

McGladrey & Pullen

Certified Public Accountants

The Reinvestment Fund, Inc. and Affiliates

Consolidated Financial Report
June 30, 2009

The Reinvestment Fund, Inc. and Affiliates

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Certified Public Accountants

Independent Auditor's Report on the Consolidated Financial Statements

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

We have audited the accompanying consolidated statements of financial position of The Reinvestment Fund, Inc. and Affiliates (the "Organization") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Reinvestment Fund, Inc. and Affiliates as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
September 17, 2009

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statements of Financial Position

	June 30	
	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 35,873,652	\$ 8,851,253
Grants and contributions receivable	2,561,250	7,350,459
Investments in marketable securities	20,918,679	23,124,562
Loans and leases, less allowance for losses of \$3,934,663 at June 30, 2009 and \$2,581,669 at June 30, 2008	60,519,578	49,851,924
Other	2,983,131	1,944,124
Restricted cash and cash equivalents	18,085,881	17,980,515
	<u>140,942,171</u>	<u>109,102,837</u>
Noncurrent Assets		
Grants and contributions receivable	-	3,071,754
Investments in marketable securities	1,551,852	10,215,420
Program investments	325,500	388,500
Loans and leases, less allowance for losses of \$5,104,377 at June 30, 2009 and \$3,110,595 at June 30, 2008	73,775,095	58,284,609
Investments in limited partnerships	1,806,239	2,047,814
Private equity investments	6,939,513	7,708,084
Equipment, leasehold improvements and software, net	1,726,174	1,547,989
Property held for development or sale	6,778,961	1,557,157
Other	331,172	433,725
	<u>93,234,506</u>	<u>85,255,052</u>
Total Assets	<u>\$ 234,176,677</u>	<u>\$ 194,357,889</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 891,419	\$ 1,718,873
Grants payable	33,624	563,208
Escrow payable and due to third parties	3,074,406	4,146,697
Other	862,247	672,336
Recoverable grant payable	-	758,840
Loans payable, current portion	41,626,020	13,005,912
	<u>46,487,716</u>	<u>20,865,866</u>
Noncurrent Liabilities		
Loans payable, less current maturities	108,085,582	94,357,256
Total Liabilities	<u>154,573,298</u>	<u>115,223,122</u>
Non-Controlling Interest	7,055,702	7,633,203
Commitments and Contingencies (Note 16)		
Net Assets		
Unrestricted	8,289,137	11,649,454
Unrestricted - Contractually limited as to use	10,178,688	10,108,082
Total Unrestricted	<u>18,467,825</u>	<u>21,757,536</u>
Temporarily restricted	25,179,275	20,550,459
Temporarily restricted - Contractually limited as to use	1,130,177	1,726,818
Total Temporarily restricted	<u>26,309,452</u>	<u>22,277,277</u>
Permanently restricted	27,770,400	27,466,751
Total Net Assets	<u>72,547,677</u>	<u>71,501,564</u>
Total Liabilities and Net Assets	<u>\$ 234,176,677</u>	<u>\$ 194,357,889</u>

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Financial Activity				
Financial Income				
Interest income from:				
Marketable securities	\$ 433,657	\$ 319,281	\$ -	\$ 752,938
Loans and leases	8,297,568	-	-	8,297,568
Private equity investments	102,833	-	-	102,833
Investment gains, net				
Marketable securities	-	7,265	-	7,265
Loan and lease fees	970,239	-	-	970,239
Asset management fee	927,496	-	-	927,496
Total Financial Income	<u>10,731,793</u>	<u>326,546</u>	<u>-</u>	<u>11,058,339</u>
Financial Expense				
Interest expense	4,166,929	-	-	4,166,929
Investment losses, net				
Marketable securities	226,859	-	-	226,859
Program investments	44,000	-	-	44,000
Private equity investments	1,199,545	-	-	1,199,545
Equity losses in limited partnerships	95,933	-	-	95,933
Provision for loan and lease losses	3,887,986	-	-	3,887,986
Total Financial Expense	<u>9,621,252</u>	<u>-</u>	<u>-</u>	<u>9,621,252</u>
Net Financial Income	<u>1,110,541</u>	<u>326,546</u>	<u>-</u>	<u>1,437,087</u>
Revenue and Support				
Grants and contributions	1,040,281	8,035,874	2,480,552	11,556,707
Program services and fees	2,478,778	-	-	2,478,778
Net assets released from restrictions	5,576,767	(5,576,767)	-	-
Total Revenue and Support	<u>9,095,826</u>	<u>2,459,107</u>	<u>2,480,552</u>	<u>14,035,485</u>
Program and General Expenses and Other Decreases				
Program and General Expenses				
Program - Lending and Community Investing	5,948,521	-	-	5,948,521
Program - Private Equity	829,330	-	-	829,330
Program - Sustainable Development Fund	1,079,129	-	-	1,079,129
Program - Policy Solutions	789,740	-	-	789,740
Program - PolicyMap	1,506,677	-	-	1,506,677
Program - Development Partners	1,580,189	-	-	1,580,189
Management and general	3,430,336	-	-	3,430,336
Total Program and General Expenses	<u>15,163,922</u>	<u>-</u>	<u>-</u>	<u>15,163,922</u>
Other Decreases (Increases)				
Charges related to revolving loan fund	-	-	930,381	930,381
Reclassifications	-	(1,246,522)	1,246,522	-
Total Other Decreases (Increases)	<u>-</u>	<u>(1,246,522)</u>	<u>2,176,903</u>	<u>930,381</u>
Total Expenses and Other Decreases (Increases)	<u>15,163,922</u>	<u>(1,246,522)</u>	<u>2,176,903</u>	<u>16,094,303</u>
Change in net assets before non-controlling interest	(4,957,555)	4,032,175	303,649	(621,731)
Less: non-controlling interest	<u>1,667,844</u>	<u>-</u>	<u>-</u>	<u>1,667,844</u>
Change in net assets	(3,289,711)	4,032,175	303,649	1,046,113
Net assets, beginning	<u>21,757,536</u>	<u>22,277,277</u>	<u>27,466,751</u>	<u>71,501,564</u>
Net assets, ending	<u>\$ 18,467,825</u>	<u>\$ 26,309,452</u>	<u>\$ 27,770,400</u>	<u>\$ 72,547,677</u>

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Financial Activity				
Financial Income				
Interest income from:				
Marketable securities	\$ 1,674,006	\$ 618,876	\$ 409,592	\$ 2,702,474
Loans and leases	7,126,020	-	-	7,126,020
Private equity investments	84,330	-	-	84,330
Loan and lease fees	932,474	-	-	932,474
Asset management fee	873,101	-	-	873,101
Total Financial Income	<u>10,689,931</u>	<u>618,876</u>	<u>409,592</u>	<u>11,718,399</u>
Financial Expense				
Interest expense	4,141,108	-	-	4,141,108
Investment losses, net				
Marketable securities	46,782	5,189	-	51,971
Program investments	541,122	-	-	541,122
Private equity investments	3,977,310	-	-	3,977,310
Equity losses in limited partnerships	117,271	-	-	117,271
Provision for loan and lease losses	1,217,388	-	-	1,217,388
Total Financial Expense	<u>10,040,981</u>	<u>5,189</u>	<u>-</u>	<u>10,046,170</u>
Net Financial Income	<u>648,950</u>	<u>613,687</u>	<u>409,592</u>	<u>1,672,229</u>
Revenue and Support				
Grants and contributions	3,898,247	10,119,119	5,039,568	19,056,934
Program services and fees	2,067,997	-	-	2,067,997
Other income	9,105	-	-	9,105
Net assets released from restrictions	8,628,715	(8,628,715)	-	-
Total Revenue and Support	<u>14,604,064</u>	<u>1,490,404</u>	<u>5,039,568</u>	<u>21,134,036</u>
Program and General Expenses and Other Decreases				
Program and General Expenses				
Program - Lending and Community Investing	6,764,310	-	-	6,764,310
Program - Private Equity	736,247	-	-	736,247
Program - Sustainable Development Fund	3,711,912	-	-	3,711,912
Program - Policy Solutions	1,900,494	-	-	1,900,494
Program - PolicyMap	930,073	-	-	930,073
Program - Development Partners	886,741	-	-	886,741
Management and general	3,358,710	-	-	3,358,710
Total Program and General Expenses	<u>18,288,487</u>	<u>-</u>	<u>-</u>	<u>18,288,487</u>
Other Decreases				
Discontinuance of program	-	-	192,382	192,382
Charges related to revolving loan fund	-	-	546,956	546,956
Total Other Decreases	<u>-</u>	<u>-</u>	<u>739,338</u>	<u>739,338</u>
Total Expenses and Other Decreases	<u>18,288,487</u>	<u>-</u>	<u>739,338</u>	<u>19,027,825</u>
Change in net assets before non-controlling interest	<u>(3,035,473)</u>	<u>2,104,091</u>	<u>4,709,822</u>	<u>3,778,440</u>
Less: non-controlling interest	<u>4,072,780</u>	<u>-</u>	<u>-</u>	<u>4,072,780</u>
Change in net assets	<u>1,037,307</u>	<u>2,104,091</u>	<u>4,709,822</u>	<u>7,851,220</u>
Net assets, beginning	<u>20,720,229</u>	<u>20,173,186</u>	<u>22,756,929</u>	<u>63,650,344</u>
Net assets, ending	<u>\$ 21,757,536</u>	<u>\$ 22,277,277</u>	<u>\$ 27,466,751</u>	<u>\$ 71,501,564</u>

