They are not secured by a lien on any revenue or assets.

The 2018 Bonds bear interest at a fixed rate which is payable semi-annually. The 2018 Bonds are issued in minimum denominations of \$5,000 and increments of \$1,000.

The 2018 Bonds are subject to optional redemption by Reinvestment Fund prior to maturity on any business day at a make-whole redemption price plus accrued interest to the redemption date. The 2018 Bonds were issued with a series of maturing notes. The first of these notes is due on February 15, 2021 and the final matures on February 15, 2028.

The trust indenture contains certain covenants related to permitted liens, limits on the aggregate amount of secured indebtedness as a percentage of total assets, minimum asset to debt ratio requirements, and limitations related to the occurrence of additional indebtedness and guarantees.

**Undrawn Debt**

At December 31, 2019, total undrawn debt was \$110,716,259. Included in the total was \$40,000,000 of available undrawn liquidity under a line of credit with JPMC. This LIBOR based facility has a maturity of June 23, 2021. In addition, under the terms of its membership with the FHLB, the Organization had the ability to draw \$7,425,788 of additional funding at December 31, 2019. Rates under the FHLB facility are set on the advance date. The Organization also had undrawn availability under the CDFI Bond Guarantee Program of approximately \$48,281,000. Rates under the CDFI Bond Guarantee Program are set on the advance date.

**Note 13. Derivative Instruments**

The Organization entered into a swap in order to manage its exposure to interest rate movements. The swap can be terminated by the Organization at market rates at any time during the term of the swap.

The swap was issued at market terms therefore had no fair value at inception. The carrying amount of the swap has been adjusted to the fair value at the end of the year. The obligation under interest rate swap was \$26,792 as of December 31, 2019 and is included in other liabilities in the statement of financial position. Losses associated with the swap were \$0 for the year ended December 31, 2019. The changes in value associated with the swap were (\$26,792) for the year ended December 31, 2019.

Notional Amount	Fixed Interest Rate	Variable Interest Rate	Trade Date	Effective Date	Maturity Date
\$6,320,000	1.89%	1-Month USD LIBOR	12/20/2019	1/8/2020	1/8/2045

**Note 14. Recoverable Grants**

Recoverable grants consist of conditional grant funds received in advance of the conditions of the grant having been met. Recoverable grants are reclassified and recognized as revenue with donor restrictions once the conditions of the grant are satisfied.

Reinvestment Fund was awarded \$5,000,000 from the City of Baltimore for the Community Service Loan Program in September 2014. Prior to 2018, Reinvestment Fund received drawdowns of \$3,250,000 of which \$10,000 was recognized as grant revenue. During 2018, the award was amended to increase the total available funds to \$7,250,000 and an additional \$2,000,000 was drawn down. Under the terms of the grant, Reinvestment Fund was required to create a Community Service Loan Program. The funds are to be used to cover loan losses, re-granting and lending to eligible borrowers. The revenue will be recognized and released simultaneously as loan losses are incurred or re-granting is designated to eligible borrowers. Any funds not expended for loan losses are due back to the grantor in September 2020. The balance of this recoverable grant was \$5,240,000 at December 31, 2019 and 2018.

Notes to Consolidated Financial Statements

**Note 14. Recoverable Grants (Continued)**

In November 2014, Reinvestment Fund was awarded \$400,000 from The Maryland Department of Housing and Community Development through the Southeast Community Development Fund ("SEDC") to create the CARE Revolving Loan Fund. This fund is to be used to finance the acquisition, rehabilitation and sale of vacant residential properties located in the Southeast Baltimore City Sustainable Community Area. The revenue will be recognized and released simultaneously to cover loan losses to eligible borrowers in this specific geographical area. Upon the expiration of five years from the date of the agreement, financing of new projects will cease unless an extension of time is granted. During 2019, SEDC required repayment of the funds in the amount of \$315,197, the remaining \$84,803 was used for a loan loss reserve. The balance of this recoverable grant was \$0 and \$400,000 at December 31, 2019 and 2018, respectively.

In December 2017, Reinvestment Fund received \$1,555,800 related to a total award of \$3,111,600 for a five-year conditional grant to create and operate a revolving loan fund for early learning providers in Philadelphia. In October 2023, the grantor will decide if the fund should be continued or be terminated. During 2018, the remaining \$1,555,800 was received and \$111,600 was used to create the fund and was recognized as grant revenue. During 2019, a loan that was funded with this program was written off. The loss was covered by this revolving loan fund in the amount of \$27,500. The balance of this recoverable grant was \$2,972,500 and \$3,000,000 at December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, the balance of other recoverable grants was \$39,600 and \$47,600, respectively. The consolidated statement of financial position reflects recoverable grants in the amount of \$8,252,100 and \$8,687,600 as of December 31, 2019 and 2018, respectively.

**Note 15. Net Assets**

Net assets without donor restrictions are those net assets for use in general operations (credit, financing, and general expenditures) and not subject to donor restrictions. At December 31, 2019 and 2018, net assets without donor restrictions were \$82,237,806 and \$70,638,099, respectively. At December 31, 2019 and 2018, net assets without donor restrictions included \$10,215,490 and \$9,860,253, respectively, of net assets contractually limited as to use by SDF (See Note 18). At December 31, 2019 and 2018, net assets without donor restrictions also included \$15,850 and \$(12,205), respectively, representing non-controlling interest which is the equity interests in Policy Map, Inc., exclusive of any Reinvestment Fund interests. (See Note 16)

Net assets with donor restrictions at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Net Assets with Donor Restrictions		
Financing - Lending and Community Investing		
Revolving loan funds	\$ 49,761,056	\$ 49,832,996
Credit and financing net assets	40,597,635	43,894,716
	90,358,691	93,727,712
Programmatic net assets		
Policy Solutions	352,857	340,163
Lending and Community Investing	7,345,371	10,527,674
	7,698,228	10,867,837
Re-granting - Lending and Community Investing	2,213,754	1,137,377
Total Net Assets with Donor Restrictions	\$ 100,270,673	\$ 105,732,926

At December 31, 2019 and 2018, approximately \$173,000,000 and \$164,000,000, respectively, of net assets were available for credit and financing, which represents funds available to disburse loans and to use as credit enhancements. Funds available for credit and financing includes net assets with donor restrictions included in revolving loan funds held in perpetuity, credit and financing net assets, and net assets without donor restrictions, less non-controlling interest.

Notes to Consolidated Financial Statements

Note 16. PolicyMap Equity Compensation Plan

During 2018, the PolicyMap Board approved the 2018 Equity Compensation Plan (the “Plan”). The Plan permits grants of share options and share awards to its employees for up to 3,000 shares of common stock. The Plan authorizes the use of incentive stock options, nonqualified stock options, and stock awards.

