

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

Consolidated Financial Report  
December 31, 2018

# Reinvestment Fund, Inc. and Affiliates

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RSM US LLP

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

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

### **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, 2018 and 2017, 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, 2018 and 2017, 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.

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**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers - Topic 606* and all subsequent ASUs that modified ASC 606. The Organization has elected to apply the modified retrospective method to adopt the new standard in 2018. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance ASU 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities* and applied this retrospectively to 2017. Our opinion is not modified with respect to this matter.

*RSM US LLP*

Blue Bell, Pennsylvania  
April 23, 2019

**Reinvestment Fund, Inc. and Affiliates**

**Consolidated Statements of Financial Position  
December 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 68,444,548	\$ 12,714,292
Grants and contributions receivable	6,054,817	655,423
Investments in marketable securities	43,331,662	40,834,518
Loans and leases receivable, less allowance for losses of \$22,681,941 and \$19,464,448, respectively	430,956,878	369,824,510
Equity method and program investments	710,551	613,264
Equipment, leasehold improvements and software, net	680,959	1,132,532
Other	5,343,020	4,225,048
Restricted cash and cash equivalents	26,885,445	34,229,680
<b>Total Assets</b>	<b>\$ 582,407,880</b>	<b>\$ 464,229,267</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,348,722	\$ 2,300,948
Escrow payable and due to third parties	8,401,034	4,354,484
Deferred revenue	1,398,113	790,389
Recoverable grants	8,687,600	5,195,800
Loans and bonds payable	373,958,094	280,176,343
Other	11,243,292	10,176,235
<b>Total Liabilities</b>	<b>406,036,855</b>	<b>302,994,199</b>
Commitments and Contingencies (Note 18)		
Net Assets		
Without donor restrictions	60,790,051	57,723,704
Without donor restrictions - Contractually limited as to use	9,860,253	9,633,684
Non-controlling interest in consolidated subsidiary	(12,205)	-
Total Without Donor Restrictions	70,638,099	67,357,388
With donor restrictions	105,732,926	93,877,680
<b>Total Net Assets</b>	<b>176,371,025</b>	<b>161,235,068</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 582,407,880</b>	<b>\$ 464,229,267</b>

*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 and lease 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 14)</b>	105,194	-	105,194
<b>Total change in net assets</b>	3,280,711	11,855,246	15,135,957
<b>Net assets, December 31, 2017</b>	<u>67,357,388</u>	<u>93,877,680</u>	<u>161,235,068</u>
<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 Statement of Activities**  
**For the Year Ended December 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Financial Activity</b>			
Financial Income			
Interest from loans and leases	\$ 18,752,774	\$ 526,911	\$ 19,279,685
Investment income, net	191,968	162,103	354,071
Loan and lease fees	457,168	-	457,168
Asset management fee, net	2,058,428	-	2,058,428
Total Financial Income	<u>21,460,338</u>	<u>689,014</u>	<u>22,149,352</u>
Financial Expense			
Interest expense	7,978,183	-	7,978,183
Losses in equity method investments	209,468	-	209,468
Provision for loan and lease losses	1,679,196	-	1,679,196
Total Financial Expense	<u>9,866,847</u>	<u>-</u>	<u>9,866,847</u>
Net Financial Income	<u>11,593,491</u>	<u>689,014</u>	<u>12,282,505</u>
<b>Revenue and Support</b>			
Grants and contributions	7,758	8,318,318	8,326,076
Program services and fees	3,523,899	-	3,523,899
Other income	28,455	-	28,455
Net assets released from restrictions	19,591,939	(19,591,939)	-
Total Revenue and Support	<u>23,152,051</u>	<u>(11,273,621)</u>	<u>11,878,430</u>
<b>Program and General Expenses</b>			
Program - Lending and Community Investing	19,728,591	-	19,728,591
Program - Policy Solutions	1,847,790	-	1,847,790
Program - PolicyMap	3,419,834	-	3,419,834
Management and general	4,739,624	-	4,739,624
Total Program and General Expenses	<u>29,735,839</u>	<u>-</u>	<u>29,735,839</u>
<b>Other Decreases</b>			
Charges related to revolving loan fund	-	54,851	54,851
Total Other Decreases	<u>-</u>	<u>54,851</u>	<u>54,851</u>
Total Expenses and Other Decreases	<u>29,735,839</u>	<u>54,851</u>	<u>29,790,690</u>
<b>Total change in net assets</b>	<u>5,009,703</u>	<u>(10,639,458)</u>	<u>(5,629,755)</u>
<b>Net assets, December 31, 2016</b>	66,912,080	105,975,104	172,887,184
<b>Deconsolidation of Development Partners, Inc., January 1, 2017</b>	<u>(4,564,395)</u>	<u>(1,457,966)</u>	<u>(6,022,361)</u>
<b>Net assets, beginning after deconsolidation, January 1, 2017</b>	<u>62,347,685</u>	<u>104,517,138</u>	<u>166,864,823</u>
<b>Net assets, ending, December 31, 2017</b>	<u>\$ 67,357,388</u>	<u>\$ 93,877,680</u>	<u>\$ 161,235,068</u>

See Notes to Consolidated Financial Statements.

**Reinvestment Fund, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 15,030,763	\$ (5,629,755)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan and lease losses	8,080,350	1,679,196
Charge-offs related to revolving loan fund	107,399	54,851
Loss on disposition of intangible assets	254,087	-
Depreciation and amortization	434,572	740,166
Amortization of debt issuance costs	150,965	79,608
Deferred origination fees, net	(154,519)	336,212
Investment (gains) losses in marketable securities, net	(28,940)	175,351
Non-cash grant support	(1,500)	(58,836)
Investment (gain) loss in equity method investments	(620,241)	209,468
Gain on sale of loans receivable	(990,406)	-
Stock compensation expense	105,194	-
Decrease (increase) in:		
Grants and contributions receivable	(5,399,394)	13,662,951
Restricted cash and cash equivalents	7,344,235	(3,787,775)
Other assets	(3,642,312)	(1,832,313)
Increase (decrease) in:		
Accounts payable and accrued expenses	47,774	(178,757)
Escrow payable and due to third parties	4,046,550	(291,492)
Deferred revenue	607,724	(22,094)
Other liabilities	1,205,331	343,627
Recoverable grants	3,491,800	(847,881)
<b>Net cash provided by operating activities</b>	<u>30,069,432</u>	<u>4,632,527</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of marketable securities	(43,575,062)	(69,105,440)
Proceeds from sale of marketable securities	41,106,858	68,731,340
Purchases of program investments	-	(21,610)
Purchases of equity method investments	(78,246)	(34,130)
Distributions from equity method investments	601,200	17,696
Cash disbursements on loans receivable	(151,959,165)	(147,873,657)
Cash receipts on loans receivable	82,590,962	81,006,002
Principal payments received on leases receivable	67,351	129,764
Proceeds from sale of loans receivable	3,650,000	-
Additions of equipment, leasehold improvements and software	(237,086)	(94,067)
<b>Net cash used in investing activities</b>	<u>(67,833,188)</u>	<u>(67,244,102)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of loans and bonds payable	168,632,985	168,062,590
Principal payments on loans and bonds payable	(74,424,066)	(109,100,474)
Cash paid for debt issuance costs	(714,907)	(897,031)
<b>Net cash provided by financing activities</b>	<u>93,494,012</u>	<u>58,065,085</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>55,730,256</u>	<u>(4,546,490)</u>
<b>Cash and cash equivalents, beginning</b>	12,714,292	19,232,413
Net cash outflow from deconsolidation of Development Partners, Inc.	-	(1,971,631)
<b>Cash and cash equivalents, beginning after deconsolidation</b>	<u>12,714,292</u>	<u>17,260,782</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 68,444,548</u>	<u>\$ 12,714,292</u>

(Continued)

See Notes to Consolidated Financial Statements.



Reinvestment Fund, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 8,577,685</u>	<u>\$ 6,598,125</u>
<b>Supplemental Schedules of Non-Cash Investing and Financing Activities:</b>		
Conversion of interest and fees receivable into loans receivable	<u>\$ 2,737,699</u>	<u>\$ 1,714,404</u>
Conversion of interest payable into loans payable	<u>\$ 138,274</u>	<u>\$ 135,659</u>
Assignments of loans receivable and payable	<u>\$ -</u>	<u>\$ 10,876,701</u>
<b>Supplemental Disclosures of Cash and Non-Cash Investing Activities Related to Previously Consolidated Entity:</b>		
Assets deconsolidated	\$ -	\$ (40,131,580)
Liabilities deconsolidated	-	36,080,850
Unrestricted net assets deconsolidated	-	(680,014)
Temporarily restricted net assets deconsolidated	-	1,457,966
Non-controlling interest deconsolidated	-	5,244,409
Net cash outflow from deconsolidation of Development Partners, Inc.	<u>\$ -</u>	<u>\$ 1,971,631</u>

See Notes to Consolidated Financial Statements.

**Note 1. Summary of 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 under-served communities and to provide ownership and wealth creation opportunities, especially to minority and female entrepreneurs. In accordance with federal law, EFI is regulated by the Pennsylvania Department of Banking and 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 code. Reinvestment Fund is the sole member of RFIA.

Notes to Consolidated Financial Statements

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**Note 1. Summary of 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 non-member manager for the Chase NMTC TRF Charter School Investment Fund, LLC, a non-Reinvestment Fund entity, and 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.