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

**Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008**

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	\$ 1,046,113	\$ 7,851,220
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan and lease losses	3,887,986	1,217,388
Charges related to revolving loan fund	930,381	546,956
Losses in private equity investments, net	1,199,545	3,977,310
Depreciation and amortization	663,352	311,356
Deferred loan and lease fees, net	(163,895)	147,726
Investment losses in marketable securities, net	219,594	51,971
Investment losses in program investments, net	44,000	541,122
Non-cash grant support	(2,002,300)	(38,814)
Non-cash grant expense	-	250,000
Discontinuation of program	-	192,382
Decrease in equity earnings in limited partnerships	95,933	117,271
Non-controlling interest	(1,667,844)	(4,072,780)
(Increase) decrease in:		
Grants and contributions receivable	7,860,963	(8,122,213)
Restricted cash and cash equivalents	(552,322)	3,020,501
Property held for development or sale	(2,621,804)	(1,557,157)
Other	(954,945)	1,650,827
Increase (decrease) in:		
Accounts payable and accrued expenses	(827,454)	409,887
Grants payable	(529,584)	257,053
Escrow payable and due to third parties	(1,072,291)	557,032
Other	189,911	43,056
Recoverable grants payable	(758,840)	(3,904,660)
Net cash provided by operating activities	4,986,499	3,447,434
Cash Flows from Investing Activities		
Purchases of marketable securities	(39,682,649)	(60,072,158)
Proceeds from maturities of marketable securities	50,332,506	63,999,494
Proceeds from maturities of program investments	19,000	18,000
Purchases of private equity investments	(587,500)	(919,036)
Proceeds from disposition of private equity investments	176,267	396,178
Purchases of limited partnerships	(44,570)	(61,615)
Distributions from limited partnerships	190,212	464,238
Cash disbursements on loans receivable	(117,237,062)	(94,833,660)
Cash receipts on loans receivable	86,774,109	72,057,439
Principal payments received under leases	97,297	91,129
Additions of equipment, leasehold improvements and software	(841,537)	(1,084,785)
Net cash used in investing activities	(20,803,927)	(19,944,776)
Cash Flows from Financing Activities		
Proceeds from issuance of loans payable	67,928,137	39,319,567
Principal payments on loans payable	(26,254,734)	(27,509,337)
Reinvested interest on investors payable	77,331	71,256
Cash contributions from non-controlling interest	1,089,093	1,308,912
Net cash provided by financing activities	42,839,827	13,190,398
Net (decrease) increase in cash and cash equivalents	27,022,399	(3,306,944)
Cash and cash equivalents, beginning	8,851,253	12,158,197
Cash and cash equivalents, ending	\$ 35,873,652	\$ 8,851,253

(Continued)

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,815,648</u>	<u>\$ 4,032,668</u>
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Conversion of loans payable into grant support	<u>\$ 2,002,300</u>	<u>\$ 38,814</u>
Conversion of loan receivable into grant expense	<u>\$ -</u>	<u>\$ 250,000</u>
Accrual of return of cash distributions to private equity limited partnerships provision	<u>\$ -</u>	<u>\$ 40,600</u>
Contributions from non-controlling interest	<u>\$ 1,250</u>	<u>\$ -</u>
Conversion of interest receivable into private equity investment	<u>\$ 19,741</u>	<u>\$ 22,353</u>
Acquisition of property held for development or sale through issuance of loans payable	<u>\$ 2,600,000</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of Organization and Activities

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

Description of each entity and its operation is summarized below.

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

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

TRF Private Equity, Inc.: TRF Private Equity, Inc. ("Private Equity") is a Pennsylvania not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Private Equity directly or indirectly owns 100.00% of the partnership interests of the general partner of DVCRF Ventures, L.P. ("DVCRF") and 100.00% of the partnership interests of the general partner of TRF Urban Growth Partners, L.P. ("UGP"). In accordance with the partnership agreements, management of the Partnerships is vested in Private Equity. DVCRF is a Pennsylvania limited partnership private equity fund created to provide debt and equity to expanding businesses that have the potential to create quality job opportunities for low-income residents of the greater Philadelphia region. UGP is a Delaware limited partnership private equity fund created to provide debt and equity to new and expanding businesses which provide quality job opportunities for low and middle-income workers in the mid-Atlantic region including Pennsylvania, New Jersey, Delaware, Maryland and Washington, D.C. In accordance with EITF Issue No. 04-5, UGP has been consolidated with Private Equity, the general partner. DVCRF was not consolidated with Private Equity, since management believes the amounts to be insignificant.

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

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

TRF Development Partners, Inc.: TRF Development Partners, Inc. is a Pennsylvania not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. TRF Development Partners, Inc. together with its wholly owned subsidiaries, TRF Development Partners-Baltimore, LLC and subsidiary, TRF Development Partners-Philadelphia, LLC, TRF DP Ridge Avenue, LLC, TRF Development Partners-Chester, LLC and TRF DP 1500, LLC (collectively "Development Partners") uses TRF's data resources and development plans to help it assemble land and participate in real estate transactions in designated communities, concentrating in areas where it has a compelling mission interest.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

- 1) Lending and Community Investing: Encompasses TRF's financing of homes, schools, supermarkets and other projects that benefit low-wealth people and places and is the core lending function of the Organization.
- 2) Private Equity: Represents the Organization's activities as manager of two Private Equity funds, DVCRF and UGP.
- 3) Sustainable Development Fund ("SDF"): Represents an energy-related fund that uses loans, investments and grants to augment the Organization's existing energy conservation and community investing efforts. SDF was created by the parties to the PECO Energy Company ("PECO Energy") restructuring proceeding and approved by the Pennsylvania Public Utility Commission ("PUC") in May 1998 (Note 14).
- 4) Policy Solutions: Conducts policy, data and social impact analyses that advance TRF's mission and effect system change, on behalf of TRF and public and philanthropic clients.
- 5) PolicyMap: Provides an online data and mapping tool that provides broad access to data, reports and analytics useful for social investment strategies.
- 6) Development Partners: Participates in real estate transactions to create opportunity for disadvantaged families by directing capital into distressed urban neighborhoods in a way that encourages additional private investment and reconnects the places and people it serves to a broader and more dynamic socioeconomic system.

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

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

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

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

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

Valuation of Investments in Marketable Securities, Program Investments and Private Equity Investments

The fair value of each investment is determined at the balance sheet date in accordance with Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements*. Accordingly, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 include listed equities and listed derivatives. As required by SFAS No. 157, the Organization does not adjust the quoted price for these investments, even in situations where the Organization may hold a large position and a sale could reasonably impact the quoted price.

Securities that are listed on the United States securities exchange are valued at their last sales price on the largest United State securities exchange on which such securities have traded. Securities that are listed on an international exchange are valued at the last sales price from the largest exchange within the individual security's country of jurisdiction.

Level 2: Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

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

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

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

Because the Organization is under no compulsion to dispose of its investments which are made with a view to a holding period of two years or more, the estimated values, as determined above, may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Because of the inherent uncertainty of the valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Note 1. Summary of Significant Accounting Policies (Continued)

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 statements of financial position in accordance with SFAS No. 157. Any unrealized gains or losses are reported in the statements of activities as a change in unrestricted net assets, unless explicit donor intent or law restricts their use. Investments are recorded at fair value and are classified as Level 1, 2, or 3, accordingly (Note 18). As of June 30, 2009 and 2008, none of the investments in marketable securities were pledged.

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

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

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

Loans and Leases Receivable

Loans: Loans receivable are stated at the principal amount outstanding, net of deferred loan fees and allowance for losses. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate. The Organization accounts for loan origination fees in accordance with SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating Loans and Initial Direct Costs of Leases*. 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 were recorded as an adjustment to loan fee revenue.

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: The accrual of interest on outstanding loans or leases is discontinued at the time the loan or lease is 90 days delinquent unless the credit is well secured and in process of collection. All interest accrued but not collected for is reversed against interest income. In all cases, loans and leases are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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. Loans in the Fresh Food Financing Initiative Program deemed to be uncollectible are recorded through a decrease in permanently restricted net assets. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Other Assets: Other assets include accounts receivable from third parties, prepaid expenses, and development costs for future projects.

Development costs for future projects includes costs which are related to the acquisition of land and the costs to obtain zoning and subdivision approvals, tax lien certificates, title searches, water abatement and deposit for future projects. Such costs are included in development costs for future projects until the Organization purchases the land. Non-recoverable costs are expensed as it becomes apparent to management the project as conceived will not be viable.

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

Non-Controlling Interest: Non-controlling interest represents the equity interests of UGP's limited partners, exclusive of TRF's limited partner interest.

Contributions: The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Recent Accounting Pronouncements

1. The Organization adopted Financial Accounting Standards Board ("FASB") Statement No. 165, *Subsequent Events* effective June 30, 2009. This Statement establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued (*i.e.*, complete in a form and format that complies with generally accepted accounting principles ("GAAP") and approved for issuance). However, Statement No. 165 does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. There are two types of subsequent events to be evaluated under this Statement:

Recognized subsequent events - An entity must recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

Non-recognized subsequent events - An entity must not recognize subsequent events that provide evidence about conditions that did *not* exist at the date of the balance sheet but that arose after the balance sheet date but before financial statements are issued or are available to be issued. Some non-recognized subsequent events may be of such a nature that they must be disclosed to keep the financial statements from being misleading. For such events, an entity must disclose the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made.

SFAS No. 165 also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date - that is, whether that date represents the date the financial statements were issued or were available to be issued. SFAS No. 165 is effective for periods ending after June 15, 2009, and should be applied prospectively (Note 19).

Note 1. Summary of Significant Accounting Policies (Continued)

2. The FASB has published FASB Statement No. 166, *Accounting for Transfers of Financial Assets*, which is a revision to Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Among other items, FASB No. 166 defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet those conditions, a transferor should account for the transfer as a sale only if it transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s) in accordance with the conditions in paragraph 9 of Statement No. 140, as amended by Statement No. 166.

Statement No. 166 is effective at the beginning of a reporting entity's first fiscal year that begins after November 15, 2009. Earlier application is prohibited.