Stock options were granted with an exercise price equal to the fair market value of the common stock on the date of the grants and have a 10-year contractual term. The stock options vest ratably over a 3-year period. Compensation cost is recognized on a straight-line basis.

The fair market value of stock options is estimated using the Black-Scholes valuation model and PolicyMap uses the following methods to determine its underlying assumptions: expected volatility is based on the historical mean volatility of PolicyMap’s peer group; the expected term of options granted is based on the simplified method of using the mid-point between the vesting term and the original contractual term; and the risk-free interest rate is based on the interpolated 6 year treasury rate on the date of grant.

The following key assumptions were used in the valuation model to value the stock option grants in 2018:

Expected volatility – 40.1%  
 Expected weighted average term (in years) - 6  
 Risk-Free interest rate – 3.1%

Stock option transactions under the Plan for the years ended December 31, 2019 and 2018 are summarized as follows:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted- Average Remaining Contractual Terms in Years
Balance at December 31, 2017	-	-	-
Grants	927	\$ 526.00	9.00
Balance at December 31, 2018	927		
Terminated	(21)		
Balance at December 31, 2019	906		

The weighted-average grant date fair value per share of options granted during 2018 was \$229.

The fair value of stock awards is estimated by the using the fair market value of the common stock on the date of grants. Stock awards are fully vested on the grant date. During 2019 and 2018, 141 and 69 stock awards were granted at a grant date fair value of \$458 and \$526 per share, respectively.

Total stock-compensation expense for 2019 and 2018 was \$136,907 and \$105,194, respectively. As of December 31, 2019 and 2018, there was \$72,694 and \$143,479, respectively, of unrecognized compensation cost related to unvested stock options. As of December 31, 2019 and 2018, the remaining options and awards available to be issued under the Plan was 1,863 and 2,004, respectively.

## Notes to Consolidated Financial Statements

**Note 16. PolicyMap Equity Compensation Plan (Continued)**

Due to the issuances of the above stock awards and options, Reinvestment Fund is no longer the sole owner of PolicyMap, creating non-controlling interest. The components of non-controlling interest for the years ended December 31, 2019 and 2018 are summarized as follows:

Non-controlling interest in subsidiary at December 31, 2017	\$ -
Non-controlling interest from the issuance of common stock grants	(10,916)
Net loss attributable to the noncontrolling interest	<u>(1,289)</u>
Non-controlling interest in subsidiary at December 31, 2018	(12,205)
Non-controlling interest from the issuance of common stock grants	(30,100)
Non-controlling interest from the vesting of stock options	69,182
Net loss attributable to the noncontrolling interest	<u>(11,027)</u>
Non-controlling interest in subsidiary at December 31, 2019	<u><u>\$ 15,850</u></u>

**Note 17. Revenue Recognition**
**Disaggregation of revenue**

The following table presents our revenue disaggregated by performance obligation:

	<u>2019</u>	<u>2018</u>
<b>Asset Management Fee</b>		
Administrative services fees	\$ 1,333,546	\$ 1,335,604
Sub-allocation fees	830,000	1,628,250
Success fees	-	2,079,126
Total Asset Management Fee	<u>2,163,546</u>	<u>5,042,980</u>
<b>Program Services and Fees</b>		
Professional services - Policy Solutions	1,272,631	846,981
Professional services - PolicyMap	628,454	314,755
Subscription and licenses	2,051,258	1,807,664
Total Program Services and Fees	<u>3,952,343</u>	<u>2,969,400</u>
<b>Total</b>	<u><u>\$ 6,115,889</u></u>	<u><u>\$ 8,012,380</u></u>
	<u>2019</u>	<u>2018</u>
<b>Timing of Revenue Recognition</b>		
Revenue recognized over time	\$ 5,285,889	\$ 4,305,004
Revenue recognized at a point in time	830,000	3,707,376
<b>Total</b>	<u><u>\$ 6,115,889</u></u>	<u><u>\$ 8,012,380</u></u>

**Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, and customer advances and deposits (deferred revenue) on the consolidated statement of financial position. Accounts receivable includes amounts due from customers that are unconditional. Accounts receivable is included in other assets on the consolidated statement of financial position. Deferred revenue consists of advance payments and billings in excess of revenue recognized. The following table provides information about receivables, contract assets and deferred revenue from contracts with customers:

	<u>2019</u>	<u>2018</u>
Accounts receivable, net	\$ 860,303	\$ 747,188
Deferred revenue	\$ (1,769,776)	\$ (1,398,113)

**Note 17. Revenue Recognition (Continued)**

The difference in the opening and closing balances of accounts receivable, net and deferred revenue primarily results from the timing difference between our performance and the customer's payments. The Organization fulfills its obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer.

**Transaction Price Allocated to the Remaining Performance Obligations**

All deferred revenue as of December 31, 2018 was recognized during the year ended December 31, 2019. As of December 31, 2019, approximately \$1,800,000 of revenue is expected to be recognized from remaining performance obligations. The Organization expects to recognize approximately 93% over the next 12 months and the remaining balance thereafter. The Organization applied the practical expedient related to this disclosure and did not disclose performance obligations that have original expected durations of one year or less and performance obligations in which the Organization uses the right to invoice practical expedient.

**Note 18. Sustainable Development Fund**

SDF is a separate fund of Reinvestment Fund. SDF is guided by the terms of two Pennsylvania Public Utility Commission ("PUC") orders and subsequent PUC actions. SDF files an annual report with the PUC and participates in an annual meeting of the Pennsylvania Sustainable Energy Board. SDF loans are reviewed and approved by Reinvestment Fund's loan committee. SDF elected a new nine-member board in late 2017 that provides oversight to SDF's activities including input to, review and approval of annual program plans and budgets.

In connection with the creation of SDF, Reinvestment Fund agreed to comply with certain contractual restrictions on the use of its available net assets. As such, all net assets of SDF are considered contractually limited as to use. All SDF receipts, including contributions, principal repayments and interest earnings on loans made by SDF, 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. SDF is also subject to certain annual reporting requirements.

On October 20, 2000, Philadelphia's PECO Energy Company and the Commonwealth Edison Company 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.

In connection with the merger agreement, Exelon made contributions to SDF, over a five year period from October 20, 2000 to January 1, 2005. \$4,000,000 of the contributions was for the Photovoltaic (solar energy) Project, \$12,000,000 was for New Pennsylvania Wind Facilities and \$2,500,000 was for public education about Renewable Energy.

SDF expenses are included in Program-Lending and Community Investing on the consolidated statement of activities. SDF did not incur any fundraising expenses.