Reinvestment I, LLC, Reinvestment II, LLC, Reinvestment III, LLC and Reinvestment IV, LLC: Reinvestment I, LLC ("Reinvest I"), Reinvestment II, LLC ("Reinvest II"), Reinvestment III, LLC ("Reinvest III") and Reinvestment IV, LLC ("Reinvest IV") are Pennsylvania limited liability companies, each wholly owned by 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. Reinvest II was dissolved on September 25, 2017.

Deconsolidation of Development Partners, Inc. ("DP"):

Effective January 1, 2017, DP restructured its organizational documents to provide for multiple members with the effect that DP would no longer be under the control of, and consolidated with Reinvestment Fund. The effect of the deconsolidation at January 1, 2017 was a decrease in assets of \$42,103,211, a decrease in liabilities of \$36,080,850 and a decrease in net assets of \$6,022,361. Effective December 31, 2017, the name of the entity was changed from DP to Rebuild Metro, Inc.

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.

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 II, Reinvest III and Reinvest IV. All significant intra-organization accounts and transactions have been eliminated in consolidation.

Various affiliated companies (Note 9) 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. Cash and cash equivalents for purposes of the consolidated statement of cash flows excludes restricted cash and 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.

Notes to Consolidated Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

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 21).

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Loans and Leases Receivable:

Loans: Loans receivable are stated at the principal amount outstanding, net of deferred loan fees and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate 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.

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

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

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

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

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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.

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, 2018 and 2017, the investment was \$350,800 and \$252,300, 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, 2018 and 2017.

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, accrued rent, accrued lease incentive, 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.

**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

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.

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from 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.

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.

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 Internal Revenue Code. In addition, 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, 2018 and 2017. Reinvestment Fund provides supplemental funds to employees for parking and transit, which is now considered to be unrelated business income for nonprofit organizations under the Tax Cuts and Jobs Act of 2017. Management has determined that the unrelated business income relating to these fringe benefits is not significant.

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, 2018 and 2017. 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 2015.

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.

Recent Accounting Pronouncements Adopted: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 on January 1, 2018. This ASU excludes from its scope revenue recognition related to interest and dividend income from investments and loans and leases, loan and lease fees, and grants and contributions.

**Notes to Consolidated Financial Statements**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements Adopted (continued):

The Organization has elected to apply the modified retrospective method to adopt the new standard. Utilizing the practical expedients allowed under the modified retrospective adoption method, Topic 606 was only applied to existing contracts for which the Organization has remaining performance obligations as of January 1, 2018, and new contracts entered into after January 1, 2018. Topic 606 was not applied to contracts that were completed prior to January 1, 2018. The comparative information has not been restated under the modified retrospective method and continues to be reported under the accounting standards in effect for those periods. There were no material changes in the timing of recognition of revenue and therefore no material impacts to the statement of financial position upon adoption. Additional disclosures related to revenue are included in Note 15.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", creates a disclosure about liquidity and availability of resources, and presents expenses by both their natural and functional classification. These changes have been applied retrospectively in the 2017 consolidated financial statements.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of January 1, 2017, after the deconsolidation of Development Partners, Inc. is as follows:

Net Assets Classifications	As previously presented	Reclassifications	"as adjusted" Amounts under ASU No. 2016-14
Unrestricted	\$ 62,347,685	\$ (62,347,685)	\$ -
Temporarily restricted	54,392,788	(54,392,788)	-
Permanently restricted	50,124,350	(50,124,350)	-
Without donor restrictions	-	62,347,685	62,347,685
With donor restrictions	-	104,517,138	104,517,138
Total Net Assets	\$ 166,864,823	\$ -	\$ 166,864,823

Recent Accounting Pronouncements Not Yet Adopted:

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for annual reporting periods beginning after December 15, 2018. Management has determined that the adoption of this standard will increase total assets and total liabilities by approximately \$3 million.



**Notes to Consolidated Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements Not Yet Adopted (continued):

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 effective date of the ASU was amended by ASU 2018-19, as defined below. The Organization is currently evaluating the impact of adopting the ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable.

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)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for annual periods beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted.

In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825- 10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU provides narrow-scope clarifying amendments to certain guidance in ASU 2016-01. The ASU is effective for annual periods beginning after December 15, 2018 for the Organization.

In June 2018, the FASB issued ASU 2018-08, *Nonprofit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than nonprofits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2018. Early adoption is permitted.

In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*. This ASU clarifies and corrects unintended application of narrow aspects of the lease accounting guidance. For entities that early-adopted Topic 842, the amendments are effective upon issuance of ASU 2018-10, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements for ASU 2018-10 are the same as the effective date and transition requirements in Topic 842 (for annual reporting periods beginning after December 15, 2018 for the Organization).

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU (a) allows entities to initially apply ASC 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; and (b) provides a practical expedient under which lessors may elect, by class of underlying assets, to not separate nonlease components from the associated lease component. For entities that have not adopted Topic 842 before the issuance of ASU 2018-11, the effective date and transition requirements for the amendments related to separating components of a contract are the same as those in ASU 2016-02. For entities that have adopted Topic 842 before the issuance of ASU 2018-11, the practical expedient for separating components may be elected either in the first reporting period following the issuance of ASU 2018-11 or at the original effective date of Topic 842 for that entity.

Notes to Consolidated Financial Statements

**Note 1. Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements Not Yet Adopted (continued):

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 ASC Topic 820. The ASU is effective for annual reporting period beginning after December 15, 2019 for the Organization.

In November 2018, FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This ASU amends the effective date of ASU 2016-13 for entities other than public business entities by requiring non-public business entities to adopt the standard for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This ASU also clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Rather, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases.

Reclassifications: Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 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.

Financial assets at December 31, 2018*	\$ 113,030,300
Less those unavailable for general expenditure within one year, due to donor-imposed time or purpose restrictions	<u>(57,722,492)</u>
Total financial assets available within one year	55,307,808
Liquidity resource:	
Undrawn lines of credit without restriction (as discussed in Note 11)	<u>9,661,417</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 64,969,225</u></u>

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

At December 31, 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.

Notes to Consolidated Financial Statements

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:

	2018	2017
Fresh Food Financing Initiative ("FFFI")	\$ 1,856,794	\$ 436,227
Escrow payable	3,478,357	3,794,612
CEF Escrow payable	1,970,000	-
Pennsylvania Green Energy Loan Fund ("GELF")	1,464,856	548,812
Sustainable Development Fund ("SDF") programs	2,406,333	1,744,093
United States Department of Education ("US ED") funds for charter school lending programs	389,660	3,057,321
Charter School Loan Fund for credit enhancements	-	2,193,212
Greenworks energy loan fund	1,706,522	1,710,328
EnergyWorks loan fund	6,126,644	6,114,638
Pennsylvania State Energy Program ("SEP")	285,952	614,568
CDFI-Bond Guarantee Program ("Bond Program")	3,955,179	2,972,361
Baltimore Energy Efficiency	1,127,817	1,354,187
Philadelphia Authority of Industrial Development - Gap financing	2,117,331	2,721,829
William Penn Foundation - High Quality Child Care Program	-	6,967,492
	<u>\$ 26,885,445</u>	<u>\$ 34,229,680</u>

Note 4. Investments in Marketable Securities

Investments at December 31 consisted of the following:

	2018	2017
Investments in marketable securities:		
Debt and Mortgage-backed securities:		
Federal Home Loan Mortgage Company	\$ 4,688,583	\$ 4,090,284
Federal National Mortgage Association	1,498,861	5,301,543
U.S. Treasury Notes and Bills	27,055,391	19,934,887
Corporate debt securities	10,088,827	11,507,804
	<u>\$ 43,331,662</u>	<u>\$ 40,834,518</u>
Included in the above are:		
Investments in marketable securities restricted as to use:		
US ED funds for charter school lending programs	\$ 22,229,818	\$ 16,952,511
GELF	845,056	846,031
SEP	-	198,672
	<u>\$ 23,074,874</u>	<u>\$ 17,997,214</u>

Investment net gains (losses) of \$28,940 and (\$175,351) and investment interest income of \$1,214,385 and \$599,496 were included on the consolidated statement of activities under investment income, net for the years ended December 31, 2018 and 2017, respectively.

Expenses relating to investment income, including custodial and advisory fees amounted to \$71,611 and \$70,074 for the years ended December 31, 2018 and 2017, respectively. These expenses have been included in investment income, net on the consolidated statement of activities.

**Notes to Consolidated Financial Statements**

**Note 5. Grants and Contributions Receivable**

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

Programs	2018	2017
Lending and Community Investing	\$ 6,043,389	\$ 469,251
Policy Solutions	11,428	186,172
	\$ 6,054,817	\$ 655,423

At December 31, 2018 and 2017, 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, 2018 and 2017, the Organization had cash balances in excess of the FDIC limits. At December 31, 2018 and 2017, the cash balances in excess of FDIC limits approximated \$27,596,000 and \$41,823,000, respectively. At December 31, 2018 and 2017, total cash equivalents include short-term money market funds of approximately \$67,053,000 and \$3,765,000, 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, 2018, at least 79% of the Organization's loans receivable due were used to fund projects within the mid-Atlantic region. Additionally, at December 31, 2018, the Organization's portfolio of education, commercial enterprise food commerce, and housing loans constituted 35.8%, 20.7%, 11.8% and 11.7%, 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.

Approximately 5% and 8% of the total loans receivable portfolio represents loans made to entities associated with the NMTC program at December 31, 2018 and 2017, respectively. Of these amounts, 15% and 11% represent loans to related parties at December 31, 2018 and 2017, respectively.