Management does not expect that FASB No. 166 will have a significant impact on its financial position, results of operations and cash flows.

3. The FASB has issued an Exposure Draft of a proposed Statement, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This proposed Statement would require a creditor to provide enhanced disclosure information that would allow financial statement users to understand the nature of credit risk inherent in the creditor's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes, and reasons for those changes, in both the receivables and the allowance for credit losses.

The proposed Statement applies to all financing receivables held by creditors, including all public and nonpublic entities (including not-for-profit organizations). The term "financing receivables" is defined as a contractual right to receive money on demand or on fixed or determinable dates that is recognized as an asset in the creditor's balance sheet, whether originated or acquired, with specific exclusions as defined in the Statement.

If finalized, the proposed Statement would require disclosure of a creditor's accounting policies for estimating the allowance for credit losses, qualitative and quantitative information about the credit risk inherent in its financing receivables portfolio, the methods used in determining the components of the allowance for credit losses, and quantitative information about the change in receivables and the related allowance for credit losses. As such, the proposed Statement requires six major categories of required disclosures, the content of which must be disaggregated by two levels as detailed in the Statement.

If finalized, the proposed Statement would be effective for financial statements beginning with periods ending after December 15, 2009. At the time the Statement is finalized the Organization will assess the effect of the Statement on its financial position, results of operations and cash flows.

4. In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected this deferral and accordingly will be required to adopt FIN 48 effective July 1, 2009. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated.

Note 1. Summary of Significant Accounting Policies (Continued)

On May 18, 2009, the FASB issued a proposed FASB Staff Position ("FSP"), which, if finalized, would amend FIN 48 to include guidance on the application of FIN 48 to tax-exempt not-for-profit entities and to eliminate certain disclosures for nonpublic entities. Proposed FSP FIN 48-d, *Application Guidance for Pass-through Entities and Tax-Exempt Non-for-Profit Entities and Disclosure Modification for Nonpublic Entities*, takes a principles-based approach to providing guidance on three issues related to the application of FIN 48 to tax-exempt not-for-profit entities. The overriding principle proposed in the FSP is that all entities are subject to FIN 48, even if the only tax position in question is the entity's status. Additionally, even if it is more likely than not that the entity's status as a tax-exempt not-for-profit entity would be sustained upon examination, the entity may have other tax positions to consider that fall within the scope of FIN 48. If finalized, the proposed FSP would be effective July 1, 2009. At the time the FSP is finalized the Organization will assess the effect of the FSP on its financial position, results of operations and cash flows.

Reclassifications: Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Note 2. Investments in Marketable Securities

Investments at June 30 consisted of the following:

	2009	2008
Investments in marketable securities:		
U.S. Government and agency issues	\$ 21,122,101	\$ 18,798,842
Corporate debt securities	1,348,430	14,541,140
	<u>\$ 22,470,531</u>	<u>\$ 33,339,982</u>
	2009	2008
Included in the above are:		
Investments-marketable securities restricted as to use:		
U.S. Department of Education funds for charter school lending programs	\$ 12,347,893	\$ 12,177,679
SDF programs	5,213,109	7,543,977
	<u>\$ 17,561,002</u>	<u>\$ 19,721,656</u>

Investment net losses of \$219,594 and \$51,971 were included on the statement of activities under the investments captions as of June 30, 2009 and 2008, respectively.

Expenses relating to investment income, including custodial and advisory fees amounted to \$44,331 and \$83,293 for the years ended June 30, 2009 and 2008, respectively. These expenses have been netted against interest income from marketable securities in the respective statements of activities.

Notes to Consolidated Financial Statements

Note 3. Program Investments

Program investments at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
The Community Development Trust, Inc.	\$ 271,750	\$ 334,750
People for People Community Development Credit Union	<u>53,750</u>	<u>53,750</u>
	<u>\$ 325,500</u>	<u>\$ 388,500</u>

For the years ended June 30, 2009 and 2008, net losses on program investments were \$44,000 and \$541,122, respectively.

Note 4. Grants and Contributions Receivable

Grants and contributions receivable at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Lending and Community Investing	\$ 2,000,000	\$ 10,192,213
Policy Solutions	386,250	230,000
PolicyMap	100,000	-
Development Partners	<u>75,000</u>	<u>-</u>
	<u>\$ 2,561,250</u>	<u>\$ 10,422,213</u>

Grants and contributions receivable are due in the normal course of the Organization's operations and are unsecured.

Grants and contributions receivable include receivables for a permanently restricted loan fund in the amount of \$3,071,754 for the fiscal year 2008, and these are classified as noncurrent assets on the Consolidated Statement of Financial Position.

Note 5. Concentration of Credit Risk

The Organization maintains cash in various financial institutions with insurance provided by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the years ended June 30, 2009 and 2008, the Organization had cash balances in excess of the FDIC limits. At June 30, 2009, cash balances in excess of FDIC limits approximated \$3,042,000. At June 30, 2009, total cash equivalents include short-term money market funds of approximately \$20,164,000 which are separately collateralized by securities held by the financial institution. All other cash equivalents represent short-term government holdings.

Note 5. Concentration of Credit Risk (Continued)

At June 30, 2009, most of the Organization's loans receivable were due from various nonprofit organizations, charter schools, supermarkets, and housing developers primarily in the greater Philadelphia region. Additionally, at June 30, 2009, the Organization's portfolio of housing, supermarkets, and charter school loans constituted 30.2%, 16.0%, and 22.7% 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 nonprofit organizations, supermarkets, charter schools and the real estate sectors in this region.

Note 6. Loans and Leases Receivable

Loans and leases receivable at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Housing	\$ 43,241,626	\$ 45,357,171
Community facilities	37,622,799	31,900,436
Commercial real estate	52,469,406	31,066,382
Energy and small business	9,819,570	5,488,333
Deferred loan fees	<u>180,312</u>	<u>16,475</u>
	143,333,713	113,828,797
Allowance for loan and lease losses	<u>(9,039,040)</u>	<u>(5,692,264)</u>
	<u>\$ 134,294,673</u>	<u>\$ 108,136,533</u>

Housing loans finance a diverse group of borrowers including nonprofit community-based organizations, nonprofit and for-profit developers, and special needs housing providers through term, construction, acquisition, and predevelopment lending. Housing pre-development loans receivable totaled \$5,764,780 and \$5,321,524 at June 30, 2009 and 2008, respectively. The housing predevelopment loans carry interest rates of 0.00% to 7.50% and are funded primarily from donor-restricted contributions.

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

Commercial Real Estate loans include approximately \$16,800,000 in loans related to the Pennsylvania Fresh Food Financing Initiative ("FFFI"), of this, approximately \$12,000,000 are pledged against the FFFI syndicated credit facility with JP Morgan Chase (Note 12). Also included in Commercial Real Estate loans are non-residential real estate loans totaling approximately \$7,000,000 relating to TC-TRF QEI, LLC, the limited partner in TRF NMTC Fund IV, L.P.

Energy and small business loans and leases include small business loans, some with portions guaranteed by the Small Business Administration, and loans and leases originated by SDF.

Outstanding loans other than pre-development loans have annual interest rates ranging from 1.00% to 17.80%. At June 30, 2009, approximately 19% of these loans receivable have variable interest rates which are indexed to the prime rate and/or LIBOR. Loans and leases receivable have various maturities through 2028.

SDF leases various energy saving fixtures to two lessees in the healthcare industry. The leases expire over a ten year period. At June 30, 2009, total minimum lease payments receivable were \$620,597.

Approximately \$14,186,000 and \$15,600,000 at June 30, 2009 and 2008, respectively, in CLI loans are pledged against the CLI syndicated credit facility with JP Morgan Chase (Note 12).

Note 6. Loans and Leases Receivable (Continued)

Information about impaired loans and non-accrual loans as of June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Impaired loans with a valuation allowance	\$ 14,146,989	\$ 4,362,898
Impaired loans without a valuation allowance	<u>290,873</u>	<u>2,890,172</u>
Total impaired loans	<u>\$ 14,437,862</u>	<u>\$ 7,253,070</u>
Related allowance for loan losses	\$ 2,604,936	\$ 1,374,209
Non-accrual loans (included in total impaired loans)	\$ 13,253,496	\$ 4,063,133
Average investment in impaired loans	\$ 14,352,124	\$ 5,302,205
Interest income recognized on impaired loans	\$ 743,605	\$ 431,003
Interest income recognized on a cash basis on impaired loans	\$ 676,126	\$ 182,685

TRF's exposure with respect to impaired loans is reduced by \$221,596 and \$282,449 at June 30, 2009 and 2008, respectively, for amounts guaranteed by the SBA.

Note 7. Allowance for Losses

The following table presents the changes in the allowance for losses:

	<u>2009</u>	<u>2008</u>
Balance at July 1	<u>\$ 5,692,264</u>	<u>\$ 4,579,643</u>
Add: Provision		
Unrestricted	3,887,986	1,217,388
Reduction in permanently restricted net assets	<u>930,381</u>	<u>546,956</u>
	4,818,367	1,764,344
Recoveries	19,843	182,988
Less: Charge-offs	<u>(1,491,434)</u>	<u>(834,711)</u>
	<u>3,346,776</u>	<u>1,112,621</u>
Balance at June 30	<u>\$ 9,039,040</u>	<u>\$ 5,692,264</u>

The provision includes \$483,425 relating to loans charged off in the PCD program (Note 13) and \$446,956 relating to loans charged off in the FFFI Program and recorded through a decrease in permanently restricted net assets (Note 13) for the year ended June 30, 2009. The provision also includes \$546,956 relating to loans charged off in the FFFI Program and recorded through a decrease in permanently restricted net assets (Note 13) for the year ended June 30, 2008.