## Reinvestment Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### Note 19. Functional Classification of Expenses

Functional expenses for the years ended December 31, 2019 and 2018 consisted of the following:

	2019				
	Lending & Community Investing	Policy Solutions	PolicyMap	Management & General	Total Expenses
Personnel	\$ 4,658,993	\$ 1,151,410	\$ 2,660,786	\$ 4,141,659	\$ 12,612,848
Occupancy	710,807	154,078	266,906	702,295	1,834,086
Professional Services	1,047,649	264,262	750,163	1,142,460	3,204,534
Grants	4,641,151	-	-	20,150	4,661,301
Other	294,046	105,246	45,935	407,469	852,696
Total Program and General Expenses	11,352,646	1,674,996	3,723,790	6,414,033	23,165,465
Interest Expense	12,622,564	-	-	-	12,622,564
Credit for loan losses	(547,259)	-	-	-	(547,259)
Total Expenses	\$ 23,427,951	\$ 1,674,996	\$ 3,723,790	\$ 6,414,033	\$ 35,240,770

	2018				
	Lending & Community Investing	Policy Solutions	PolicyMap	Management & General	Total Expenses
Personnel	\$ 3,639,616	\$ 1,033,675	\$ 2,734,885	\$ 3,942,107	\$ 11,350,283
Occupancy	749,450	151,905	473,247	608,080	1,982,682
Professional Services	1,199,285	179,035	830,384	921,407	3,130,111
Grants	4,870,904	-	-	3,878	4,874,782
Other	551,103	70,302	70,780	419,130	1,111,315
Total Program and General Expenses	11,010,358	1,434,917	4,109,296	5,894,602	22,449,173
Interest Expense	10,847,676	-	-	-	10,847,676
Provision for loan losses	8,080,350	-	-	-	8,080,350
Total Expenses	\$ 29,938,384	\$ 1,434,917	\$ 4,109,296	\$ 5,894,602	\$ 41,377,199

The management and general category includes fundraising expenses, which are approximately \$75,000 and \$95,000 for the years ended December 31, 2019 and 2018, respectively.

#### Note 20. Operating Leases

Reinvestment Fund leases its offices and certain office equipment under non-cancelable operating leases, which have expiration dates between 2020 and 2026. The lease agreements often include escalating rent payments, renewal provisions and other provisions which require Reinvestment Fund to pay maintenance costs, property taxes and insurance. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. As most of the Organization's leases do not provide an implicit rate, the Organization used its incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. As of December 31, 2019, Reinvestment Fund has no leases that have not yet commenced.

**Note 20. Operating Leases (Continued)**

	<b>As of December 31, 2019</b>
<b>Assets</b>	
Operating lease ROU assets	\$ 2,885,443
Total leased assets	<u>\$ 2,885,443</u>
<b>Liabilities</b>	
Short-term operating lease liabilities	\$ 602,341
Long-term operating lease liabilities	<u>3,386,110</u>
Total lease liabilities	<u>\$ 3,988,451</u>
Weighted-average remaining lease term	6.1 years
Weighted-average discount rate	4.26%
The components of lease expense were as follows:	
Operating lease costs (a)	\$ 666,441
Variable lease costs (b)	<u>105,563</u>
Total lease cost	<u>\$ 772,004</u>

- (a) Operating lease costs are recognized on a straight-line basis over the lease term. Includes costs for short-term leases with an initial term of twelve months or less, which were not material.
- (b) Variable lease costs primarily included common area maintenance, utilities, property taxes and insurance, which were expensed as incurred.

As of December 31, 2019, maturities of lease liabilities under non-cancelable operating leases were as follows:

2020	\$ 760,567
2021	747,981
2022	734,254
2023	715,120
2024	657,784
Thereafter	<u>934,177</u>
Total lease payments	4,549,883
Less: imputed interest	<u>(561,432)</u>
Present value of lease liabilities	<u>\$ 3,988,451</u>

**Note 21. Commitments and Contingencies**

Commitments:

At December 31, 2019, the Organization had approximately \$45,300,000 of loans closed but not yet disbursed and \$6,900,000 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.



Notes to Consolidated Financial Statements

---

**Note 21. Commitments and Contingencies (Continued)**

At December 31, 2019, Reinvestment Fund had unconditional outstanding letters of credit totaling \$109,048. These letters of credit mature by December 2020.

DP:

Effective January 1, 2017, Development Partners, Inc. ("DP") restructured its organizational documents to provide for multiple members with the effect that DP would no longer be under control of, and consolidate with Reinvestment Fund. As part of the DP restructure, Reinvestment Fund and DP executed a Support and Services Agreement (the "Agreement").

Reinvestment Fund shall provide DP with the following support during 2020:

- Upon meeting the matching criteria defined in the Agreement, matching grants up to a maximum amount of \$75,000 shall be awarded to DP.
- Reinvestment Fund shall reimburse DP for back office support costs in the form of a reimbursement grant remaining from 2019 up to \$36,343.

For the years ended December 31, 2019 and 2018, Reinvestment Fund provided DP \$205,000 each year in reimbursement grants for executive staffing costs; \$300,000 and \$450,000, respectively, in matching grants; and \$413,657 and \$478,054, respectively, in reimbursement grants for staffing costs. These grants totaling \$918,657 and \$1,133,054 for the years ended December 31, 2019 and 2018, respectively, are included in program-lending and community investing on the program and general expenses section of the consolidated statement of activities. Reinvestment Fund also provided \$2,144 of in kind back office support for the year ended December 2018. In addition, Reinvestment Fund purchased a subscription note in the principal amount of \$250,000 in 2017.

Contingencies:

In the normal course of business, the Organization is subject to various pending or threatened litigation. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse effect on the Organization's consolidated financial statements.

**Note 22. Conditional Grants Receivable**

In February 2016, the Organization was awarded a \$15,000,000, five-year conditional grant to create high quality childcare seats in Philadelphia. During 2019 and 2018, as the conditions of the grant were met, the Organization recognized \$2,500,000 and \$2,600,000, respectively, in grant revenue. Conditional grants receivable at December 31, 2019 and 2018 were \$0 and \$2,500,000, respectively.

In May 2018, the Organization was awarded a grant of \$2,000,000 from the US Department of Agriculture ("USDA"). The grant is to be used to implement the Healthy Food Financing Initiative to improve access to healthy foods in underserved areas, to create and preserve quality jobs, and to revitalize low income communities. The grant is conditional on incurring qualifying expenses. During the years ended December 31, 2019 and 2018, the Organization recognized revenue of \$731,249 and \$36,439, respectively. Conditional grants receivable at December 31, 2019 and 2018 were \$1,232,312 and \$1,963,561, respectively

In October 2019, the Organization was awarded an additional grant of \$2,000,000 from the USDA. The grant is to be used to implement the Healthy Food Financing Initiative to improve access to healthy foods in underserved areas, to create and preserve quality jobs, and to revitalize low income communities. The grant is conditional on incurring qualifying expenses. During the year ended December 31, 2019, the Organization recognized revenue of \$28,962. Conditional grants receivable at December 31, 2019 was \$1,971,038.