**Note 7. Loans and Leases Receivable**

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

	2018	2017
Education	\$ 162,216,129	\$ 155,508,716
Commercial enterprise	93,750,377	76,863,223
Food commerce	53,387,158	58,622,131
Housing	52,944,938	29,174,337
Healthcare	45,520,515	33,238,575
Community asset	31,657,545	25,884,846
Clean energy	10,278,309	5,213,025
Financial intermediary	3,883,848	4,784,105
	453,638,819	389,288,958
Allowance for loan and lease losses	(22,681,941)	(19,464,448)
	\$ 430,956,878	\$ 369,824,510

Notes to Consolidated Financial Statements

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

Net deferred loan fees of \$947,375 and \$2,357,508 have been included in the carrying value of loans receivable as of December 31, 2018 and 2017, respectively.

Education: Education loans include 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. The loans are underwritten with first or second liens on available real estate (as applicable) or blanket liens on all of the borrower's assets as collateral and loan-to-value ratios of less than 100% of the lesser of cost or appraised value at stabilization. Most loans are originated at a loan-to-value ratio of less than 90%.

Commercial Enterprise: Commercial enterprise loans include 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. The loans are underwritten with first or second liens on available real estate (as applicable) and loan-to-value ratios of less than 100% of the lesser of cost or appraised value at stabilization. Most loans are originated at a loan-to-value ratio of less than 90%.

Food Commerce: Healthy food retail loans include loans for 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. The loans are underwritten with liens on all business assets including inventory and loan-to-value ratios of less than 100% of cost at stabilization. Most loans are originated at a loan-to-value ratio of less than 90%.

Housing: Housing loans 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. Most loans are underwritten with first mortgage liens as collateral (as applicable) and loan-to-value ratios of less than 100% of the lesser of cost or appraised value at stabilization. Most loans are originated at a loan-to-value ratio of less than 90%.

Healthcare: Loans to community health centers 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. The loans are underwritten with first or second liens on available real estate (as applicable) and all of the borrower's assets, including the assignment of grants receivable, and loan-to-value ratios of less than 90% at stabilization.

Community Asset: Community asset loans include 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. The loans are underwritten with first or second liens on available real estate (as applicable) or blanket liens on all of the borrower's assets as collateral and loan-to-value ratios of less than 100% of the lesser of cost or appraised value at stabilization. Most loans are originated at a loan-to-value ratio of less than 90%.

Clean Energy: Loans used towards the financing of Power Purchase and Energy Saving Contracts, as well as direct financing of energy efficiency renovation and construction projects. The loans are underwritten with first position liens on assignment of contract receivables, and with loan-to-value ratios of less than 90%.

Financial Intermediary: Loans made to financial institutions to further lending activities to borrowers with smaller financing needs that would be better supported by other financing intermediaries. Loans are underwritten with first position liens on receivables.

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

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

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

	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				
(in 000's)						
Education:						
Commercial Mortgages	\$ -	\$ -	\$ 3,356	\$ 3,356	\$ 119,870	\$ 123,226
Construction, Pre-development and Acquisition	-	-	-	-	38,990	38,990
Total Education loans	-	-	3,356	3,356	158,860	162,216
Commercial Enterprise:						
Commercial Mortgages	-	-	-	-	71,464	71,464
Construction, Pre-development and Acquisition	-	-	-	-	22,286	22,286
Total Commercial Enterprise loans	-	-	-	-	93,750	93,750
Food Commerce:						
Commercial Mortgages	-	-	-	-	34,095	34,095
Construction, Pre-development and Acquisition	-	-	50	50	19,242	19,292
Total Food Commerce loans	-	-	50	50	53,337	53,387
Housing:						
Commercial Mortgages	-	-	-	-	36,295	36,295
Construction, Pre-development and Acquisition	1,186	-	-	1,186	15,464	16,650
Total Housing loans	1,186	-	-	1,186	51,759	52,945
Healthcare:						
Commercial Mortgages	-	-	-	-	33,385	33,385
Construction, Pre-development and Acquisition	-	-	-	-	12,136	12,136
Total Healthcare loans	-	-	-	-	45,521	45,521
Community Asset:						
Commercial Mortgages	-	-	1,575	1,575	29,084	30,659
Construction, Pre-development and Acquisition	-	-	-	-	999	999
Total Community Asset loans	-	-	1,575	1,575	30,083	31,658
Clean Energy:						
Commercial Mortgages	-	-	-	-	1,675	1,675
Construction, Pre-development and Acquisition	-	-	-	-	8,603	8,603
Total Clean Energy loans	-	-	-	-	10,278	10,278
Financial Intermediary:						
Commercial Mortgages	-	-	-	-	3,884	3,884
Total Financial Intermediary loans	-	-	-	-	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>

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

(in 000's)	2017					
	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:						
Commercial Mortgages	\$ -	\$ -	\$ 5,805	\$ 5,805	\$ 107,128	\$ 112,933
Construction, Pre-development and Acquisition	-	-	-	-	42,576	42,576
Total Education loans	-	-	5,805	5,805	149,704	155,509
Commercial Enterprise:						
Commercial Mortgages	-	-	-	-	63,454	63,454
Construction, Pre-development and Acquisition	-	-	-	-	13,409	13,409
Total Commercial Enterprise loans	-	-	-	-	76,863	76,863
Food Commerce:						
Commercial Mortgages	-	-	368	368	50,051	50,419
Construction, Pre-development and Acquisition	-	-	-	-	8,203	8,203
Total Food Commerce loans	-	-	368	368	58,254	58,622
Housing:						
Commercial Mortgages	-	-	-	-	9,094	9,094
Construction, Pre-development and Acquisition	-	-	2,761	2,761	17,319	20,080
Total Housing loans	-	-	2,761	2,761	26,413	29,174
Healthcare:						
Commercial Mortgages	-	-	-	-	32,249	32,249
Construction, Pre-development and Acquisition	-	-	-	-	990	990
Total Healthcare loans	-	-	-	-	33,239	33,239
Community Asset:						
Commercial Mortgages	-	-	-	-	21,750	21,750
Construction, Pre-development and Acquisition	-	-	-	-	4,135	4,135
Total Community Asset loans	-	-	-	-	25,885	25,885
Clean Energy:						
Commercial Mortgages	-	-	-	-	3,762	3,762
Construction, Pre-development and Acquisition	-	-	-	-	1,451	1,451
Total Clean Energy loans	-	-	-	-	5,213	5,213
Financial Intermediary:						
Commercial Mortgages	-	-	-	-	4,784	4,784
Total Financial Intermediary loans	-	-	-	-	4,784	4,784
<b>Total loans</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,934</b>	<b>\$ 8,934</b>	<b>\$ 380,355</b>	<b>\$ 389,289</b>

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

Notes to Consolidated Financial Statements

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**Note 7. Loans and Leases 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 weighting is assigned at origination, reviewed at least annually and may be updated more frequently if circumstances warrant a change in risk rating. The Organization uses a loan grading system that follows the Organization's accepted definitions as follows:

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



## Notes to Consolidated Financial Statements

## Note 7. Loans and Leases Receivable (Continued)

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

(in 000's)	2018						
	Above Average	Satisfactory	Below Average	Watch	Substandard	Doubtful	Total
Education:							
Commercial Mortgages	\$ -	\$ 85,935	\$ 28,590	\$ 5,345	\$ 3,356	\$ -	\$ 123,226
Construction, Pre-development and Acquisition	-	4,062	33,168	1,760	-	-	38,990
Total Education loans	-	89,997	61,758	7,105	3,356	-	162,216
Commercial Enterprise:							
Commercial Mortgages	602	41,883	27,369	1,610	-	-	71,464
Construction, Pre-development and Acquisition	-	17,130	1,977	3,179	-	-	22,286
Total Commercial Enterprise Loans	602	59,013	29,346	4,789	-	-	93,750
Food Commerce:							
Commercial Mortgages	1,264	16,043	16,034	754	-	-	34,095
Construction, Pre-development and Acquisition	-	12,681	6,110	451	50	-	19,292
Total Food Commerce loans	1,264	28,724	22,144	1,205	50	-	53,387
Housing:							
Commercial Mortgages	-	18,133	17,912	250	-	-	36,295
Construction, Pre-development and Acquisition	-	7,753	8,778	119	-	-	16,650
Total Housing loans	-	25,886	26,690	369	-	-	52,945
Healthcare:							
Commercial Mortgages	747	21,933	10,705	-	-	-	33,385
Construction, Pre-development and Acquisition	-	12,136	-	-	-	-	12,136
Total Healthcare loans	747	34,069	10,705	-	-	-	45,521
Community Asset							
Commercial Mortgages	-	11,415	17,669	-	1,575	-	30,659
Construction, Pre-development and Acquisition	-	845	154	-	-	-	999
Total Community Asset loans	-	12,260	17,823	-	1,575	-	31,658
Clean Energy:							
Commercial Mortgages	-	1,675	-	-	-	-	1,675
Construction, Pre-development and Acquisition	-	7,027	1,576	-	-	-	8,603
Total Clean Energy loans	-	8,702	1,576	-	-	-	10,278
Financial Intermediary:							
Commercial Mortgages	-	3,764	120	-	-	-	3,884
Total Financial Intermediary loans	-	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>