Notes to Consolidated Financial Statements

Note 8. Investments in Limited Partnerships

Investments in limited partnerships are accounted for under the equity method and at June 30 consisted of the following:

	2009	2008
New Markets Tax Credit Program		
TRF NMTC Fund I, L.P.	\$ 12	\$ 12
TRF NMTC Fund II, L.P.	(12)	(10)
TRF NMTC Fund III, L.P.	1,014	1,012
TRF NMTC Fund IV, L.P.	3,958	3,976
TRF NMTC Fund V, L.P.	111	110
TRF NMTC Fund VI, L.P.	1,609	1,615
TRF NMTC Fund VII, L.P.	672	-
TRF NMTC Fund VIII, L.P.	901	-
	<u>8,265</u>	<u>6,715</u>
Other		
Charter School Capital Access Program, LLC (a)	27,310	22,998
Charter School Financing Partnership (b)	10,518	60,000
Octavia Hill Bel-Air Partners, L.P. (c)	231,132	409,608
Octavia Hill Cheltenham Partners, L.P. (d)	437,618	472,818
Pennsylvania Advanced Industrial Technology, L.P. (e)	1,091,396	1,075,675
	<u>1,797,974</u>	<u>2,041,099</u>
	<u>\$ 1,806,239</u>	<u>\$ 2,047,814</u>

New Markets Tax Credit Program: During fiscal years 2009, 2007 and 2005, TRF received a New Markets Tax Credit Program ("Program") allocation of \$75,000,000, \$75,000,000 and \$38,500,000, respectively. Pursuant to the requirements of the Program, administered by the Community Development Financial Institution Fund ("CDFI Fund"), a division of the US Department of Treasury, TRF formed a for-profit entity TRF NMTC Fund, LLC ("NMTC"). NMTC is the general partner in TRF NMTC Fund I, L.P., TRF NMTC Fund II, L.P., TRF NMTC Fund III, L.P., TRF NMTC Fund IV, L.P., TRF NMTC Fund V, L.P., TRF NMTC Fund VI, L.P., TRF NMTC Fund VII, L.P. and TRF NMTC Fund VIII, L.P., (collectively the "NMTC Funds") with a 0.01% ownership interest in each entity. TRF's general partnership ownership in the NMTC structure does not require consolidation of the NMTC Funds as prescribed by the related authoritative accounting pronouncements. The information below, as it relates to the total assets, liabilities and net income amounts, is for information purposes and is not consolidated in TRF's financial statements. The Organization received fees of approximately \$756,000 and \$683,500 for the years ended June 30, 2009 and 2008, respectively, for administrative services performed for the NMTC Funds. These amounts are included in asset management fees on the statements of activities. In connection with the formation of TRF NMTC VII, L.P. and TRF NMTC VIII, L.P., the Organization received fees of approximately \$935,200 in fiscal year 2009. In connection with the formation of TRF NMTC VI, L.P., the Organization received fees of approximately \$484,600 in fiscal year 2008. These amounts are included in program services and fees on the statements of activities. In fiscal years 2010 through 2044, TRF and NMTC expect to receive additional fees from NMTC Funds, in part, for ongoing reporting on compliance within the requirements of the Program, as defined in the Program agreement.

Note 8. Investments in Limited Partnerships (Continued)

Selected financial information as of June 30 for each of the NMTC funds is as follows:

	2009	2008
TRF NMTC Fund, I, L.P.		
Total Assets	\$ 5,022,218	\$ 5,016,790
Total Liabilities	\$ -	\$ -
Net Income	\$ 141,858	\$ 275,823
TRF NMTC Fund, II, L.P.		
Total Assets	\$ 21,433,402	\$ 21,453,058
Total Liabilities	\$ 125	\$ 125
Net Income	\$ 1,684,745	\$ 1,710,791
TRF NMTC Fund, III, L.P.		
Total Assets	\$ 10,097,161	\$ 10,086,213
Total Liabilities	\$ -	\$ -
Net Income	\$ 311,244	\$ 597,421
TRF NMTC Fund, IV, L.P.		
Total Assets	\$ 39,830,428	\$ 40,074,329
Total Liabilities	\$ 255,000	\$ 317,175
Net Income	\$ 2,291,503	\$ 2,248,240
TRF NMTC Fund, V, L.P.		
Total Assets	\$ 19,915,781	\$ 19,915,780
Total Liabilities	\$ -	\$ -
Net Income	\$ 1,322,282	\$ 1,286,307
TRF NMTC Fund, VI, L.P.		
Total Assets	\$ 16,121,825	\$ 16,200,118
Total Liabilities	\$ 26,921	\$ 48,063
Net Income	\$ 500,234	\$ 164,483
TRF NMTC Fund, VII, L.P.		
Total Assets	\$ 6,728,498	\$ -
Total Liabilities	\$ 6,225	\$ -
Net Income	\$ 55,837	\$ -
TRF NMTC Fund, VIII, L.P.		
Total Assets	\$ 9,018,406	\$ -
Total Liabilities	\$ 4,983	\$ -
Net Income	\$ 12,523	\$ -
Total		
Total Assets	\$ 128,167,719	\$ 112,746,288
Total Liabilities	\$ 293,254	\$ 365,363
Net Income	\$ 6,320,226	\$ 6,283,065

Note 8. Investments in Limited Partnerships (Continued)

Other: The fiscal year of the following entities ends on December 31 and TRF consistently follows the practice of recognizing income on that basis.

- a) Charter School Capital Access Program, LLC ("CCAP") is a limited liability company formed for the purpose of implementing a credit enhancement program for charter school debt financing made possible by a \$6,400,000 equity grant from the United States Department of Education. TRF's financial exposure as a member of CCAP is limited to capital contributed. As of June 30, 2009, TRF has \$0 capital contributed. Under the operating agreement, any earnings on the equity grant are excluded from operating income and any remaining operating income is allocated 50.00% to TRF. At December 31, 2008 and 2007, CCAP reported total assets of \$21,479,472 and \$22,134,681, total liabilities of \$14,448,195 and \$15,252,471, and members' equity of \$7,031,277 and \$6,882,210, respectively. For the years ended December 31, 2008 and 2007, CCAP reported net income of \$149,067 and \$451,734, respectively. The net income, other than income attributed to earnings on the grant, is allocated 50.00% to TRF, and earnings allocated to TRF for the years ended December 31, 2008 and 2007, was \$4,313 and \$22,998 respectively.
- b) Charter School Financing Partnership ("CSFP") is a limited liability company organized to facilitate the financing of charter schools by aggregating pools of loans, including those with external credit enhancements, which are then stratified by risk-return and maturity characteristics and sold to investors in the form of bonds. In February 2008, TRF purchased \$60,000 in Class "A" units, which represents a 20% voting interest in CSFP. TRF will be required to invest in bonds aggregated by CSFP. The company was formed in November 2007. At December 31, 2008, CSFP reported total assets of \$15,260,996, total liabilities of \$14,935,894 and members' equity of \$325,102. For the year ended December 31, 2008 CSFP reported a net loss of \$274,898. TRF recorded a decrease of equity earnings of \$49,482.
- c) Octavia Hill Bel-Air Partners, L.P. ("Bel-Air") is a limited partnership formed for the purpose of purchasing and operating multifamily residential rental buildings. TRF's non-controlling limited partnership interest in Bel-Air represents 76% of the total contributed capital in the partnership. Per the partnership agreement, the general partner is allocated the first \$125,000 of losses; thereafter, TRF will be allocated 80.25% of net income or 89.32% of losses. TRF recorded a decrease in equity earnings of \$178,476 and \$114,305 during the years ended June 30, 2009 and 2008, respectively. At December 31, 2008 and 2007, respectively, Bel-Air reported total assets of \$1,827,200 and \$1,902,597, total liabilities of \$1,568,479 and \$1,444,060, and partners' equity of \$258,721 and \$458,537. For the years ended December 31, 2008 and 2007, Bel-Air reported net losses of \$199,816 and \$127,973, respectively.
- d) Octavia Hill Cheltenham Partners, L.P. ("Cheltenham Arms") is a limited partnership formed for the purpose of purchasing and operating a housing rental building. TRF's non-controlling limited partnership interest in Cheltenham Arms represents 76% of the total contributed capital in the partnership. Per the partnership agreement, the general partner is allocated the first \$75,000 of losses; thereafter, TRF will be allocated 80.25% of net income or 84.05% of losses. TRF recorded a decrease in equity earnings of \$35,200 and \$30,663 during the years ended June 30, 2009 and 2008, respectively. At December 31, 2008 and 2007, respectively, Cheltenham Arms reported total assets of \$1,493,135 and \$1,559,805, total liabilities of \$972,483 and \$997,274, and partners' equity of \$520,652 and \$562,531. For the years ended December 31, 2008 and 2007, Cheltenham Arms reported net losses of \$41,879 and \$36,481, respectively.
- e) At June 30, 2009 and 2008, TRF had an investment in Pennsylvania Advanced Industrial Technology Fund, L.P. ("PAIT") of \$1,091,395 and \$1,075,675, respectively. This limited partnership is designed to provide managerial and capital investments in early stage renewable and/or clean energy companies. TRF's limited partnership interest in PAIT represents 90% of the total partnership at December 31, 2008 and 2007. TRF accounts for its investment in PAIT under the equity method and accordingly, recorded an increase in equity earnings of \$162,281 and \$3,959 for the years ended June 30, 2009 and 2008, respectively. Total committed capital to PAIT is \$2,000,000, of which \$1,955,500 has been called and paid through June 30, 2009, including \$43,000 paid in fiscal year 2009. At December 31, 2008 and 2007, PAIT reported total assets and partners' equity of \$1,227,624 and \$1,697,940, respectively. PAIT reported net income of \$179,773 and \$4,397 for the years ended December 31, 2008 and 2007, respectively. In January of 2008, PAIT sold one of its investments and TRF received a cash distribution of \$463,575, which is reflected in the balance as of June 30, 2008.