In August 2018, the Organization was awarded a grant of \$846,403 from the Institute of Museum and Library Services. The grant is to be used to support the third phases of a Community Anchors to Catalysts initiative with a long-term goal of developing approaches, tools, and trainings for museums and libraries in their efforts to become sustained and adaptive partners with their communities. The grant is conditional on incurring qualifying expenses. During the years ended December 31, 2019 and 2018, the Organization recognized revenue of \$424,997 and \$128,034, respectively. Conditional grants receivable at December 31, 2019 and 2018 were \$293,372 and \$718,369, respectively.

Notes to Consolidated Financial Statements

**Note 22. Conditional Grants Receivable (Continued)**

In September 2019, the Organization was awarded a \$1,000,000 conditional grant to create high quality childcare seats in Atlanta. Funding will be received after the Organization receives a matching grant of \$500,000 from another grantor. During 2019 the conditions of the grant were not met, therefore the Organization has not recognized revenue.

**Note 23. 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 deductions. These amounts are subject to statutory maximums. In 2018 and prior the 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% of employees' compensation. Effective January 1, 2019, the Organization amended the plan to a 100% match on the first 6% of employees' contributions. The Organization contributed \$601,898 and \$360,835 for the years ended December 31, 2019 and 2018, respectively.

**Note 24. Fair Value Measurements**

The Organization recorded certain assets, such as investments in marketable securities and program 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 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.

Interest Rate Swap: The fair value of interest rate swaps is valued using estimates of the related LIBOR rates during the term of the swap agreement.

The following table presents the assets and liabilities reported on the consolidated statement of financial position at their fair value as of December 31 by level.

	2019			
	Total	Level 1	Level 2	Level 3
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal Home Loan Mortgage Company	\$ 5,107,928	\$ -	\$ 5,107,928	\$ -
Federal National Mortgage Association	5,012,301	-	5,012,301	-
U.S. Treasury Notes and Bills	26,855,630	26,855,630	-	-
Corporate debt securities	8,502,128	-	8,502,128	-
Program investments:				
The Community Development Trust	271,610	-	-	271,610
Total assets	<u>\$ 45,749,597</u>	<u>\$ 26,855,630</u>	<u>\$ 18,622,357</u>	<u>\$ 271,610</u>
Obligation under interest rate swap	\$ (26,792)	\$ -	\$ (26,792)	\$ -
Total liabilities	<u>\$ (26,792)</u>	<u>\$ -</u>	<u>\$ (26,792)</u>	<u>\$ -</u>

## Notes to Consolidated Financial Statements

## Note 24. Fair Value Measurements (Continued)

	2018			
	Total	Level 1	Level 2	Level 3
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal Home Loan Mortgage Company	\$ 4,688,583	\$ -	\$ 4,688,583	\$ -
Federal National Mortgage Association	1,498,861	-	1,498,861	-
U.S. Treasury Notes and Bills	27,055,391	27,055,391	-	-
Corporate debt securities	10,088,827	-	10,088,827	-
Program investments:				
The Community Development Trust	271,610	-	-	271,610
Total assets	<u>\$ 43,603,272</u>	<u>\$ 27,055,391</u>	<u>\$ 16,276,271</u>	<u>\$ 271,610</u>

*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 consolidated statement of financial position.

**Loans held for sale:** The fair value of loans held for sale is determined based on the loan's observable market price. There was no valuation allowance at December 31, 2019.

	2019			
	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$292,271	\$ 1,347,994	\$ -	\$ -	\$ 1,347,994
Loans held for sale	12,047,337	-	12,047,337	-
	<u>\$ 13,395,331</u>	<u>\$ -</u>	<u>\$12,047,337</u>	<u>\$ 1,347,994</u>

	2018			
	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$1,962,001	\$ 15,540,925	\$ -	\$ -	\$ 15,540,925
	<u>\$ 15,540,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,540,925</u>

**Note 25. Subsequent Events**

The Organization's management has evaluated its subsequent events (events occurring after December 31, 2019) through April 24, 2020, which represents the date the consolidated financial statements were issued and concluded no events or transactions that require recognition or disclosure in the consolidated financial statements, other than those described below.

During 2020, the outbreak of the Coronavirus adversely impacted commercial activity and contributed to significant declines and volatility in financial markets. Depending on the severity and length of the outbreak, the Coronavirus could present uncertainty and risk to the Organization's activities and its financial results. The Organization believes that the economic uncertainties that have arisen could negatively impact interest income and borrowers' ability to make loan payments.



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

RSM US LLP

Board of Directors  
Reinvestment Fund, Inc.

We have audited the consolidated financial statements of Reinvestment Fund, Inc. and Affiliates as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the 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 consolidating 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.

*RSM US LLP*

Philadelphia, Pennsylvania  
April 24, 2020

Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Financial Position  
December 31, 2019