## Notes to Consolidated Financial Statements

## Note 7. Loans and Leases Receivable (Continued)

	2017						Total
	(in 000's)	Above Average	Satisfactory	Below Average	Watch	Substandard	
<b>Education:</b>							
Commercial Mortgages	\$ -	\$ 63,875	\$ 43,103	\$ 150	\$ 5,805	\$ -	\$ 112,933
Construction, Pre-development and Acquisition	-	12,147	30,157	272	-	-	42,576
Total Education loans	-	76,022	73,260	422	5,805	-	155,509
<b>Commercial Enterprise:</b>							
Commercial Mortgages	613	37,450	20,314	5,077	-	-	63,454
Construction, Pre-development and Acquisition	947	6,698	5,764	-	-	-	13,409
Total Commercial Enterprise Loans	1,560	44,148	26,078	5,077	-	-	76,863
<b>Food Commerce:</b>							
Commercial Mortgages	1,288	24,844	23,919	-	368	-	50,419
Construction, Pre-development and Acquisition	-	2,705	5,498	-	-	-	8,203
Total Food Commerce loans	1,288	27,549	29,417	-	368	-	58,622
<b>Housing:</b>							
Commercial Mortgages	-	5,912	668	2,514	-	-	9,094
Construction, Pre-development and Acquisition	-	9,305	6,623	4,152	-	-	20,080
Total Housing loans	-	15,217	7,291	6,666	-	-	29,174
<b>Healthcare:</b>							
Commercial Mortgages	-	25,512	6,737	-	-	-	32,249
Construction, Pre-development and Acquisition	-	941	49	-	-	-	990
Total Healthcare loans	-	26,453	6,786	-	-	-	33,239
<b>Community Asset</b>							
Commercial Mortgages	-	3,880	17,720	150	-	-	21,750
Construction, Pre-development and Acquisition	-	4,135	-	-	-	-	4,135
Total Community Asset loans	-	8,015	17,720	150	-	-	25,885
<b>Clean Energy:</b>							
Commercial Mortgages	-	3,660	102	-	-	-	3,762
Construction, Pre-development and Acquisition	-	1,272	179	-	-	-	1,451
Total Clean Energy loans	-	4,932	281	-	-	-	5,213
<b>Financial Intermediary:</b>							
Commercial Mortgages	-	4,664	120	-	-	-	4,784
Total Financial Intermediary loans	-	4,664	120	-	-	-	4,784
<b>Total loans</b>	<b>\$ 2,848</b>	<b>\$ 207,000</b>	<b>\$ 160,953</b>	<b>\$ 12,315</b>	<b>\$ 6,173</b>	<b>\$ -</b>	<b>\$ 389,289</b>

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

Management employs one of three methods to determine and measure impairment: Present Value of Future Cash Flows, Fair Value of Collateral for loans that are collateral dependent, or Observable Market Price. To perform an impairment analysis, the Organization reviews a loan's internally assigned risk rating, its outstanding balance, guarantors, collateral, strategy, and a current report of the action being implemented. Accordingly, based on the nature of the specific loans, one of the impairment methods is chosen for the respective loan and any impairment is determined.

No interest was recognized on a cash basis for impaired loans in 2018 and 2017.

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

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

<b>2018</b>							
(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
<b>Education:</b>							
Commercial Mortgages	\$ 11,542	\$ 8,762	\$ 8,762	\$ -	\$ -	\$ 9,990	\$ 338
Construction, Pre-development and Acquisition	<u>2,127</u>	<u>2,077</u>	<u>2,017</u>	<u>60</u>	<u>1</u>	<u>2,084</u>	<u>133</u>
Total Education loans	<u>13,669</u>	<u>10,839</u>	<u>10,779</u>	<u>60</u>	<u>1</u>	<u>12,074</u>	<u>471</u>
<b>Commercial Enterprise:</b>							
Commercial Mortgages	1,610	1,610	-	1,610	376	1,610	101
Construction, Pre-development and Acquisition	<u>3,179</u>	<u>3,179</u>	<u>3,179</u>	<u>-</u>	<u>-</u>	<u>3,179</u>	<u>190</u>
Total Commercial Enterprise loans	<u>4,789</u>	<u>4,789</u>	<u>3,179</u>	<u>1,610</u>	<u>376</u>	<u>4,789</u>	<u>291</u>
<b>Food Commerce:</b>							
Construction, Pre-development and Acquisition	<u>333</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>19</u>
Total Food Commerce loans	<u>333</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>19</u>
<b>Housing:</b>							
Commercial Mortgages	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>
Total Housing loans	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>
<b>Community Asset:</b>							
Commercial Mortgages	<u>1,575</u>	<u>1,575</u>	<u>-</u>	<u>1,575</u>	<u>1,285</u>	<u>1,575</u>	<u>79</u>
Total Community Asset loans	<u>1,575</u>	<u>1,575</u>	<u>-</u>	<u>1,575</u>	<u>1,285</u>	<u>1,575</u>	<u>79</u>
<b>Total loans</b>	<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>

  

<b>2017</b>							
(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
<b>Education:</b>							
Commercial Mortgages	\$ 6,023	\$ 6,023	\$ 69	\$ 5,954	\$ 760	\$ 6,128	\$ 13
Construction, Pre-development and Acquisition	<u>272</u>	<u>272</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>283</u>	<u>-</u>
Total Education loans	<u>6,295</u>	<u>6,295</u>	<u>341</u>	<u>5,954</u>	<u>760</u>	<u>6,411</u>	<u>13</u>
<b>Food Commerce:</b>							
Commercial Mortgages	<u>368</u>	<u>368</u>	<u>-</u>	<u>368</u>	<u>157</u>	<u>381</u>	<u>-</u>
Total Food Commerce loans	<u>368</u>	<u>368</u>	<u>-</u>	<u>368</u>	<u>157</u>	<u>381</u>	<u>-</u>
<b>Housing:</b>							
Commercial Mortgages	1,721	466	97	369	256	1,257	105
Construction, Pre-development and Acquisition	<u>3,063</u>	<u>3,063</u>	<u>2,761</u>	<u>302</u>	<u>34</u>	<u>3,008</u>	<u>8</u>
Total Housing loans	<u>4,784</u>	<u>3,529</u>	<u>2,858</u>	<u>671</u>	<u>290</u>	<u>4,265</u>	<u>113</u>
<b>Community Asset:</b>							
Commercial Mortgages	<u>150</u>	<u>150</u>	<u>-</u>	<u>150</u>	<u>150</u>	<u>75</u>	<u>-</u>
Total Community Asset loans	<u>150</u>	<u>150</u>	<u>-</u>	<u>150</u>	<u>150</u>	<u>75</u>	<u>-</u>
<b>Total loans</b>	<u>\$ 11,597</u>	<u>\$ 10,342</u>	<u>\$ 3,199</u>	<u>\$ 7,143</u>	<u>\$ 1,357</u>	<u>\$ 11,132</u>	<u>\$ 126</u>

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

Troubled Debt Restructurings ("TDRs"): 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 loans and lease 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 2018 and 2017 that subsequently defaulted during those years. One TDR totaling \$60,000 was executed in 2018 and was not in default as of December 31, 2018. Of the four 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. There were no TDRs that involved forgiveness of debt.

<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
<b>Education:</b>				
Extended under forbearance	\$ 6,145	\$ (2,471)	\$ -	\$ 3,674
Extensions resulting from financial difficulty	-	-	60	60
<b>Food Commerce:</b>				
Extended under forbearance	368	(368)	-	-
<b>Housing:</b>				
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>

Notes to Consolidated Financial Statements

Note 7. Loans and Leases Receivable (Continued)

2017				
(in 000's)	Balance at January 1	TDRs paid off, reclassified, or written off	New TDRs	Balance at December 31
Education:				
Extended under forbearance	\$ 6,528	\$ (383)	\$ -	\$ 6,145
Food Commerce:				
Extended under forbearance	-	368	-	368
Extensions resulting from financial difficulty	393	(393)	-	-
Housing:				
Extended under forbearance	2,761	-	96	2,857
<b>Total</b>	<b>\$ 9,682</b>	<b>\$ (408)</b>	<b>\$ 96</b>	<b>\$ 9,370</b>

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

2018						
(in 000's)	TDRs in compliance and accruing interest		TDRs not accruing interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Education:						
Commercial Mortgages	\$ 61	\$ 1	\$ 3,356	\$ 1	\$ 3,417	\$ 2
Construction, Pre-development and Acquisition	317	2	-	-	317	2
<b>Total</b>	<b>\$ 378</b>	<b>3</b>	<b>\$ 3,356</b>	<b>1</b>	<b>\$ 3,734</b>	<b>4</b>

2017						
(in 000's)	TDRs in compliance and accruing interest		TDRs not accruing interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Education:						
Commercial Mortgages	\$ 69	1	\$ 5,805	1	\$ 5,874	2
Construction, Pre-development and Acquisition	271	1	-	-	271	1
Food Commerce:						
Commercial Mortgages	-	-	368	1	368	1
Housing:						
Commercial Mortgages	96	2	-	-	96	2
Construction, Pre-development and Acquisition	-	-	2,761	1	2,761	1
<b>Total</b>	<b>\$ 436</b>	<b>4</b>	<b>\$ 8,934</b>	<b>3</b>	<b>\$ 9,370</b>	<b>7</b>

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

Notes to Consolidated Financial Statements

Note 8. Allowance for Loan and Lease Losses

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

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

(in 000's)	2018								
	Education	Commercial Enterprise	Food Commerce	Housing	Healthcare	Community Asset	Clean Energy	Financial Intermediary	Total
Beginning balance	\$ 8,328	\$ 3,595	\$ 3,198	\$ 1,451	\$ 1,125	\$ 1,299	\$ 244	\$ 224	\$ 19,464
Provision for loan and lease losses									
Without donor restrictions	1,412	827	2,895	965	493	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 and net charge-offs	(710)	877	127	1,091	493	1,254	165	(79)	3,218
Ending balance	\$ 7,618	\$ 4,472	\$ 3,325	\$ 2,542	\$ 1,618	\$ 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	2,292	1,618	1,268	409	145	20,720
	\$ 7,618	\$ 4,472	\$ 3,325	\$ 2,542	\$ 1,618	\$ 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	52,695	45,521	30,083	10,278	3,884	436,136
Total	\$ 162,216	\$ 93,750	\$ 53,387	\$ 52,945	\$ 45,521	\$ 31,658	\$ 10,278	\$ 3,884	\$ 453,639