Notes to Consolidated Financial Statements

Note 9. Private Equity Investments

The private equity investments are held by UGP. UGP incurs an annual asset management fee equal to 2.50% of the capital committed to UGP, as defined, payable quarterly to Private Equity for its services to UGP for the first five years and thereafter at 2.25% of the unreturned capital account, as defined, effective October 1, 2006. Private Equity serves as the Management Company to UGP to provide general and administrative services and general consulting services in connection with UGP's investment activities. Private Equity earned asset management fees of \$587,436 and \$556,086 from UGP for the years ended June 30, 2009 and 2008, respectively, which have been eliminated in the consolidated financial statements. The term of the partnership agreement is ten years from the final closing date, December 31, 2002, as defined in the partnership agreement, unless extended by the General Partner for up to two consecutive one-year periods with the approval of the Limited Partners Advisory committee. At June 30, 2009, the fair value of the Organization's investment in UGP was \$784,619.

Private equity investments at June 30, at estimated fair value (Note 1), consisted of the following:

	Balance at July 1, 2008	Purchases & Capitalized Interest	Sales, Repayments & Dispositions	Valuation Adjustments	Balance at June 30, 2009
Baltimore Dredge					
Enterprises, LLC (a)	\$ 175,000	\$ -	\$ (175,000)	\$ -	\$ -
Bulova Technologies, LLC (b)	-	-	-	-	-
Flagzone, LLC (c)	3,183,029	269,741	-	-	3,452,770
MidAtlanticBroadband, Inc. (d)	1,200,000	-	-	-	1,200,000
Ricochet Manufacturing					
Company, Inc. (e)	1,969,753	187,500	-	(969,753)	1,187,500
Sun & Earth, Inc. (f)	1,180,302	150,000	-	(231,059)	1,099,243
Verilaw Technologies, Inc. (g)	-	-	(1,267)	1,267	-
	<u>\$ 7,708,084</u>	<u>\$ 607,241</u>	<u>\$ (176,267)</u>	<u>\$ (1,199,545)</u>	<u>\$ 6,939,513</u>

- a) Baltimore Dredge Enterprises, LLC ("Baltimore Dredge") is a Baltimore, MD based manufacturer of small and medium sized dredging equipment. The investment was comprised of a subordinated long-term promissory note as of June 30, 2008. The note was paid in full in August 2008.
- b) Bulova Technologies, LLC located in Lancaster, PA, was a contract electronics manufacturer. The company manufactured and assembled precision electronic, electromechanical and mechanical assemblies and systems. The investment at June 30, 2008 was comprised of subordinated debt with an aggregate cost of \$2,677,310 and warrants to subscribe for 2,303 units of class "A" preferred membership interest. In October 2008, the senior lender foreclosed on all the assets of the company. The liquidation proceeds were insufficient to cover the senior debt. Accordingly, during the year ended June 30, 2009, UGP recorded realized losses of \$2,677,310 and a reversal of unrealized losses of \$2,677,310 on its investment in Bulova Technologies, LLC.
- c) Flagzone, LLC, located in Pottstown, PA, is a manufacturer and distributor of U.S., State, foreign, and decorative and custom flags and banners. The investment at June 30, 2009 is comprised of subordinated debt with an aggregate cost and estimated fair value of \$702,770; 302,500 units of preferred A units with a cost and estimated fair value of \$2,750,000; 3,100 units of preferred B units with a cost and estimated fair value of \$0; and 20,000 mezzanine units. The mezzanine units have not been separately valued but have been considered in determining the estimated fair value.
- d) MidAtlanticBroadband, Inc., located in Baltimore, MD, is a facilities based provider of telecommunication services. The investment at June 30, 2009 is comprised of subordinated debt with an aggregate cost of \$2,500,000 and warrants to purchase 4,386,375 shares of common stock at an exercise price of \$0.01 per share. Estimated fair value of the investment at June 30, 2009 is \$1,200,000.

Note 9. Private Equity Investments (Continued)

- e) Ricochet Manufacturing Company, Inc., located in Philadelphia, PA, is the leading designer and manufacturer of clothing intended to provide protection against exposure to blood borne viruses (pathogens) for the EMS market. The Investment in Ricochet Manufacturing at June 30, 2009 is comprised of 6,093,599 shares of Series "C" preferred stock, convertible into common stock, as defined, with a cost of \$3,289,024 and estimated fair value of \$0; 2,000,000 shares of Series "D" preferred stock, convertible into common stock, as defined, with a cost and estimated fair value of \$500,000; 3,125,000 shares of Series "E" preferred stock, convertible into common stock, as defined, with a cost and estimated fair value of \$500,000; unsecured promissory notes due on demand with a cost and estimated fair value of \$187,500; warrants to subscribe for 4,361 shares of Series "A" convertible preferred stock expire September 2013. These warrants may be exercised at \$0.01 per share, subject to adjustment. These warrants have not been separately valued but have been considered determining the estimated fair value of the investment. During the year ended June 30, 2009, UGP recorded unrealized losses of \$969,753 on its investment in Ricochet Manufacturing Company, Inc.
- f) Sun & Earth, Inc. manufactures the leading brand of all-natural cleaning products from its plant in Norristown, PA. The Sun & Earth brand presently includes six different liquid cleaning product categories. The Investment at June 30, 2009 is comprised of subordinated debt with an aggregate cost and estimated fair value of \$500,000; 6,749 shares of class "A" common stock with a cost of \$1,417,367 and an estimated fair value of \$0; 2,396,972 shares of class "C" preferred stock with a cost of \$830,235 and estimated fair value of \$599,243 and warrants to purchase 83,650 shares of class "A" common stock. The warrants have not been separately valued but have been considered in determining the estimated fair value of the investment. During the year ended June 30, 2009, UGP recorded unrealized losses of \$231,059 on its investment in Sun & Earth, Inc.
- g) Verilaw Technologies, Inc., located in Wayne, PA, provides electronic filing and document distribution service to major law firms and court systems around the country. During the year ended June 30, 2009, UGP received its final distribution of escrow from its exit of Verilaw Technologies, Inc. and recorded realized gains of \$1,267.

Note 10. Equipment, Leasehold Improvements and Software, net

Equipment, leasehold improvements and software, net at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Office furniture and equipment	\$ 1,390,009	\$ 1,260,398
Leasehold improvements	865,678	865,678
Software development	1,646,697	934,771
Accumulated depreciation	<u>(2,176,210)</u>	<u>(1,512,858)</u>
	<u>\$ 1,726,174</u>	<u>\$ 1,547,989</u>

Depreciation and amortization expense of \$663,352 and \$311,356 was recorded for the years ended June 30, 2009 and 2008, respectively.

Note 11. Recoverable Grant Payable

The Organization was awarded conditional grants of \$10,000,000 each in fiscal year 2005, 2006 and 2007, from the Pennsylvania Department of Community and Economic Development for the Fresh Food Financing Initiative, which supports the development of supermarkets and other fresh food retailers in under-served urban and rural communities, totaling \$30,000,000. Cash totaling \$30,000,000 and \$21,200,000 has been advanced as of June 30, 2009 and 2008, respectively. Under the terms of these grants, TRF must raise at least \$90,000,000 of matching funds within a five-year period. In the years ended June 30, 2009 and 2008, the Organization has raised \$8,667,980 and \$33,220,521 in matching funds, respectively and as such, has recognized \$5,366,622 and \$9,296,879 of contribution revenue during the years ended June 30, 2009 and 2008, respectively. At June 30, 2009, cumulative matching funds raised totaled \$90,000,000 and the related cumulative revenue recognized is \$30,000,000. The recoverable grant payable of \$758,840 for the year ended June 30, 2008 represents the balance of the grant funds received and matched in the year ended June 30, 2009.

Note 12. Loans Payable

Loans payable at June 30 consisted of the following:

	2009		2008	
	Current	Noncurrent	Current	Noncurrent
Government (a)	\$ 285,714	\$ 4,380,769	\$ 214,286	\$ 1,421,428
Financial institutions and corporations (b)	32,749,575	77,289,234	4,330,608	70,801,375
Foundations, religious, and civic organizations (c)	7,411,379	22,388,442	7,486,721	17,949,426
Individuals (d)	1,179,352	4,027,137	974,297	4,185,027
	<u>\$ 41,626,020</u>	<u>\$ 108,085,582</u>	<u>\$ 13,005,912</u>	<u>\$ 94,357,256</u>

a) Government debt included amounts due to government agencies and their affiliates:

- Government debt includes a loan payable to the Pennsylvania Community Development Bank ("PCDB") which includes two advances to fund small businesses, economic development and community facilities. Principal and interest are due quarterly. The interest rates are 3.86% and 4.085%. These loans are unsecured. At June 30, 2009 and 2008, the Organization had approximately \$571,000 and \$786,000, respectively, outstanding related to PCDB debt.
- TRF has two conditionally forgivable loans outstanding with Maryland's Department of Housing and Community Development, totaling \$350,000 with rates at 0% as of June 30, 2009. Development Partners has a loan outstanding with Maryland's Department of Housing and Community Development, totaling \$750,000 with a rate of 2.00% as of June 30, 2009. These loans were advanced within the years ended June 30, 2009 and 2008 to further our community development work in the Baltimore area, and mature in the year 2018.
- Development Partners has a conditionally forgivable loan outstanding with the New Jersey Housing and Mortgage Finance Agency for approximately \$2,600,000 with a rate of 0% at June 30, 2009. The loan was advanced in the year ended June 30, 2009 for community development work in the Neptune, New Jersey area and matures in 2014.