	Reinvestment Fund	PolicyMap	EFI	NMTC	CEF	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Reinvestment Fund/SDF Eliminations	Total (excluding SDF)
<b>Assets</b>													
<b>Current Assets</b>													
Cash and cash equivalents	\$ 60,605,975	\$ 65,220	\$ 81,838	\$ 54,810	\$ 345,653	\$ 66,258	\$ 32,234	\$ 113,313	\$ -	\$ 61,365,301	\$ -	\$ -	\$ 61,365,301
Grants and contributions receivable	542,951	-	-	-	-	-	-	-	-	542,951	-	-	542,951
Investments in marketable securities	25,059,583	-	-	-	-	-	-	-	-	25,059,583	-	-	25,059,583
Accounts receivable - related parties	70,468	-	-	-	-	-	51,471	-	(121,939)	-	-	(12,523)	12,523
Loans receivable	84,784,464	-	-	-	348,896	-	-	-	-	85,133,360	209,784	-	84,923,576
Allowance for loan losses	(4,026,752)	-	-	-	(16,573)	-	-	-	-	(4,043,325)	(9,965)	-	(4,033,360)
Loans held for sale	12,047,337	-	-	-	-	-	-	-	-	12,047,337	-	-	12,047,337
Restricted cash and cash equivalents	27,259,323	-	-	-	527,285	-	-	-	-	27,786,608	3,837,914	-	23,948,694
Other	4,895,689	249,620	-	-	78,038	-	86,605	611	(4,482)	5,306,081	40,779	-	5,265,302
	<u>211,239,038</u>	<u>314,840</u>	<u>81,838</u>	<u>54,810</u>	<u>1,283,299</u>	<u>66,258</u>	<u>170,310</u>	<u>113,924</u>	<u>(126,421)</u>	<u>213,197,896</u>	<u>4,078,512</u>	<u>(12,523)</u>	<u>209,131,907</u>
<b>Noncurrent Assets</b>													
Investments in marketable securities	20,418,404	-	-	-	-	-	-	-	-	20,418,404	-	-	20,418,404
Loans receivable	338,890,447	-	-	-	8,073,747	-	-	-	(865,000)	346,099,194	6,497,364	-	339,601,830
Allowance for loan losses	(16,921,719)	-	-	-	(383,503)	-	-	-	865,000	(16,440,222)	(308,625)	-	(16,131,597)
Equity method and program investments	577,316	-	-	23,041	-	140,291	-	405	-	741,053	-	-	741,053
Equipment, leasehold improvements and software, net	669,338	9,845	-	-	-	-	-	-	-	679,183	-	-	679,183
Operating lease right-of-use assets	2,600,706	284,737	-	-	-	-	-	-	-	2,885,443	-	-	2,885,443
Investments in consolidated subsidiaries	2,854,972	-	-	-	-	-	-	-	(2,854,972)	-	-	-	-
Other	452,303	14,570	-	-	-	-	-	-	-	466,873	-	-	466,873
	<u>349,541,767</u>	<u>309,152</u>	<u>-</u>	<u>23,041</u>	<u>7,690,244</u>	<u>140,291</u>	<u>-</u>	<u>405</u>	<u>(2,854,972)</u>	<u>354,849,928</u>	<u>6,188,739</u>	<u>-</u>	<u>348,661,189</u>
<b>Total Assets</b>	<b>\$ 560,780,805</b>	<b>\$ 623,992</b>	<b>\$ 81,838</b>	<b>\$ 77,851</b>	<b>\$ 8,973,543</b>	<b>\$ 206,549</b>	<b>\$ 170,310</b>	<b>\$ 114,329</b>	<b>\$ (2,981,393)</b>	<b>\$ 568,047,824</b>	<b>\$ 10,267,251</b>	<b>\$ (12,523)</b>	<b>\$ 557,793,096</b>
<b>Liabilities and Net Assets</b>													
<b>Current Liabilities</b>													
Accounts payable and accrued expenses	\$ 2,213,211	\$ 336,161	\$ -	\$ -	\$ -	\$ -	\$ 65,802	\$ -	\$ -	\$ 2,615,174	\$ 39,238	\$ -	\$ 2,575,936
Escrow payable and due to third parties	2,579,103	14,101	-	-	403,587	-	-	-	-	2,996,791	-	-	2,996,791
Accounts payable - related parties	30,193	53,927	-	-	33,800	-	4,019	-	(121,939)	-	12,523	(12,523)	-
Deferred revenue	205,333	1,451,667	-	-	-	-	-	-	(4,482)	1,652,518	-	-	1,652,518
Recoverable grants	5,248,000	-	-	-	-	-	-	-	-	5,248,000	-	-	5,248,000
Operating lease liabilities, current portion	531,007	71,334	-	-	-	-	-	-	-	602,341	-	-	602,341
Loans and bonds payable, net, current portion	34,077,233	-	-	-	366,733	-	-	-	-	34,443,966	-	-	34,443,966
Other	2,173,991	-	-	-	11,463	-	-	-	-	2,185,454	-	-	2,185,454
	<u>47,058,071</u>	<u>1,927,190</u>	<u>-</u>	<u>-</u>	<u>815,583</u>	<u>-</u>	<u>69,821</u>	<u>-</u>	<u>(126,421)</u>	<u>49,744,244</u>	<u>51,761</u>	<u>(12,523)</u>	<u>49,705,006</u>
<b>Noncurrent Liabilities</b>													
Deferred revenue, less current portion	-	117,258	-	-	-	-	-	-	-	117,258	-	-	117,258
Recoverable grants, less current portion	3,004,100	-	-	-	-	-	-	-	-	3,004,100	-	-	3,004,100
Operating lease liabilities, less current maturities	3,168,949	217,161	-	-	-	-	-	-	-	3,386,110	-	-	3,386,110
Loans and bonds payable, net, less current maturities	306,822,863	865,000	-	-	5,884,045	-	-	-	(865,000)	312,706,908	-	-	312,706,908
Loans payable, EQ2, less current maturities	7,750,000	-	-	-	-	-	-	-	-	7,750,000	-	-	7,750,000
Escrow payable and due to third parties	874,150	-	-	-	-	-	-	-	-	874,150	-	-	874,150
Other	7,956,575	-	-	-	-	-	-	-	-	7,956,575	-	-	7,956,575
	<u>329,576,637</u>	<u>1,199,419</u>	<u>-</u>	<u>-</u>	<u>5,884,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(865,000)</u>	<u>335,795,101</u>	<u>-</u>	<u>-</u>	<u>335,795,101</u>
<b>Total Liabilities</b>	<b>376,634,708</b>	<b>3,126,609</b>	<b>-</b>	<b>-</b>	<b>6,699,628</b>	<b>-</b>	<b>69,821</b>	<b>-</b>	<b>(991,421)</b>	<b>385,539,345</b>	<b>51,761</b>	<b>(12,523)</b>	<b>385,500,107</b>
<b>Commitments and Contingencies</b>													
Paid in capital	-	3,067,621	970,000	(2,917,614)	2,500,000	60,100	-	(254,900)	(3,425,207)	-	-	-	-
Capital stock	-	122	-	-	-	-	-	-	(122)	-	-	-	-
Earnings/(Deficit)	-	(5,570,360)	(888,162)	2,995,465	(226,085)	146,449	100,489	369,229	3,072,975	-	-	-	-
<b>Net Assets</b>													
Without donor restrictions	73,659,934	-	-	-	-	-	-	-	(1,653,468)	72,006,466	-	-	72,006,466
Without donor restrictions - Contractually limited as to use	10,215,490	-	-	-	-	-	-	-	-	10,215,490	10,215,490	-	10,215,490
Non-controlling interest in consolidating subsidiaries	-	-	-	-	-	-	-	-	15,850	15,850	-	-	15,850
<b>Total Without Donor Restrictions</b>	<b>83,875,424</b>	<b>(2,502,617)</b>	<b>81,838</b>	<b>77,851</b>	<b>2,273,915</b>	<b>206,549</b>	<b>100,489</b>	<b>114,329</b>	<b>(1,989,972)</b>	<b>82,237,806</b>	<b>10,215,490</b>	<b>-</b>	<b>72,022,316</b>
With donor restrictions	100,270,673	-	-	-	-	-	-	-	-	100,270,673	-	-	100,270,673
<b>Total Net Assets</b>	<b>184,146,097</b>	<b>(2,502,617)</b>	<b>81,838</b>	<b>77,851</b>	<b>2,273,915</b>	<b>206,549</b>	<b>100,489</b>	<b>114,329</b>	<b>(1,989,972)</b>	<b>182,508,479</b>	<b>10,215,490</b>	<b>-</b>	<b>172,292,989</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 560,780,805</b>	<b>\$ 623,992</b>	<b>\$ 81,838</b>	<b>\$ 77,851</b>	<b>\$ 8,973,543</b>	<b>\$ 206,549</b>	<b>\$ 170,310</b>	<b>\$ 114,329</b>	<b>\$ (2,981,393)</b>	<b>\$ 568,047,824</b>	<b>\$ 10,267,251</b>	<b>\$ (12,523)</b>	<b>\$ 557,793,096</b>

Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Financial Position  
December 31, 2018

	Reinvestment Fund	PolicyMap	EFI	NMTC	CEF	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Reinvestment Fund/SDF Eliminations	Total (excluding SDF)
<b>Assets</b>													
Current Assets													
Cash and cash equivalents	\$ 67,758,382	\$ 44,845	\$ 47,894	\$ 53,347	\$ 354,559	\$ 64,328	\$ 38,834	\$ 82,359	\$ -	\$ 68,444,548	\$ -	\$ -	\$ 68,444,548
Grants and contributions receivable	6,054,817	-	-	-	-	-	-	-	-	6,054,817	-	-	6,054,817
Investments in marketable securities	24,235,348	-	-	-	-	-	-	-	-	24,235,348	-	-	24,235,348
Accounts receivable - related parties	70,269	12,000	-	-	-	-	19,167	-	(101,436)	-	10,016	(22,101)	12,085
Loans receivable	79,097,199	-	5,715	-	79,820	-	-	-	(11,621)	79,171,113	705,431	-	78,465,682
Allowance for loan losses	(3,955,146)	-	-	-	(3,991)	-	-	-	581	(3,958,556)	(35,272)	-	(3,923,284)
Restricted cash and cash equivalents	24,915,445	-	-	-	1,970,000	-	-	-	-	26,885,445	2,406,333	-	24,479,112
Other	4,461,935	421,579	-	2	40,837	-	14,528	4,553	(14,087)	4,929,347	79,947	-	4,849,400
	<u>202,638,249</u>	<u>478,424</u>	<u>53,609</u>	<u>53,349</u>	<u>2,441,225</u>	<u>64,328</u>	<u>72,529</u>	<u>86,912</u>	<u>(126,563)</u>	<u>205,762,062</u>	<u>3,166,455</u>	<u>(22,101)</u>	<u>202,617,708</u>
Noncurrent Assets													
Investments in marketable securities	19,096,314	-	-	-	-	-	-	-	-	19,096,314	-	-	19,096,314
Loans receivable	371,741,849	-	54,992	-	3,250,865	-	-	-	(580,000)	374,467,706	7,212,386	-	367,255,320
Allowance for loan losses	(19,140,842)	-	-	-	(162,543)	-	-	-	580,000	(18,723,385)	(360,619)	-	(18,362,766)
Equity method and program investments	552,727	-	-	25,138	-	131,285	-	1,401	-	710,551	-	-	710,551
Equipment, leasehold improvements and software, net	660,481	20,478	-	-	-	-	-	-	-	680,959	-	-	680,959
Investments in consolidated subsidiaries	2,898,434	-	-	-	-	-	-	-	(2,898,434)	-	-	-	-
Other	399,103	14,570	-	-	-	-	-	-	-	413,673	-	-	413,673
	<u>376,208,066</u>	<u>35,048</u>	<u>54,992</u>	<u>25,138</u>	<u>3,088,322</u>	<u>131,285</u>	<u>-</u>	<u>1,401</u>	<u>(2,898,434)</u>	<u>376,645,818</u>	<u>6,851,767</u>	<u>-</u>	<u>369,794,051</u>
<b>Total Assets</b>	<u>\$ 578,846,315</u>	<u>\$ 513,472</u>	<u>\$ 108,601</u>	<u>\$ 78,487</u>	<u>\$ 5,529,547</u>	<u>\$ 195,613</u>	<u>\$ 72,529</u>	<u>\$ 88,313</u>	<u>\$ (3,024,997)</u>	<u>\$ 582,407,880</u>	<u>\$ 10,018,222</u>	<u>\$ (22,101)</u>	<u>\$ 572,411,759</u>
<b>Liabilities and Net Assets</b>													
Current Liabilities													
Accounts payable and accrued expenses	\$ 2,173,379	\$ 164,693	\$ 650	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 2,348,722	\$ 145,813	\$ -	\$ 2,202,909
Escrow payable and due to third parties	6,451,365	13,522	-	-	1,470,000	-	-	-	-	7,934,887	71	-	7,934,816
Accounts payable - related parties	34,101	46,051	-	-	19,167	-	2,117	-	(101,436)	-	12,085	(22,101)	10,016
Deferred revenue	73,564	1,229,711	-	-	-	-	-	-	(14,087)	1,289,188	-	-	1,289,188
Recoverable grants	5,648,000	-	-	-	-	-	-	-	-	5,648,000	-	-	5,648,000
Loans and bonds payable, net, current portion	27,300,988	-	11,621	-	23,672	-	-	-	(11,621)	27,324,660	-	-	27,324,660
Loans payable, EQ2, current portion	11,708,000	-	-	-	-	-	-	-	-	11,708,000	-	-	11,708,000
Other	2,126,949	-	-	-	3,944	-	-	-	-	2,130,893	-	-	2,130,893
	<u>55,516,346</u>	<u>1,453,977</u>	<u>12,271</u>	<u>-</u>	<u>1,516,783</u>	<u>-</u>	<u>12,117</u>	<u>-</u>	<u>(127,144)</u>	<u>58,384,350</u>	<u>157,969</u>	<u>(22,101)</u>	<u>58,248,482</u>
Noncurrent Liabilities													
Deferred revenue, less current portion	-	108,925	-	-	-	-	-	-	-	108,925	-	-	108,925
Recoverable grants, less current portion	3,039,600	-	-	-	-	-	-	-	-	3,039,600	-	-	3,039,600
Loans and bonds payable, net, less current maturities	325,541,950	580,000	-	-	1,633,484	-	-	-	(580,000)	327,175,434	-	-	327,175,434
Loans payable, EQ2, less current maturities	7,750,000	-	-	-	-	-	-	-	-	7,750,000	-	-	7,750,000
Escrow payable and due to third parties	466,147	-	-	-	-	-	-	-	-	466,147	-	-	466,147
Other	9,109,839	2,560	-	-	-	-	-	-	-	9,112,399	-	-	9,112,399
	<u>345,907,536</u>	<u>691,485</u>	<u>-</u>	<u>-</u>	<u>1,633,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(580,000)</u>	<u>347,652,505</u>	<u>-</u>	<u>-</u>	<u>347,652,505</u>
<b>Total Liabilities</b>	<u>401,423,882</u>	<u>2,145,462</u>	<u>12,271</u>	<u>-</u>	<u>3,150,267</u>	<u>-</u>	<u>12,117</u>	<u>-</u>	<u>(707,144)</u>	<u>406,036,855</u>	<u>157,969</u>	<u>(22,101)</u>	<u>405,900,987</u>
Commitments and Contingencies													
Paid in capital	-	2,930,715	1,010,000	(2,917,613)	2,500,000	60,100	41,000	(254,900)	(3,369,302)	-	-	-	-
Capital stock	-	121	-	-	-	-	-	-	(121)	-	-	-	-
Earnings/(Deficit)	-	(4,562,826)	(913,670)	2,996,100	(120,720)	135,513	19,412	343,213	2,102,978	-	-	-	-
Net Assets													
Without donor restrictions	61,829,254	-	-	-	-	-	-	-	(1,039,203)	60,790,051	-	-	60,790,051
Without donor restrictions - Contractually limited as to use	9,860,253	-	-	-	-	-	-	-	-	9,860,253	9,860,253	-	-
Non-controlling interest in consolidating subsidiaries	-	-	-	-	-	-	-	-	(12,205)	(12,205)	-	-	(12,205)
Total Without Donor Restrictions	<u>71,689,507</u>	<u>(1,631,990)</u>	<u>96,330</u>	<u>78,487</u>	<u>2,379,280</u>	<u>195,613</u>	<u>60,412</u>	<u>88,313</u>	<u>(2,317,853)</u>	<u>70,638,099</u>	<u>9,860,253</u>	<u>-</u>	<u>60,777,846</u>
With donor restrictions	<u>105,732,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,732,926</u>	<u>-</u>	<u>-</u>	<u>105,732,926</u>
<b>Total Net Assets</b>	<u>177,422,433</u>	<u>(1,631,990)</u>	<u>96,330</u>	<u>78,487</u>	<u>2,379,280</u>	<u>195,613</u>	<u>60,412</u>	<u>88,313</u>	<u>(2,317,853)</u>	<u>176,371,025</u>	<u>9,860,253</u>	<u>-</u>	<u>166,510,772</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 578,846,315</u>	<u>\$ 513,472</u>	<u>\$ 108,601</u>	<u>\$ 78,487</u>	<u>\$ 5,529,547</u>	<u>\$ 195,613</u>	<u>\$ 72,529</u>	<u>\$ 88,313</u>	<u>\$ (3,024,997)</u>	<u>\$ 582,407,880</u>	<u>\$ 10,018,222</u>	<u>\$ (22,101)</u>	<u>\$ 572,411,759</u>

Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Activities  
For the Year Ended December 31, 2019

	Reinvestment Fund	PolicyMap	EFI	NMTC	CEF	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Reinvestment Fund/SDF Eliminations	Total (excluding SDF)
<b>Financial Activity</b>													
Financial Income													
Interest from loans	\$ 27,011,442	\$ -	\$ 2,434	\$ -	\$ 372,303	\$ -	\$ -	\$ -	\$ (174)	\$ 27,386,005	\$ 361,049	\$ -	\$ 27,024,956
Investment income, net	2,849,362	-	237	183	-	224	4,864	331	-	2,855,201	8,152	-	2,847,049
Loan fees	335,820	-	-	-	-	2,775	-	-	-	338,595	855	-	337,740
Gain on sale of loans receivable	-	-	27,850	-	-	-	-	-	-	27,850	-	-	27,850
Asset management fee, net	2,182,761	-	-	-	-	-	116,729	26,714	(162,658)	2,163,546	-	(50,091)	2,213,637
Total Financial Income	32,379,385	-	30,521	183	372,303	2,999	121,593	27,045	(162,832)	32,771,197	370,056	(50,091)	32,451,232
Financial Expense													
Interest expense	12,478,808	-	174	-	143,756	-	-	-	(174)	12,622,564	-	-	12,622,564
Asset management fee	50,091	-	-	-	100,611	-	11,956	-	(162,658)	-	50,091	(50,091)	-
Losses (gains) in equity method investments	21,310	-	-	(698)	-	(9,005)	-	(34)	-	11,573	-	-	11,573
Equity losses in consolidated subsidiaries	68,462	-	-	-	-	-	-	-	(68,462)	-	-	-	-
(Credit) provision for loan losses	(496,381)	-	-	-	233,541	-	-	-	(284,419)	(547,259)	(77,301)	-	(469,958)
Total Financial Expense	12,122,290	-	174	(698)	477,908	(9,005)	11,956	(34)	(515,713)	12,086,878	(27,210)	(50,091)	12,164,179
Net Financial Income	20,257,095	-	30,347	881	(105,605)	12,004	109,637	27,079	352,881	20,684,319	397,266	-	20,287,053
<b>Revenue and Support</b>													
Grants and contributions	4,627,555	-	-	-	-	-	17,671	-	(17,671)	4,627,555	-	-	4,627,555
Program services and fees	1,353,632	2,796,816	-	-	-	-	-	-	(198,105)	3,952,343	-	-	3,952,343
Other income	7,707	440	-	-	240	-	-	200	-	8,587	-	-	8,587
Total Revenue and Support	5,988,894	2,797,256	-	-	240	-	17,671	200	(215,776)	8,588,485	-	-	8,588,485
<b>Program and General Expenses</b>													
Program - Lending and Community Investing	11,232,253	-	4,839	1,517	-	1,068	152,231	1,263	(40,525)	11,352,646	42,029	-	11,310,617
Program - Policy Solutions	1,769,247	-	-	-	-	-	-	-	(94,251)	1,674,996	-	-	1,674,996
Program - PolicyMap	-	3,804,790	-	-	-	-	-	-	(81,000)	3,723,790	-	-	3,723,790
Management and general	6,414,033	-	-	-	-	-	-	-	-	6,414,033	-	-	6,414,033
Total Program and General Expenses	19,415,533	3,804,790	4,839	1,517	-	1,068	152,231	1,263	(215,776)	23,165,465	42,029	-	23,123,436
<b>Other Decreases (Increases)</b>													
Charges related to revolving loan fund, net	80,000	-	-	-	-	-	-	-	-	80,000	-	-	80,000
Change in value of derivatives	26,792	-	-	-	-	-	-	-	-	26,792	-	-	26,792
Equity transfers	-	-	-	-	-	-	(65,000)	-	65,000	-	-	-	-
Total Other Decreases (Increases)	106,792	-	-	-	-	-	(65,000)	-	65,000	106,792	-	-	106,792
Total Expenses and Other Decreases (Increases)	19,522,325	3,804,790	4,839	1,517	-	1,068	87,231	1,263	(150,776)	23,272,257	42,029	-	23,230,228
<b>Net income (loss)</b>	-	(1,007,534)	-	(636)	(105,365)	10,936	-	26,016	1,076,583	-	-	-	-
<b>Change in net assets, before capital distributions and issuance of common stock grant and option awards</b>													
Change in net assets	6,723,664	-	25,508	-	-	-	40,077	-	(788,702)	6,000,547	355,237	-	5,645,310
Capital distributions	-	-	(40,000)	-	-	-	-	-	40,000	-	-	-	-
Issuance of common stock grant and option awards	-	136,907	-	-	-	-	-	-	-	136,907	-	-	136,907
Change in net assets	6,723,664	(870,627)	(14,492)	(636)	(105,365)	10,936	40,077	26,016	327,881	6,137,454	355,237	-	5,782,217
Net assets, beginning	177,422,433	(1,631,990)	96,330	78,487	2,379,280	195,613	60,412	88,313	(2,317,853)	176,371,025	9,860,253	-	166,510,772
<b>Net assets, ending</b>	<b>\$ 184,146,097</b>	<b>\$ (2,502,617)</b>	<b>\$ 81,838</b>	<b>\$ 77,851</b>	<b>\$ 2,273,915</b>	<b>\$ 206,549</b>	<b>\$ 100,489</b>	<b>\$ 114,329</b>	<b>\$ (1,989,972)</b>	<b>\$ 182,508,479</b>	<b>\$ 10,215,490</b>	<b>\$ -</b>	<b>\$ 172,292,989</b>