**Reinvestment Fund, Inc. and Affiliates**
**Notes to Consolidated Financial Statements**
**Note 8. Allowance for Loan and Lease Losses**

(in 000's)	2017								
	Education	Commercial Enterprise	Food Commerce	Housing	Healthcare	Community Asset	Clean Energy	Financial Intermediary	Total
Beginning balance	\$ 7,608	\$ 3,698	\$ 3,463	\$ 1,239	\$ 482	\$ 873	\$ 251	\$ 230	\$ 17,844
Provision for loan and lease losses									
Without donor restrictions	720	(103)	(206)	212	643	426	(7)	(6)	1,679
Net reduction in net assets with donor restrictions	-	-	55	-	-	-	-	-	55
Charge-offs	-	-	(116)	(85)	-	-	-	-	(201)
Recoveries	-	-	2	85	-	-	-	-	87
Provision and net charge-offs	720	(103)	(265)	212	643	426	(7)	(6)	1,620
Ending balance	\$ 8,328	\$ 3,595	\$ 3,198	\$ 1,451	\$ 1,125	\$ 1,299	\$ 244	\$ 224	\$ 19,464
Period-end amount allocated to:									
Loans individually evaluated for impairment	\$ 760	\$ -	\$ 157	\$ 290	\$ -	\$ 150	\$ -	\$ -	\$ 1,357
Loans collectively evaluated for impairment	7,568	3,595	3,041	1,161	1,125	1,149	244	224	18,107
	\$ 8,328	\$ 3,595	\$ 3,198	\$ 1,451	\$ 1,125	\$ 1,299	\$ 244	\$ 224	\$ 19,464
Loans, ending balance:									
Loans individually evaluated for impairment	\$ 6,295	\$ -	\$ 368	\$ 3,529	\$ -	\$ 150	\$ -	\$ -	\$ 10,342
Loans collectively evaluated for impairment	149,214	76,863	58,254	25,645	33,239	25,735	5,213	4,784	378,947
Total	\$ 155,509	\$ 76,863	\$ 58,622	\$ 29,174	\$ 33,239	\$ 25,885	\$ 5,213	\$ 4,784	\$ 389,289

## Notes to Consolidated Financial Statements

## Note 9. 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:

	2018	2017
Equity Method Investments		
New Markets Tax Credit Program	\$ 25,139	\$ 28,370
New Markets Tax Credit Investment Funds		
Chase NMTC TRF 2011 Investment Fund, LLC	476	477
Chase NMTC PHN Investment Fund, LLC	336	338
481 Philabundance Investment Fund, LLC	189	194
Chase NMTC Liberty Heights Investment Fund, LLC	401	412
	<u>1,402</u>	<u>1,421</u>
Limited Partnerships and Limited Liability Companies		
Charter School Financing Partnership (a)	131,284	82,993
FSCLF Holding, LLC (b)	179,951	195,750
Octavia Hill Bel-Air Partners, LP (c)	-	-
Octavia Hill Chelten Partners, LP (d)	-	-
HealthCo Participation LLC (e)	10,382	5,010
Alliance Fund Management, LLC (f)	-	-
Domestic Small Cap Pay For Success Fund I, LP (g)	90,783	28,110
	<u>412,400</u>	<u>311,863</u>
Total equity method investments	<u>438,941</u>	<u>341,654</u>
Program Investments		
The Community Development Trust	271,610	271,610
Total program investments	<u>271,610</u>	<u>271,610</u>
	<u>\$ 710,551</u>	<u>\$ 613,264</u>

**New Markets Tax Credit Program:** During fiscal years 2018 and 2017, Reinvestment Fund received a New Markets Tax Credit Program (“Program”) allocation of \$70,000,000 and \$0, 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, 2018, NMTC is the general partner of TRF NMTC Fund XVII, L.P. through TRF NMTC Fund XLIV, L.P., TRF NMTC Fund XLVI, L.P., and 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.

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. 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 \$1,304,886 and \$1,712,934 for the years ended December 31, 2018 and 2017, respectively. The 2017 amount includes a one-time negotiated servicing fee of \$200,000 as part of the TRF NMTC Fund V, LP unwind. These amounts are included in asset management fees on the consolidated statement of activities.



Notes to Consolidated Financial Statements

Note 9. Equity Method and Program Investments (Continued)

New Markets Tax Credit Program (Continued):

In connection with the formation of 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., the Organization received fees of \$1,628,250 for the year ended December 31, 2018. The fees received as a result of the NMTC fund formations are included in asset management fees on the consolidated statement of activities.

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 \$2,079,126 in success fees in 2018. During 2017, TRF NMTC Fund V, L.P, TRF NMTC Fund IX, L.P., TRF NMTC Fund X, L.P., TRF NMTC Fund XI, L.P and TRF NMTC Fund XIII, L.P, were unwound. As a result, Reinvestment Fund earned \$283,230 in success fees in 2017. Success fess 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.

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	<u>\$ 251,311,749</u>	<u>\$ 171,819</u>	<u>\$ 251,139,930</u>	<u>\$ 3,901,560</u>	<u>\$ 25,139</u>	

## Notes to Consolidated Financial Statements

## Note 9. Equity Method and Program Investments (Continued)

## New Markets Tax Credit Program (Continued):

	2017				Reinvestment Fund Investment Balance
	Total Assets	Total Liabilities	Total Equity	Net Income	
TRF NMTC Fund XIV, L.P.	\$ 17,537,721	\$ 15,277	\$ 17,522,444	\$ 598,393	\$ 1,752
TRF NMTC Fund XV, L.P.	41,341,798	53,008	41,288,790	1,764,507	4,256
TRF NMTC Fund XVI, L.P.	18,796,112	8,051	18,788,061	382,532	1,878
TRF NMTC Fund XVII, L.P.	12,880,448	5,456	12,874,992	113,202	1,311
TRF NMTC Fund XVIII, L.P.	8,539,177	10,634	8,528,543	298,127	858
TRF NMTC Fund XIX, L.P.	8,009,693	3,450	8,006,243	48,701	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	263,858	950
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	555
TRF NMTC Fund XXVI, L.P.	9,532,097	11,875	9,520,222	75,186	952
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	1,003
TRF NMTC Fund XXXII, L.P.	11,042,351	13,750	11,028,601	110,000	1,103
TRF NMTC Fund XXXIII, L.P.	8,009,132	3,333	8,005,799	57,275	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	852
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	803
TRF NMTC Fund XXXIX, L.P.	6,506,355	2,708	6,503,647	34,719	650
Total	\$ 282,422,861	\$ 228,256	\$ 282,194,605	\$ 6,566,229	\$ 28,370

## 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 \$48,291 and \$24,218 for the years ended December 31, 2018 and 2017, 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 a decrease in equity earnings of \$15,799 and increase in equity earnings of \$20,906 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

**Note 9. 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, 2018 and 2017.
- (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, 2018 and 2017, Reinvestment Fund recorded an equity loss of \$4,628 and \$4,794, respectively. During the years ended December 31, 2018 and 2017, Reinvestment Fund contributed capital of \$10,000 and \$4,000, respectively.

At December 31, 2018 and 2017, 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, 2018 and 2017.
- (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. Reinvestment Fund and RFIA have ownership interests in PFS of 10% and 0.1%, respectively. Reinvestment Fund made contributions totaling \$63,598 and \$30,131 during the years ended December 31, 2018 and 2017, respectively. Reinvestment Fund recorded equity losses of \$513 and \$2,021 for the years ended December 31, 2018 and 2017, respectively.

Reinvestment Fund received distributions totaling \$411 and \$0 during the years ended December 31, 2018 and 2017, respectively.

On December 8, 2017, Reinvestment Fund sold two loans to PFS for a purchase price of \$300,347 consisting of \$297,398 of principal and \$2,949 of accrued interest.

Program Investments:

At December 31, 2018 and 2017, Reinvestment Fund owned 27,160 common “B” shares of The Community Development Trust, Inc. carried at \$271,610.

## Notes to Consolidated Financial Statements

**Note 10. Equipment, Leasehold Improvements and Software, Net**

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

	2018	2017
Office furniture, equipment and software	\$ 1,817,677	\$ 1,983,988
Leasehold improvements	1,045,593	1,045,593
Software development	5,610,318	6,933,606
Accumulated depreciation	<u>(7,792,629)</u>	<u>(8,830,655)</u>
	<u>\$ 680,959</u>	<u>\$ 1,132,532</u>

Depreciation and amortization expense of \$434,572 and \$740,166, was recorded for the years ended December 31, 2018 and 2017, 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 \$210,797 and \$119,742 of fully depreciated assets from office furniture, equipment and software that are no longer in use, in 2018 and 2017, respectively.