Note 12. Loans Payable (Continued)

b) Financial institutions and corporations debt includes amounts due to banks and other financial institutions as follows:

1. Bank debt includes amounts due to various local, regional and national financial institutions. The debt has various maturity dates ranging from June 2009 through February 2021, with annual fixed and variable interest rates ranging from 0% to 7.22%. Interest is payable monthly, quarterly, semi-annually and annually, as defined.
2. CLI has a credit facility with an interim lender (JPMorgan Chase Bank) and a group of syndicated lenders, for which JPMorgan Chase Bank acts as the agent. The facility was amended and restated effective July 15, 2009. The arrangement provides for the following:
 - a. An interim lender commitment, with JPMorgan Chase Bank, of \$10,000,000 which expires on June 30, 2010. No amounts were outstanding under this commitment as of June 30, 2009 and 2008.
 - b. Syndicated lenders commitments with 13 banks that terminate on June 30, 2013. The aggregate amount of these commitments as of June 30, 2009 is \$25,080,000. As of June 30, 2009 and 2008, \$10,771,021 and \$17,600,000, respectively, was outstanding, at the WSJ Prime Rate (3.25% at June 30, 2009), minus 1.00%.

Under the terms of the amended and restated agreement, CLI may borrow funds during the revolving credit period which ends June 30, 2010, up to six times in any calendar quarter, in minimum increments of \$100,000. Borrowings under the agreement are due and payable by June 30, 2013 with no penalty for early prepayment. Interest on the syndicated facility is payable quarterly at a rate per annum equal to the election of the Prime Rate or adjusted London Interbank Offered Rate ("LIBOR") subject to a floor of 4.00%:

12 months	Prime	LIBOR plus 2.50%
24 months	Prime plus 0.50%	LIBOR plus 3.00%
36 months	Prime plus 1.00%	LIBOR plus 3.50%

c) Foundations, religious, and civic organizations debt is detailed as follows:

1. Foundation debt includes amounts due to various philanthropic foundations. The debt has various maturity dates ranging from June 2009 through June 2019, with annual interest rates ranging from 0.00% to 5.00%. Notes payable totaling \$250,000 became due at June 30, 2009 awaiting renewal notification. Interest is payable quarterly, semi-annually, and annually, as defined.
 2. Religious organization notes payable include amounts due to various faith-based associations. The debt has various maturity dates ranging from June 2009 through December 2023, with annual interest rates ranging from 0.00% to 5.50%. Notes payable totaling \$16,000 became due at June 30, 2009 awaiting renewal notification. Interest is payable semi-annually and annually, as defined.
 3. Notes payable due to civic organizations have various maturity dates ranging from June 2009 through February 2019, with annual interest ranging from 2.00% to 5.50%. Notes payable totaling \$10,000 became due at June 30, 2009 awaiting renewal notification. Interest is payable quarterly, semi-annually, and annually, as defined.
- d) Loans payable to individuals include amounts due to various individuals, including employees of the Organization. The debt has various maturity dates ranging from June 2009 through June 2024, with annual interest rates ranging from 0.00% to 5.75%. Notes payable totaling \$153,900 became due at June 30, 2009 awaiting renewal notification. Interest is payable semi-annually and annually, as defined.

Notes to Consolidated Financial Statements

Note 12. Loans Payable (Continued)

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 June 30, 2009, TRF was out of compliance with certain financial covenants and received waivers from the affected lenders for the covenant violations. However, for financial statement presentation \$18,900,000 was reclassified from noncurrent to current loans payable.

Loans payable include secured loans of approximately \$20,590,000.

Aggregate maturities for loans payable at June 30, 2009 are as follows:

2010	\$ 41,626,020
2011	18,000,736
2012	16,483,964
2013	10,318,673
2014	23,775,355
Thereafter	<u>39,506,854</u>
	<u>\$ 149,711,602</u>

As of June 30, 2009, the Organization has available undrawn debt facilities of approximately:

Lender	Total Debt Facility	Debt Facility Type	Available undrawn at June 30, 2009
JP Morgan Chase (agent)	\$ 25,080,000	Syndicated bank revolving line of credit	\$ 14,309,000
Fannie Mae	15,000,000	Line of credit and term loan facility	452,000
Fannie Mae	10,000,000	Line of credit	10,000,000
Merrill Lynch	10,000,000	Non-revolving line of credit	4,375,000
Chase New Markets Corp.	5,000,000	Non-revolving line of credit	700,000
Living Cities Catalyst Fund	2,000,000	Non-revolving line of credit	1,800,000
MD Dept. of Housing and Community Development	270,000	Non-revolving line of credit	270,000
Crozer-Keystone Health System	1,000,000	Term loan	667,000
Widener University	1,000,000	Term loan	667,000
North Fork Bank	<u>500,000</u>	Revolving line of credit	<u>500,000</u>
	<u>\$ 69,850,000</u>		<u>\$ 33,740,000</u>

Note 13. Net Assets

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. At June 30, 2009 and 2008, unrestricted net assets of \$10,178,688 and \$10,108,082, respectively, were contractually limited as to use by SDF.

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

Note 13. Net Assets (Continued)

Temporarily restricted net assets at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Purpose Restricted		
Lending and Community Investing	\$ 23,460,674	\$ 18,003,681
Sustainable Development Fund - Contractually limited as to use	1,130,177	1,726,818
Policy Solutions	1,392,351	2,397,239
PolicyMap	159,583	-
Development Partners	75,000	7,872
	<u>26,217,785</u>	<u>22,135,610</u>
Time Restricted		
Long-lived assets	91,667	141,667
	<u>\$ 26,309,452</u>	<u>\$ 22,277,277</u>

Temporarily restricted for Lending and Community Investing includes \$13,325,059 and \$13,094,600 for the years ended June 30, 2009 and 2008, respectively, that TRF received from the U.S. Department of Education ("US ED") plus earned interest, to leverage funds through credit enhancement initiatives in order to assist charter schools in using private sector capital to acquire, construct, or renovate charter school facilities.

At June 30, 2009, the temporarily restricted for Lending and Community Investing includes \$3,522,612 of funds held for conditional grants committed to third parties for approved Fresh Food Financing Initiative projects and \$2,000,000 of Financial Assistance from Community Development Financial Institution Fund (CDFI) pursuant to funding authority through the American Recovery and Reinvestment Act of 2009.

Permanently restricted net assets represent grants and contributions received subject to donor restrictions that are primarily for use in the Organization's permanent revolving loan funds. Per the terms of the Fresh Food Financing Initiative ("FFFI") Program (Note 11), charge-offs in the revolving loan fund decreased permanently restricted net assets by \$446,956 and \$546,956 for the years ended June 30, 2009 and 2008, respectively. At June 30, 2009, the decrease in permanently restricted net assets includes \$483,425 of charge-offs in the revolving loan fund for the Pennsylvania Community Development ("PCD") Bank Program.

In the years ended June 30, 2009 and 2008 respectively, \$478,252 and \$4,496,754 of permanently restricted revenue was recognized as match requirements were met on the FFFI award (Note 11). The Organization received contributions of \$2,300 and 542,814 for the years ended June 30, 2009 and 2008, respectively, to be used for the permanent revolving loan funds. In the year ended June 30, 2009, \$2,000,000 of William Penn Foundation debt converted into permanently restricted net assets in the revolving loan fund to finance community development in Philadelphia and Camden neighborhoods.

Reclassifications of funds from permanently restricted to temporarily restricted net assets include \$1,246,522 for interest income on deposits in the FFFI Program. The interest income reclassification, stipulated by the donor during the year ended June 30, 2009, are to be utilized by the Organization in furtherance of the activities authorized under the FFFI Program.

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

Note 14. Sustainable Development Fund

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

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

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

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

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

During the years ended June 30, 2009 and 2008, net assets released from restriction for SDF totaled \$596,641 and \$2,958,078, respectively. SDF did not incur any fundraising expenses.

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

Note 15. Functional Expenses

The management and general category includes fundraising expenses, which are approximately \$11,163 and \$58,000 for the years ended June 30, 2009 and 2008, respectively.

Note 16. Commitments and Contingencies

The Organization leases its offices and certain office equipment under non-cancelable operating leases. The Organization's future annual minimum payments under these leases, net of sublease income, are \$382,463, \$371,552, \$149,310, \$152,311, \$155,312 and \$12,964 for the years ending June 30, 2010, 2011, 2012, 2013, 2014, and 2015, respectively. Rent expense, net of subleases, was \$364,908 and \$343,947 for the years ended June 30, 2009 and 2008, respectively.

Note 16. Commitments and Contingencies (Continued)

At June 30, 2009, SDF had approximately \$593,000 in conditional grants committed to third parties. Disbursements under these commitments are expected to occur in the next fiscal year or when the conditions as defined in the grant agreements are substantially met.

At June 30, 2009, the Organization had approximately \$27,000,000 of loans closed but not yet disbursed and \$18,800,000 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.

Under the amended and restated CLI credit facility (Note 12), TRF acts as guarantor for any loans outstanding under the facility; however, the maximum amount TRF is obligated to pay shall not exceed 25.00% of the aggregate loan balance. The maximum dollar amount that TRF is liable for under this agreement as of June 30, 2009 is approximately \$2,560,700.

At June 30, 2009, the Organization had committed capital to UGP in the amount of \$4,850,000, of which \$2,788,750 has been called and paid. During the remaining term of the partnership, the General Partner does not intend to call more than 80% of the total committed capital.

At June 30, 2009, TRF had committed capital to PAIT in the amount of \$2,000,000, of which \$1,955,500 has been called and paid.

At June 30, 2009, TRF had unconditional outstanding letters of credit totaling approximately \$2,327,000. These letters of credit have maturity dates ranging from July 2009 to June 2014.

At June 30, 2009, TRF had approximately \$2,948,000 of loan commitments outstanding to CCAP.