Reinvestment Fund, Inc. and Affiliates (Excluding SDF)

Consolidating Statement of Activities  
For the Year Ended December 31, 2018

	Reinvestment Fund	PolicyMap	EFI	NMTC	CEF	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Reinvestment Fund/SDF Eliminations	Total (excluding SDF)
<b>Financial Activity</b>													
Financial Income													
Interest from loans and leases	\$ 24,351,989	\$ -	\$ 5,928	\$ -	\$ 97,630	\$ -	\$ -	\$ -	\$ (636)	\$ 24,454,911	\$ 353,524	\$ -	\$ 24,101,387
Investment income, net	1,168,493	-	185	265	-	220	2,349	202	-	1,171,714	7,250	-	1,164,464
Gains (losses) in equity method investments	(22,660)	-	-	592,908	-	50,012	-	(19)	-	620,241	(1,720)	-	621,961
Loan and lease fees	290,745	-	-	-	957	1,423	-	-	-	293,125	20,237	-	272,888
Gain on sale of loans receivable	990,406	-	-	-	-	-	-	-	-	990,406	-	-	990,406
Asset management fee, net	5,037,543	-	-	-	-	-	38,869	48,401	(81,833)	5,042,980	-	(48,341)	5,091,321
Total Financial Income	31,816,516	-	6,113	593,173	98,587	51,655	41,218	48,584	(82,469)	32,573,377	379,291	(48,341)	32,242,427
Financial Expense													
Interest expense	10,823,887	-	1,288	-	23,139	-	-	-	(638)	10,847,676	-	-	10,847,676
Asset management fee	48,341	-	-	-	29,781	-	3,711	-	(81,833)	-	48,341	(48,341)	-
Equity losses in consolidated subsidiaries	920,013	-	-	-	-	-	-	-	(920,013)	-	-	-	-
Provision (credit) for loan losses	8,475,920	-	-	-	166,534	-	-	-	(562,104)	8,080,350	(19,320)	-	8,099,670
Total Financial Expense	20,268,161	-	1,288	-	219,454	-	3,711	-	(1,564,588)	18,928,026	29,021	(48,341)	18,947,346
Net Financial Income	11,548,355	-	4,825	593,173	(120,867)	51,655	37,507	48,584	1,482,119	13,645,351	350,270	-	13,295,081
<b>Revenue and Support</b>													
Grants and contributions	21,206,096	-	-	-	-	-	-	-	-	21,206,096	25,651	-	21,180,445
Program services and fees	927,982	2,286,966	-	-	-	-	-	-	(245,548)	2,969,400	1,764	-	2,967,636
Other income	16,836	1,676	-	-	178	-	-	-	-	18,690	-	-	18,690
Total Revenue and Support	22,150,914	2,288,642	-	-	178	-	-	-	(245,548)	24,194,186	27,415	-	24,166,771
<b>Program and General Expenses</b>													
Program - Lending and Community Investing	10,865,362	-	6,762	27,931	31	981	167,765	1,307	(59,781)	11,010,358	151,116	-	10,859,242
Program - Policy Solutions	1,539,684	-	-	-	-	-	-	-	(104,767)	1,434,917	-	-	1,434,917
Program - PolicyMap	-	4,190,296	-	-	-	-	-	-	(81,000)	4,109,296	-	-	4,109,296
Management and general	5,894,602	-	-	-	-	-	-	-	-	5,894,602	-	-	5,894,602
Total Program and General Expenses	18,299,648	4,190,296	6,762	27,931	31	981	167,765	1,307	(245,548)	22,449,173	151,116	-	22,298,057
<b>Other Decreases (Increases)</b>													
Loss on disposition of intangible assets	-	254,087	-	-	-	-	-	-	-	254,087	-	-	254,087
Charges related to revolving loan fund, net	105,514	-	-	-	-	-	-	-	-	105,514	-	-	105,514
Equity transfers	-	-	-	-	-	-	(153,500)	-	153,500	-	-	-	-
Total Other Decreases (Increases)	105,514	254,087	-	-	-	-	(153,500)	-	153,500	359,601	-	-	359,601
Total Expenses and Other Decreases (Increases)	18,405,162	4,444,383	6,762	27,931	31	981	14,265	1,307	(92,048)	22,808,774	151,116	-	22,657,658
<b>Net income (loss)</b>	-	(2,155,741)	-	565,242	(120,720)	50,674	-	47,277	1,613,268	-	-	-	-
<b>Change in net assets, before capital contributions (distributions) and issuance of common stock grant and option awards</b>	15,294,107	-	(1,937)	-	-	-	23,242	-	(284,649)	15,030,763	226,569	-	14,804,194
<b>Capital contributions (distributions), net</b>	-	1,200,000	-	(562,697)	2,500,000	-	-	-	(3,137,303)	-	-	-	-
<b>Issuance of common stock grant and option awards</b>	-	105,194	-	-	-	-	-	-	-	105,194	-	-	105,194
<b>Change in net assets</b>	15,294,107	(850,547)	(1,937)	2,545	2,379,280	50,674	23,242	47,277	(1,808,684)	15,135,957	226,569	-	14,909,388
<b>Net assets, beginning</b>	162,128,326	(781,443)	98,267	75,942	-	144,939	37,170	41,036	(509,169)	161,235,068	9,633,684	-	151,601,384
<b>Net assets, ending</b>	\$ 177,422,433	\$ (1,631,990)	\$ 96,330	\$ 78,487	\$ 2,379,280	\$ 195,613	\$ 60,412	\$ 88,313	\$ (2,317,853)	\$ 176,371,025	\$ 9,860,253	\$ -	\$ 166,510,772