**Note 11. Loans and Bonds Payable**

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

	2018	2017
Loans payable current portion	\$ 39,462,260	\$ 33,880,110
Loans payable long-term portion	209,207,199	196,178,656
Gross loans payable	<u>248,669,459</u>	<u>230,058,766</u>
Bonds payable long-term portion	126,670,000	50,935,000
Gross bonds payable	<u>126,670,000</u>	<u>50,935,000</u>
Gross loans and bonds payable	375,339,459	280,993,766
Deferred debt issuance costs	<u>(1,381,365)</u>	<u>(817,423)</u>
Net loans and bonds payable	<u>\$ 373,958,094</u>	<u>\$ 280,176,343</u>

Loans payable				
Lender	Maturity Date	2018		2017
		Interest rate	Balance	Balance
Government	2019-2045	1.94% - 3.41%	\$ 86,811,048	\$ 73,562,238
Financial institutions, partnerships, and corporations	2018-2035	0.00% - 7.15%	97,798,322	99,611,454
Foundations, religious, and civic organizations	2018-2030	0.00% - 4.50%	53,244,443	46,622,015
Individuals	2018-2045	0.00% - 5.00%	10,815,646	10,263,059
Gross loans payable			<u>\$ 248,669,459</u>	<u>\$ 230,058,766</u>

Notes to Consolidated Financial Statements

Note 11. Loans and Bonds Payable (Continued)

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

The Organization had 831 and 792 issuances of debt at December 31, 2018 and 2017, respectively. The Organization's variable rate loans are based on 30-day London Interbank Offered Rate ("LIBOR") which was 2.52% and 1.56% at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Organization had \$374,165,266 and \$275,993,766 of fixed rate debt, respectively, and \$1,174,193 and \$5,000,000 of variable rate debt, respectively. At December 31, 2018 and 2017, the Organization had \$81,312,165 and \$65,827,535 of secured debt, respectively, and \$294,027,294 and \$215,166,231 of unsecured debt, respectively.

At December 31, 2018, 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, 2018, 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, 2018, and 2017, the Organization was in compliance with all of its financial covenants.

Aggregate maturities for loans and bonds payable at December 31, 2018 are as follows:

2019	\$ 39,462,260
2020	38,684,107
2021	31,378,559
2022	28,276,238
2023	38,603,798
Thereafter	198,934,497
	<u>\$ 375,339,459</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 \$15,600,000 and \$23,205,000 in 2018 and 2017, 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, 2018, and 2017, the loans payable of approximately \$73,852,000 and \$60,368,000, respectively, were secured by pledged loans receivable of approximately \$75,670,000 and \$62,775,000, respectively, and restricted cash of approximately \$3,955,000 and \$2,972,000, respectively.

**Notes to Consolidated Financial Statements**

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**Note 11. 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 for \$11,708,000 at December 31, 2018 and 2017. 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, 2018 and 2017, 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, 2018 and 2017, the loans payable balance was \$5,000,000 and \$3,000,000, respectively, secured by pledged loans receivable of approximately \$24,275,000 and \$25,871,000, respectively.

***Unsecured***

Reinvestment Fund entered into two EQ2 agreements with Wells Fargo Community Investment Holdings totaling \$7,000,000 at December 31, 2018 and 2017. 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.

Reinvestment Fund entered into an EQ2 agreement with CDFI Community Investment Fund in 2018 for \$750,000.

***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

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**Note 11. 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, 2018, total undrawn debt was \$144,157,867. 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 \$9,661,417 of additional funding at December 31, 2018. 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 \$51,134,000. Rates under the CDFI Bond Guarantee Program are set on the advance date.

**Note 12. 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. The balance of this recoverable grant was \$5,240,000 and \$3,240,000 at December 31, 2018 and 2017, respectively.

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. SEDC may require repayment of the grant at the end of the grant period. The balance of this recoverable grant was \$400,000 at December 31, 2018 and 2017.

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. During 2018, the remaining \$1,555,800 was received and \$111,600 was used to create the fund and was recognized as grant revenue. The balance of this recoverable grant was \$3,000,000 and \$1,555,800 at December 31, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

**Note 12. Recoverable Grants (Continued)**

At December 31, 2018 and 2017, the balance of other recoverable grants was \$47,600 and \$0, respectively. The consolidated statement of financial position reflects recoverable grants in the amount of \$8,687,600 and \$5,195,800 as of December 31, 2018 and 2017, respectively.

**Note 13. 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, 2018 and 2017, net assets without donor restrictions were \$70,638,099 and \$67,357,388, respectively. At December 31, 2018 and 2017, net assets without donor restrictions included \$9,860,253 and \$9,633,684, respectively, of net assets contractually limited as to use by SDF (See Note 16). At December 31, 2018, net assets without donor restrictions also included (\$12,205), representing non-controlling interest which is the equity interests in Policy Map, Inc., exclusive of any Reinvestment Fund interests. (See Note 14)

Net assets with donor restrictions are those net assets whose use by the Organization is limited by the donor for a specified purpose, restricted to be used in a later period or after a specified date, or to be included in a revolving loan fund. Net assets with donor restrictions at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Net Assets with Donor Restrictions		
Financing - Lending and Community Investing		
Revolving loan funds held in perpetuity	\$ 49,832,996	\$ 50,128,719
Credit and financing net assets	<u>43,894,716</u>	<u>35,321,401</u>
	<u>93,727,712</u>	<u>85,450,120</u>
Programmatic net assets		
Policy Solutions	340,163	435,643
Lending and Community Investing	<u>10,527,674</u>	<u>5,482,600</u>
	<u>10,867,837</u>	<u>5,918,243</u>
Re-granting - Lending and Community Investing	<u>1,137,377</u>	<u>2,509,317</u>
Total Net Assets with Donor Restrictions	<u>\$ 105,732,926</u>	<u>\$ 93,877,680</u>

At December 31, 2018 and 2017, approximately \$164,000,000 and \$153,000,000, 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.

**Note 14. 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.



Notes to Consolidated Financial Statements

Note 14. PolicyMap Equity Compensation Plan (Continued)

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 year ended December 31, 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	-	-	-
Granted	927	\$ 526.00	9.00
Balance at December 31, 2018	<u>927</u>		

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 2018, 11 stock awards were granted totaling 69 shares of common stock at a grant date fair value of \$526 per share.

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

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 year ended December 31, 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	<u>\$ (12,205)</u>

Notes to Consolidated Financial Statements

Note 15. Revenue Recognition

The following disclosures discuss the Organization's revenue recognition policies upon the adoption of ASU 2014-09 on January 1, 2018, as discussed in Note 1.

Disaggregation of revenue

The following table presents our revenue disaggregated by performance obligation:

	2018	2017
<b>Asset Management Fee</b>		
Administrative services fees	\$ 1,335,604	\$ 1,775,198
Sub-allocation fees	1,628,250	-
Success fees	2,079,126	283,230
Total Asset Management Fee	<u>5,042,980</u>	<u>2,058,428</u>
<b>Program Services and Fees</b>		
Professional services - Policy Solutions	846,981	1,078,859
Professional services - PolicyMap	314,755	571,618
Subscription and licenses	1,807,664	1,873,422
Total Program Services and Fees	<u>2,969,400</u>	<u>3,523,899</u>
<b>Total</b>	<u>\$ 8,012,380</u>	<u>\$ 5,582,327</u>
	2018	2017
<b>Timing of Revenue Recognition</b>		
Revenue recognized over time	\$ 4,305,004	\$ 5,299,097
Revenue recognized at a point in time	3,707,376	283,230
<b>Total</b>	<u>\$ 8,012,380</u>	<u>\$ 5,582,327</u>

Performance Obligations

Asset Management Fees

Substantially all of the Organization's asset management fee revenue is generated from the Organization's involvement in the NMTC program.

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.

**Notes to Consolidated Financial Statements**

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**Note 15. Revenue Recognition (Continued)**

***Program Services and Fees***

Professional services – Policy Solutions include Policy Solutions’ policy, data and social impact analyses conducted on behalf of public and philanthropic clients.

Professional services – PolicyMap include 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.

**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:

	2018	2017
Accounts receivable, net	\$ 747,188	\$ 666,819
Deferred revenue	\$ (1,398,113)	\$ (790,389)

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, 2017 was recognized during the year ended December 31, 2018. As of December 31, 2018, approximately \$1,400,000 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.

Notes to Consolidated Financial Statements

**Note 16. 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.

**Note 17. Functional Classification of Expenses**

Functional expenses for the year ended December 31, 2018 consist of the following:

	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	<u>\$ 11,010,358</u>	<u>\$ 1,434,917</u>	<u>\$ 4,109,296</u>	<u>\$ 5,894,602</u>	<u>\$ 22,449,173</u>

The management and general category includes fundraising expenses, which are approximately \$95,000 and \$86,000 for the years ended December 31, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

Note 18. Commitments and Contingencies

Commitments:

At December 31, 2018, the Organization had approximately \$53,300,000 of loans closed but not yet disbursed and \$16,800,000 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.

At December 31, 2018, Reinvestment Fund had unconditional outstanding letters of credit totaling \$2,787,625. These letters of credit mature by December 2019.

Reinvestment Fund leases its offices and certain office equipment under non-cancelable operating leases. One office lease term is for 15 years with one option to renew for 5 years. The lease includes a tenant leasehold improvement allowance totaling approximately \$1,100,000. This allowance is deferred and amortized over the term of the lease. PolicyMap leases its offices under a non-cancelable operating lease with a term of 4 years.

The Organization's future annual minimum payments under these leases are as follows:

2019	\$ 771,386
2020	737,580
2021	682,484
2022	666,113
2023	673,989
Thereafter	<u>1,581,978</u>
	<u>\$ 5,113,530</u>

Rent expense, net of subleases, was \$612,997 and \$610,150 for the years ended December 31, 2018 and 2017, respectively.