During the year ended June 30, 2009, in connection with the NMTC program, TRF NMTC Fund VII, LP ("Lender") issued three notes to The Learning Community Charter School ("Debtor"). TRF ("Guarantor") unconditionally guarantees the punctual payment of all sums due on one of these notes in the amount of \$4,840,750 plus any expenses of collection of the note including reasonable attorneys' fees. This guaranty requires that the Lender cause the full depletion of the US ED proceeds in the amount of \$974,850, prior to pursuing any remedy against the Guarantor. These US ED proceeds also secure the Debtor's obligations under the note.

Note 17. Retirement Plan

The Organization offers all eligible employees the opportunity to participate in a 401(k) tax deferred annuity plan whereby employees may elect to contribute through payroll deduction amounts subject to statutory maximums. The plan provides for a discretionary match of dollar for dollar of up to 6.00% of the employees' compensation. The Organization contributed \$348,466 and \$311,270 for the years ended June 30, 2009 and 2008, respectively.

Note 18. Fair Value

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 based on mark-to-market valuation information available to the general partner and program managers at June 30, 2009.

Notes to Consolidated Financial Statements

Note 18. Fair Value (Continued)

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

The following presents the assets and liabilities reported on the Statement of Financial Position at their fair value as of June 30, 2009 by level within the SFAS No. 157 fair value measurement hierarchy.

	June 30, 2009			
	Total	Level 1	Level 2	Level 3
Investment in marketable securities	\$ 22,470,531	\$ 955,792	\$ 21,477,864	\$ 36,875
Program investments	325,500	-	-	325,500
Private equity investments	6,939,513	-	-	6,939,513
Total assets	<u>\$ 29,735,544</u>	<u>\$ 955,792</u>	<u>\$ 21,477,864</u>	<u>\$ 7,301,888</u>

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

	Investments in Marketable Securities	Program Investments	Private Equity Investments
Balance, July 1, 2008	\$ 247,917	\$ 388,500	\$ 7,708,084
Total net losses included in change in net assets	(211,042)	(44,000)	(1,199,545)
Purchases and sales, net	-	(19,000)	430,974
Balance, June 30, 2009	<u>\$ 36,875</u>	<u>\$ 325,500</u>	<u>\$ 6,939,513</u>

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

	Investments in Marketable Securities	Program Investments	Private Equity Investments
Total realized gains included in net losses above	\$ -	\$ -	\$ 1,267
Change in unrealized losses relating to assets still held at June 30, 2009	\$ (211,042)	\$ (44,000)	\$ (1,200,812)

Note 18. Fair Value (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 statements of financial position. The valuation allowance for impaired loans at June 30, 2009 was \$2,604,936.

	June 30, 2009			
	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$2,604,936	\$ 11,832,926	\$ -	\$ -	\$ 11,832,926

Fair Value on Financial Instruments

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires the disclosure of the estimated fair value of financial instruments. The methodology for estimating the fair value of financial assets and liabilities that are measured on a recurring or nonrecurring basis are discussed above.

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

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

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

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

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

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

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

Fair value of impaired loans is described above.

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

Loans payable: Fair value of loans payable in the portfolio is determined by segregating the portfolio by type as loans payable having a fixed rate and loans payable having an adjustable rate.

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

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

Note 18. Fair Value (Continued)

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	\$ 35,873,652	\$ 35,873,652	\$ 8,851,253	\$ 8,851,253
Investments in marketable securities	22,470,531	22,470,531	33,339,982	33,339,982
Program investments	325,500	325,500	338,500	338,500
Loans and leases, less allowance for losses	134,294,673	132,848,599	108,136,533	109,420,084
Private equity investments	6,939,513	6,939,513	7,708,084	7,708,084
Total Assets	\$ 199,903,869	\$ 198,457,795	\$ 158,374,352	\$ 159,657,903
Liabilities				
Loans payable	\$ 149,711,602	\$ 145,721,983	\$ 107,363,168	\$ 105,552,762

Note 19. Subsequent Events

The Organization has adopted SFAS No. 165, *Subsequent Events*, effective June 30, 2009 (as more fully described under Recent Accounting Pronouncements). Accordingly, management has evaluated subsequent events through September 17, 2009, the date the financial statements were issued (or available to be issued) and has determined that no recognized or non-recognized subsequent events warranted inclusion or disclosure in the financial statements as of June 30, 2009.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

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

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating (and other supplementary) information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. The consolidating (and other supplementary) information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
September 17, 2009

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

Consolidating Statement of Financial Position
June 30, 2009

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Assets											
Current Assets											
Cash and cash equivalents	\$ 30,439,477	\$ 688,263	\$ 1,409,277	\$ 116,310	\$ 49,730	\$ 3,170,595	\$ -	\$ -	\$ 35,873,652	\$ -	\$ 35,873,652
Grants and contributions receivable	2,486,250	-	-	-	-	75,000	-	-	2,561,250	-	2,561,250
Investments in marketable securities	16,401,787	-	-	-	-	4,516,892	-	-	20,918,679	4,017,020	16,901,659
Accounts receivable - related parties	-	137,077	-	279,098	-	-	100	(416,275)	-	-	-
Loans and leases	57,787,441	7,171,058	-	312,181	-	-	-	(816,439)	64,454,241	2,684,837	61,769,404
Allowance for losses	(3,802,098)	(147,132)	-	(26,255)	-	-	-	40,822	(3,934,663)	(154,640)	(3,780,023)
Other	1,925,132	479,602	83,722	(2,001)	281,945	222,229	-	(7,498)	2,983,131	181,844	2,801,287
Restricted cash and cash equivalents	16,766,550	859,158	446,600	2,753	-	10,820	-	-	18,085,881	253,558	17,832,323
	<u>122,004,539</u>	<u>9,188,026</u>	<u>1,939,599</u>	<u>682,086</u>	<u>331,675</u>	<u>7,995,536</u>	<u>100</u>	<u>(1,199,390)</u>	<u>140,942,171</u>	<u>6,982,619</u>	<u>133,959,552</u>
Noncurrent Assets											
Investments in marketable securities	1,551,852	-	-	-	-	-	-	-	1,551,852	1,196,089	355,763
Program investments	325,500	-	-	-	-	-	-	-	325,500	-	325,500
Due from related parties	5,052,732	-	-	-	-	-	-	(5,052,732)	-	-	-
Loans and leases	76,427,870	3,071,884	-	563,051	-	-	-	(1,183,333)	78,879,472	2,436,227	76,443,245
Allowance for losses	(5,039,991)	(124,379)	-	(58,340)	-	-	-	118,333	(5,104,377)	(121,811)	(4,982,566)
Investments in limited partnerships	1,787,456	-	-	-	8,265	-	10,518	-	1,806,239	1,091,396	714,843
Private equity investments	299,288	-	6,939,513	-	-	-	-	(299,288)	6,939,513	-	6,939,513
Investments in consolidated subsidiaries	1,560,559	-	-	-	-	-	-	(1,560,559)	-	-	-
Equipment, leasehold improvements and software, net	1,726,174	-	-	-	-	-	-	-	1,726,174	-	1,726,174
Property held for development or sale	-	-	-	-	-	6,778,961	-	-	6,778,961	-	6,778,961
Other	10,504	-	-	-	-	320,668	-	-	331,172	-	331,172
	<u>83,701,944</u>	<u>2,947,505</u>	<u>6,939,513</u>	<u>504,711</u>	<u>8,265</u>	<u>7,099,629</u>	<u>10,518</u>	<u>(7,977,579)</u>	<u>93,234,506</u>	<u>4,601,901</u>	<u>88,632,605</u>
Total Assets	\$ 205,706,483	\$ 12,135,531	\$ 8,879,112	\$ 1,186,797	\$ 339,940	\$ 15,095,165	\$ 10,618	\$ (9,176,969)	\$ 234,176,677	\$ 11,584,520	\$ 222,592,157
Liabilities and Net Assets											
Current Liabilities											
Accounts payable and accrued expenses	\$ 743,187	\$ 4,688	\$ 2,078	\$ 1,067	\$ -	\$ 140,399	\$ -	\$ -	\$ 891,419	\$ 39,177	\$ 852,242
Grants payable	33,624	-	-	-	-	-	-	-	33,624	33,624	-
Escrow payable and due to third parties	1,755,075	859,158	446,600	2,753	-	10,820	-	-	3,074,406	52,332	3,022,074
Accounts payable - related parties	416,275	-	-	-	-	-	-	(416,275)	-	150,522	(150,522)
Other	762,350	664	-	-	-	106,731	-	(7,498)	862,247	-	862,247
Loans payable, current portion	41,626,020	-	-	253,388	-	-	-	(253,388)	41,626,020	-	41,626,020
	<u>45,336,531</u>	<u>864,510</u>	<u>448,678</u>	<u>257,208</u>	<u>-</u>	<u>257,950</u>	<u>-</u>	<u>(677,161)</u>	<u>46,487,716</u>	<u>275,655</u>	<u>46,212,061</u>
Noncurrent Liabilities											
Due to related parties	-	-	2,802,429	-	-	2,250,303	-	(5,052,732)	-	-	-
Loans payable, less current maturities	85,042,839	10,771,021	-	563,051	-	13,455,055	-	(1,746,384)	108,085,582	-	108,085,582
	<u>85,042,839</u>	<u>10,771,021</u>	<u>2,802,429</u>	<u>563,051</u>	<u>-</u>	<u>15,705,358</u>	<u>-</u>	<u>(6,799,116)</u>	<u>108,085,582</u>	<u>-</u>	<u>108,085,582</u>
Total Liabilities	130,379,370	11,635,531	3,251,107	820,259	-	15,963,308	-	(7,476,277)	154,573,298	275,655	154,297,643
Non-Controlling Interest	-	-	7,354,990	-	-	-	-	(299,288)	7,055,702	-	7,055,702
Commitments and Contingencies											
Paid in capital	-	-	-	1,210,000	(1,477,691)	-	60,100	207,591	-	-	-
Earnings/(Deficit)	-	-	-	(843,462)	1,817,631	-	(49,482)	(924,687)	-	-	-
Net Assets											
Unrestricted	11,459,299	500,000	(2,042,711)	-	-	(943,143)	-	(684,308)	8,289,137	-	8,289,137
Unrestricted-Contractually limited as to use	10,178,688	-	-	-	-	-	-	-	10,178,688	10,178,688	-
Total Unrestricted	<u>21,637,987</u>	<u>500,000</u>	<u>(2,042,711)</u>	<u>366,538</u>	<u>339,940</u>	<u>(943,143)</u>	<u>10,618</u>	<u>(1,401,404)</u>	<u>18,467,825</u>	<u>10,178,688</u>	<u>8,289,137</u>
Temporarily restricted	25,104,275	-	-	-	-	75,000	-	-	25,179,275	-	25,179,275
Temporarily restricted - Contractually limited as to use	1,130,177	-	-	-	-	-	-	-	1,130,177	1,130,177	-
Total Temporarily Restricted	<u>26,234,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>26,309,452</u>	<u>1,130,177</u>	<u>25,179,275</u>
Permanently restricted	27,454,674	-	315,726	-	-	-	-	-	27,770,400	-	27,770,400
Total Net Assets	75,327,113	500,000	(1,726,985)	366,538	339,940	(868,143)	10,618	(1,401,404)	72,547,677	11,308,865	61,238,812
Total Liabilities and Net Assets	\$ 205,706,483	\$ 12,135,531	\$ 8,879,112	\$ 1,186,797	\$ 339,940	\$ 15,095,165	\$ 10,618	\$ (9,176,969)	\$ 234,176,677	\$ 11,584,520	\$ 222,592,157