DP:

Effective January 1, 2017, as part of the DP restructure, Reinvestment Fund and DP executed a Support and Services Agreement (the "Agreement"). (See Note 1)

At January 1, 2019, Reinvestment Fund shall provide DP with the following support:

- In 2019, Reinvestment Fund shall provide a reimbursement grant for expenses incurred in executive staffing costs not to exceed \$205,000. The reimbursement grant funds shall be awarded upon meeting the reimbursement criteria.
- Upon meeting the matching criteria defined in the Agreement, matching grants totaling \$375,000 shall be awarded to DP through 2020, up to a maximum amount of \$300,000 in 2019, and up to a maximum amount of \$75,000 in 2020.
- In 2019, Reinvestment Fund shall reimburse DP for back office support costs in the form of a reimbursement grant not to exceed \$450,000.

For the years ended December 31, 2018 and 2017, Reinvestment Fund provided DP \$205,000 each year in reimbursement grants for executive staffing costs; \$450,000 and \$600,000, respectively, in matching grants; and \$478,054 and \$247,395, respectively, in reimbursement grants for staffing costs. These grants totaling \$1,133,054 and \$1,052,395 for the years ended December 31, 2018 and 2017, respectively, are included in program-lending and community investing on the consolidated statement of activities. Reinvestment Fund also provided \$2,144 and \$172,407 of in kind back office support for the years ended December 2018 and 2017, respectively. In addition, Reinvestment Fund purchased a subscription note in the principal amount of \$250,000 in 2017.

Notes to Consolidated Financial Statements

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**Note 18. Commitments and Contingencies (Continued)**

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 19. 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 2018 and 2017, as the conditions of the grant were met, the Organization recognized \$2,600,000 and \$3,400,000, respectively, in grant revenue. Prior to 2017, \$6,500,000 of grant revenue was recognized. Conditional grants receivable at December 31, 2018 and 2017 were \$2,500,000 and \$5,100,000, respectively.

In December 2016, the Organization was awarded a \$3,000,000, three-year conditional grant to provide planning and capital support for the expansion of high-quality child care providers serving low-income children in Philadelphia. During 2018 and 2017, as the conditions of the grant were met, the Organization recognized \$1,500,000 and \$1,050,000 of grant revenue, respectively. Prior to 2017, \$450,000 of grant revenue was recognized. Conditional grants receivable at December 31, 2018 and 2017 were \$0 and \$1,500,000, respectively.

In December 2017, the Organization was also awarded a \$3,111,600, five-year conditional grant to create and operate a revolving loan fund for early learning providers in Philadelphia. The Organization received an advance payment of \$1,555,800 upon the execution of the grant agreement in December 2017, and the remaining award was received in 2018. (See Note 12). Conditional grants receivable at December 31, 2018 and 2017 were \$0 and \$1,555,800, respectively.

**Note 20. Retirement Plan**

The Organization offers all eligible employees the opportunity to participate in a 401(k) tax deferred plan whereby employees may elect to contribute through payroll deductions. These amounts are subject to statutory maximums. 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 for 2018 and 2017. The Organization contributed \$360,835 and \$299,188 for the years ended December 31, 2018 and 2017, respectively.

**Note 21. 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.

**Reinvestment Fund, Inc. and Affiliates**
**Notes to Consolidated Financial Statements**
**Note 21. Fair Value Measurements (Continued)**

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.

	<b>2018</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal 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	<u>271,610</u>	<u>-</u>	<u>-</u>	<u>271,610</u>
Total assets	<u>\$ 43,603,272</u>	<u>\$ 27,055,391</u>	<u>\$ 16,276,271</u>	<u>\$ 271,610</u>

	<b>2017</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal Home Loan Mortgage Company	\$ 4,090,284	\$ -	\$ 4,090,284	\$ -
Federal National Mortgage Association	5,301,543	-	5,301,543	-
U.S. Treasury Notes and Bills	19,934,887	19,934,887	-	-
Corporate debt securities	11,507,804	-	11,507,804	-
Program investments:				
The Community Development Trust	<u>271,610</u>	<u>-</u>	<u>-</u>	<u>271,610</u>
Total assets	<u>\$ 41,106,128</u>	<u>\$ 19,934,887</u>	<u>\$ 20,899,631</u>	<u>\$ 271,610</u>

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3 assets).

	<u>Level 3</u>
Program investments: The Community Development Trust	
Balance, January 1, 2017	\$ 250,000
Purchase (2017)	<u>21,610</u>
Balance, December 31, 2018 and 2017	<u>\$ 271,610</u>

Notes to Consolidated Financial Statements

Note 21. Fair Value Measurements (Continued)

*Fair Value on a Nonrecurring Basis*

Impaired loans: The fair value of impaired loans is determined based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The valuation allowance for impaired loans is included in the allowance for losses in the consolidated statement of financial position. The valuation allowance for impaired loans at December 31, 2018 and 2017 was \$1,962,001 and \$1,357,050, respectively.

	<b>2018</b>			
	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>

	<b>2017</b>			
	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$1,357,050	\$ 8,984,964	\$ -	\$ -	\$ 8,984,964
	<u>\$ 8,984,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,984,964</u>

Note 22. Subsequent Events

The Organization's management has evaluated its subsequent events (events occurring after December 31, 2018) through April 23, 2019, which represents the date the financial statements were available to be issued.





RSM US LLP

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

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

We have audited the consolidated financial statements of Reinvestment Fund, Inc. and Affiliates as of and for the years ended December 31, 2018 and 2017, 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 and other supplementary 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 and other supplementary 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*

Blue Bell, Pennsylvania  
April 23, 2019

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 and leases receivable	79,097,199	-	5,715	-	79,820	-	-	-	(11,621)	79,171,113	705,431	-	78,465,682
Allowance for loan and lease losses	(3,955,146)	-	-	-	(3,991)	-	-	-	581	(3,958,556)	(35,272)	-	(3,923,284)
Other	4,461,935	421,579	-	2	40,837	-	14,528	4,553	(14,087)	4,929,347	79,947	-	4,849,400
Restricted cash and cash equivalents	24,915,445	-	-	-	1,970,000	-	-	-	-	26,885,445	2,406,333	-	24,479,112
	<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 and leases receivable	371,741,849	-	54,992	-	3,250,865	-	-	-	(580,000)	374,467,706	7,212,386	-	367,255,320
Allowance for loan and lease 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, 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, 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 Financial Position  
December 31, 2017

	Reinvestment Fund	PolicyMap	EFI	NMTC	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
<b>Assets</b>											
Current Assets											
Cash and cash equivalents	\$ 12,355,560	\$ 125,386	\$ 54,061	\$ 47,564	\$ 61,946	\$ 36,480	\$ 33,295	\$ -	\$ 12,714,292	\$ -	\$ 12,714,292
Grants and contributions receivable	655,423	-	-	-	-	-	-	-	655,423	-	655,423
Investments in marketable securities	18,766,937	-	-	-	-	-	-	-	18,766,937	-	18,766,937
Accounts receivable - related parties	220,224	53,000	-	-	-	-	-	(273,224)	-	-	-
Loans and leases receivable	76,528,725	-	5,657	-	-	-	-	(369,542)	76,164,840	774,917	75,389,923
Allowance for loan and lease losses	(3,826,719)	-	-	-	-	-	-	18,477	(3,808,242)	(38,746)	(3,769,496)
Other	3,689,455	213,362	-	8	-	730	6,320	-	3,909,875	59,656	3,850,219
Restricted cash and cash equivalents	34,229,680	-	-	-	-	-	-	-	34,229,680	1,744,093	32,485,587
	<u>142,619,285</u>	<u>391,748</u>	<u>59,718</u>	<u>47,572</u>	<u>61,946</u>	<u>37,210</u>	<u>39,615</u>	<u>(624,289)</u>	<u>142,632,805</u>	<u>2,539,920</u>	<u>140,092,885</u>
Noncurrent Assets											
Investments in marketable securities	22,067,581	-	-	-	-	-	-	-	22,067,581	-	22,067,581
Loans and leases receivable	313,061,147	-	62,971	-	-	-	-	-	313,124,118	7,529,300	305,594,818
Allowance for loan and lease losses	(15,656,206)	-	-	-	-	-	-	-	(15,656,206)	(376,465)	(15,279,741)
Equity method and program investments	500,480	-	-	28,370	82,993	-	1,421	-	613,264	-	613,264
Equipment, leasehold improvements and software, net	811,753	320,779	-	-	-	-	-	-	1,132,532	-	1,132,532
Investments in consolidated subsidiaries	527,646	-	-	-	-	-	-	(527,646)	-	-	-
Other	300,603	14,570	-	-	-	-	-	-	315,173	-	315,173
	<u>321,613,004</u>	<u>335,349</u>	<u>62,971</u>	<u>28,370</u>	<u>82,993</u>	<u>-</u>	<u>1,421</u>	<u>(527,646)</u>	<u>321,596,462</u>	<u>7,152,835</u>	<u>314,443,627</u>
<b>Total Assets</b>	<u>\$ 464,232,289</u>	<u>\$ 727,097</u>	<u>\$ 122,689</u>	<u>\$ 75,942</u>	<u>\$ 144,939</u>	<u>\$ 37,210</u>	<u>\$ 41,036</u>	<u>\$ (1,151,935)</u>	<u>\$ 464,229,267</u>	<u>\$ 9,692,755</u>	<u>\$ 454,536,512</u>
<b>Liabilities and Net Assets</b>											
Current Liabilities											
Accounts payable and accrued expenses	\$ 2,156,103	\$ 139,965	\$ 4,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,300,948	\$ -	\$ 2,300,948
Escrow payable and due to third parties	3,877,157	12,112	-	-	-	-	-	-	3,889,269	59,071	3,830,198
Accounts payable - related parties	53,000	220,184	-	-	-	40	-	(273,224)	-	-	-
Deferred revenue	6,009	685,050	-	-	-	-	-	-	691,059	-	691,059
Recoverable grants	3,351,600	-	-	-	-	-	-	-	3,351,600	-	3,351,600
Loans and bond payable, current portion	33,760,040	-	19,542	-	-	-	-	(19,542)	33,760,040	-	33,760,040
Other	1,173,990	-	-	-	-	-	-	-	1,173,990	-	1,173,990
	<u>44,377,899</u>	<u>1,057,311</u>	<u>24,422</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>(292,766)</u>	<u>45,166,906</u>	<u>59,071</u>	<u>45,107,835</u>
Noncurrent Liabilities											
Deferred revenue, less current portion	-	99,330	-	-	-	-	-	-	99,330	-	99,330
Recoverable grants, less current portion	1,844,200	-	-	-	-	-	-	-	1,844,200	-	1,844,200
Loans and bonds payable, less current maturities	227,708,303	350,000	-	-	-	-	-	(350,000)	227,708,303	-	227,708,303
Loans payable, EQ2	18,708,000	-	-	-	-	-	-	-	18,708,000	-	18,708,000
Escrow payable and due to third parties	465,215	-	-	-	-	-	-	-	465,215	-	465,215
Other	9,000,346	1,899	-	-	-	-	-	-	9,002,245	-	9,002,245
	<u>257,726,064</u>	<u>451,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>257,827,293</u>	<u>-</u>	<u>257,827,293</u>
<b>Total Liabilities</b>	<u>302,103,963</u>	<u>1,508,540</u>	<u>24,422</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>(642,766)</u>	<u>302,994,199</u>	<u>59,071</u>	<u>302,935,128</u>
Commitments and Contingencies											
Paid in capital	-	1,625,642	1,010,000	(2,354,916)	60,100	41,000	(254,900)	(126,926)	-	-	-
Earnings/(Deficit)	-	(2,407,085)	(911,733)	2,430,858	84,839	(3,830)	295,936	511,015	-	-	-
Net Assets											
Without donor restrictions	58,616,962	-	-	-	-	-	-	(893,258)	57,723,704	-	57,723,704
Without donor restrictions - Contractually limited as to use	9,633,684	-	-	-	-	-	-	-	9,633,684	9,633,684	-
Total Without Donor Restrictions	<u>68,250,646</u>	<u>(781,443)</u>	<u>98,267</u>	<u>75,942</u>	<u>144,939</u>	<u>37,170</u>	<u>41,036</u>	<u>(509,169)</u>	<u>67,357,388</u>	<u>9,633,684</u>	<u>57,723,704</u>
With donor restrictions	93,877,680	-	-	-	-	-	-	-	93,877,680	-	93,877,680
<b>Total Net Assets</b>	<u>162,128,326</u>	<u>(781,443)</u>	<u>98,267</u>	<u>75,942</u>	<u>144,939</u>	<u>37,170</u>	<u>41,036</u>	<u>(509,169)</u>	<u>161,235,068</u>	<u>9,633,684</u>	<u>151,601,384</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 464,232,289</u>	<u>\$ 727,097</u>	<u>\$ 122,689</u>	<u>\$ 75,942</u>	<u>\$ 144,939</u>	<u>\$ 37,210</u>	<u>\$ 41,036</u>	<u>\$ (1,151,935)</u>	<u>\$ 464,229,267</u>	<u>\$ 9,692,755</u>	<u>\$ 454,536,512</u>

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 for loan and lease 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

**Reinvestment Fund, Inc. and Affiliates (Excluding SDF)**
**Consolidating Statement of Activities  
For the Year Ended December 31, 2017**

	Reinvestment Fund	PolicyMap	EFI	NMTC	Education Funding	RFIA	Fund Manager	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
<b>Financial Activity</b>											
Financial Income											
Interest from loans and leases	\$ 19,274,247	\$ -	\$ 6,388	\$ -	\$ -	\$ -	\$ -	\$ (950)	\$ 19,279,685	\$ 375,954	\$ 18,903,731
Investment income, net	353,438	-	189	159	93	-	192	-	354,071	2,612	351,459
Loan and lease fees	457,168	-	-	-	-	-	-	-	457,168	21,738	435,430
Asset management fee, net	2,004,894	-	-	-	-	245	53,329	(40)	2,058,428	-	2,058,428
Total Financial Income	<u>22,089,747</u>	<u>-</u>	<u>6,577</u>	<u>159</u>	<u>93</u>	<u>245</u>	<u>53,521</u>	<u>(990)</u>	<u>22,149,352</u>	<u>400,304</u>	<u>21,749,048</u>
Financial Expense											
Interest expense	7,978,183	-	950	-	-	-	-	(950)	7,978,183	-	7,978,183
Asset management fee	-	-	-	-	-	40	-	(40)	-	-	-
Losses (gains) in equity method investments	235,908	-	-	(2,220)	(24,218)	-	(2)	-	209,468	-	209,468
Equity losses in consolidated subsidiaries	1,007,755	-	-	-	-	-	-	(1,007,755)	-	-	-
Provision for loan and lease losses	1,690,688	-	(17)	-	-	-	-	(11,475)	1,679,196	(52,138)	1,731,334
Total Financial Expense	<u>10,912,534</u>	<u>-</u>	<u>933</u>	<u>(2,220)</u>	<u>(24,218)</u>	<u>40</u>	<u>(2)</u>	<u>(1,020,220)</u>	<u>9,866,847</u>	<u>(52,138)</u>	<u>9,918,985</u>
Net Financial Income	<u>11,177,213</u>	<u>-</u>	<u>5,644</u>	<u>2,379</u>	<u>24,311</u>	<u>205</u>	<u>53,523</u>	<u>1,019,230</u>	<u>12,282,505</u>	<u>452,442</u>	<u>11,830,063</u>
<b>Revenue and Support</b>											
Grants and contributions	8,326,076	-	-	-	-	-	-	-	8,326,076	-	8,326,076
Program services and fees	1,259,258	2,519,041	-	-	-	-	-	(254,400)	3,523,899	953	3,522,946
Other income	28,455	-	-	-	-	-	-	-	28,455	-	28,455
Total Revenue and Support	<u>9,613,789</u>	<u>2,519,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,400)</u>	<u>11,878,430</u>	<u>953</u>	<u>11,877,477</u>
<b>Program and General Expenses</b>											
Program - Lending and Community Investing	19,747,476	-	8,752	1,303	420	4,035	1,224	(34,619)	19,728,591	3,831	19,724,760
Program - Policy Solutions	1,839,925	-	-	-	-	-	-	7,865	1,847,790	-	1,847,790
Program - PolicyMap	-	3,600,234	-	-	-	-	-	(180,400)	3,419,834	-	3,419,834
Management and general	4,786,870	-	-	-	-	-	-	(47,246)	4,739,624	-	4,739,624
Total Program and General Expenses	<u>26,374,271</u>	<u>3,600,234</u>	<u>8,752</u>	<u>1,303</u>	<u>420</u>	<u>4,035</u>	<u>1,224</u>	<u>(254,400)</u>	<u>29,735,839</u>	<u>3,831</u>	<u>29,732,008</u>
<b>Other Decreases (Increases)</b>											
Charges related to revolving loan fund	54,851	-	-	-	-	-	-	-	54,851	-	54,851
Forgiveness of debt from related parties	-	-	17	-	-	-	-	(17)	-	-	-
Total Other Decreases (Increases)	<u>54,851</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>54,851</u>	<u>-</u>	<u>54,851</u>
Total Expenses and Other Decreases	<u>26,429,122</u>	<u>3,600,234</u>	<u>8,769</u>	<u>1,303</u>	<u>420</u>	<u>4,035</u>	<u>1,224</u>	<u>(254,417)</u>	<u>29,790,690</u>	<u>3,831</u>	<u>29,786,859</u>
<b>Net income (loss)</b>	-	(1,081,193)	-	1,076	23,891	-	52,299	1,003,927	-	-	-
<b>Change in net assets, before capital contributions (distributions)</b>	(5,638,120)	-	(3,125)	-	-	(3,830)	-	15,320	(5,629,755)	449,564	(6,079,319)
<b>Capital contributions (distributions), net</b>	-	180,900	-	-	-	41,000	(50,000)	(171,900)	-	-	-
<b>Change in net assets</b>	(5,638,120)	(900,293)	(3,125)	1,076	23,891	37,170	2,299	847,347	(5,629,755)	449,564	(6,079,319)
<b>Net assets, beginning *</b>	167,766,446	118,850	101,392	74,866	121,048	-	38,737	(1,356,516)	166,864,823	9,184,120	157,680,703
<b>Net assets, ending</b>	<u>\$ 162,128,326</u>	<u>\$ (781,443)</u>	<u>\$ 98,267</u>	<u>\$ 75,942</u>	<u>\$ 144,939</u>	<u>\$ 37,170</u>	<u>\$ 41,036</u>	<u>\$ (509,169)</u>	<u>\$ 161,235,068</u>	<u>\$ 9,633,684</u>	<u>\$ 151,601,384</u>

\* Includes deconsolidation of DP which decreased total net assets by \$6,022,361 from December 31, 2016. (Net assets without donor restrictions decreased by \$4,564,395 and net assets with donor restrictions decreased by \$1,457,966).