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

Consolidating Statement of Financial Position
June 30, 2008

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Assets											
Current Assets											
Cash and cash equivalents	\$ 4,203,643	\$ 579,875	\$ 1,703,638	\$ 137,919	\$ 61,484	\$ 2,164,694	\$ -	\$ -	\$ 8,851,253	\$ -	\$ 8,851,253
Grants and contributions receivable	7,350,459	-	-	-	-	-	-	-	7,350,459	-	7,350,459
Investments in marketable securities	18,089,461	-	-	-	-	5,035,101	-	-	23,124,562	3,332,574	19,791,988
Accounts receivable - related parties	4,186,655	-	-	232,993	-	-	100	(4,419,748)	-	-	-
Loans and leases	40,569,838	11,863,755	-	264,195	-	-	-	(264,195)	52,433,593	1,282,527	51,151,066
Allowance for losses	(2,173,862)	(334,965)	-	(20,278)	-	-	-	(52,564)	(2,581,669)	(63,042)	(2,518,627)
Other	1,197,885	117,771	168,186	79,062	358,802	27,508	-	(5,090)	1,944,124	129,539	1,814,585
Restricted cash and cash equivalents	16,835,859	663,208	458,137	22,011	-	1,300	-	-	17,980,515	890,279	17,090,236
	<u>90,259,938</u>	<u>12,889,644</u>	<u>2,329,961</u>	<u>715,902</u>	<u>420,286</u>	<u>7,228,603</u>	<u>100</u>	<u>(4,741,597)</u>	<u>109,102,837</u>	<u>5,571,877</u>	<u>103,530,960</u>
Noncurrent Assets											
Grants and contributions receivable	3,071,754	-	-	-	-	-	-	-	3,071,754	-	3,071,754
Investments in marketable securities	10,215,420	-	-	-	-	-	-	-	10,215,420	4,211,403	6,004,017
Program investments	388,500	-	-	-	-	-	-	-	388,500	-	388,500
Loans and leases	55,837,048	6,148,789	-	1,144,441	-	-	-	(1,735,074)	61,395,204	1,713,164	59,682,040
Allowance for losses	(2,999,570)	(171,025)	-	(122,527)	-	-	-	182,527	(3,110,595)	(85,658)	(3,024,937)
Investments in limited partnerships	1,981,099	-	-	-	6,715	-	60,000	-	2,047,814	1,075,675	972,139
Private equity investments	323,784	-	7,708,084	-	-	-	-	(323,784)	7,708,084	-	7,708,084
Investments in consolidated subsidiaries	1,697,055	-	-	-	-	-	-	(1,697,055)	-	-	-
Equipment, leasehold improvements and software, net	1,547,989	-	-	-	-	-	-	-	1,547,989	-	1,547,989
Property held for development or sale	-	-	-	-	-	1,557,157	-	-	1,557,157	-	1,557,157
Other	15,238	-	-	-	-	418,487	-	-	433,725	-	433,725
	<u>72,078,317</u>	<u>5,977,764</u>	<u>7,708,084</u>	<u>1,021,914</u>	<u>6,715</u>	<u>1,975,644</u>	<u>60,000</u>	<u>(3,573,386)</u>	<u>85,255,052</u>	<u>6,914,584</u>	<u>78,340,468</u>
Total Assets	<u>\$ 162,338,255</u>	<u>\$ 18,867,408</u>	<u>\$ 10,038,045</u>	<u>\$ 1,737,816</u>	<u>\$ 427,001</u>	<u>\$ 9,204,247</u>	<u>\$ 60,100</u>	<u>\$ (8,314,983)</u>	<u>\$ 194,357,889</u>	<u>\$ 12,486,461</u>	<u>\$ 181,871,428</u>
Liabilities and Net Assets											
Current Liabilities											
Accounts payable and accrued expenses	\$ 1,616,560	\$ 4,687	\$ 37,768	\$ 127	\$ -	\$ 59,835	\$ -	\$ (104)	\$ 1,718,873	\$ 33,766	\$ 1,685,107
Grants payable	563,208	-	-	-	-	-	-	-	563,208	563,208	-
Escrow payable and due to third parties	3,002,041	663,208	458,137	22,011	-	1,300	-	-	4,146,697	27,436	4,119,261
Accounts payable - related parties	-	97,590	3,117,633	-	47	1,204,478	-	(4,419,748)	-	27,151	(27,151)
Other	527,304	1,923	-	-	-	148,095	-	(4,986)	672,336	-	672,336
Recoverable grant payable	758,840	-	-	-	-	-	-	-	758,840	-	758,840
Loans payable, current portion	13,005,912	-	-	264,195	-	-	-	(264,195)	13,005,912	-	13,005,912
	<u>19,473,865</u>	<u>767,408</u>	<u>3,613,538</u>	<u>286,333</u>	<u>47</u>	<u>1,413,708</u>	<u>-</u>	<u>(4,689,033)</u>	<u>20,865,866</u>	<u>651,561</u>	<u>20,214,305</u>
Noncurrent Liabilities											
Loans payable, less current maturities	69,597,256	17,600,000	-	1,135,074	-	7,760,000	-	(1,735,074)	94,357,256	-	94,357,256
Total Liabilities	<u>89,071,121</u>	<u>18,367,408</u>	<u>3,613,538</u>	<u>1,421,407</u>	<u>47</u>	<u>9,173,708</u>	<u>-</u>	<u>(6,424,107)</u>	<u>115,223,122</u>	<u>651,561</u>	<u>114,571,561</u>
Non-Controlling Interest	-	-	7,956,987	-	-	-	-	(323,784)	7,633,203	-	7,633,203
Commitments and Contingencies											
Paid in capital	-	-	-	1,210,000	(1,309,341)	-	60,100	39,241	-	-	-
Earnings/(Deficit)	-	-	-	(893,591)	1,736,295	-	-	(842,704)	-	-	-
Net Assets											
Unrestricted	13,738,623	500,000	(1,848,206)	-	-	22,666	-	(763,629)	11,649,454	-	11,649,454
Unrestricted-Contractually limited as to use	10,108,082	-	-	-	-	-	-	-	10,108,082	10,108,082	-
Total Unrestricted	<u>23,846,705</u>	<u>500,000</u>	<u>(1,848,206)</u>	<u>316,409</u>	<u>426,954</u>	<u>22,666</u>	<u>60,100</u>	<u>(1,567,092)</u>	<u>21,757,536</u>	<u>10,108,082</u>	<u>11,649,454</u>
Temporarily restricted	20,542,586	-	-	-	-	7,873	-	-	20,550,459	-	20,550,459
Temporarily restricted - Contractually limited as to use	1,726,818	-	-	-	-	-	-	-	1,726,818	1,726,818	-
Total Temporarily Restricted	<u>22,269,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,873</u>	<u>-</u>	<u>-</u>	<u>22,277,277</u>	<u>1,726,818</u>	<u>20,550,459</u>
Permanently restricted	27,151,025	-	315,726	-	-	-	-	-	27,466,751	-	27,466,751
Total Net Assets	<u>73,267,134</u>	<u>500,000</u>	<u>(1,532,480)</u>	<u>316,409</u>	<u>426,954</u>	<u>30,539</u>	<u>60,100</u>	<u>(1,567,092)</u>	<u>71,501,564</u>	<u>11,834,900</u>	<u>59,666,664</u>
Total Liabilities and Net Assets	<u>\$ 162,338,255</u>	<u>\$ 18,867,408</u>	<u>\$ 10,038,045</u>	<u>\$ 1,737,816</u>	<u>\$ 427,001</u>	<u>\$ 9,204,247</u>	<u>\$ 60,100</u>	<u>\$ (8,314,983)</u>	<u>\$ 194,357,889</u>	<u>\$ 12,486,461</u>	<u>\$ 181,871,428</u>

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

Consolidating Statement of Activities
Year Ended June 30, 2009

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Financial Activity											
Financial Income											
Interest income from:											
Marketable securities	\$ 615,967	\$ 12,610	\$ 10,055	\$ 174	\$ 209	\$ 113,923	\$ -	\$ -	\$ 752,938	\$ 165,733	\$ 587,205
Loans and leases	7,485,760	805,660	-	56,783	-	-	-	(50,635)	8,297,568	214,968	8,082,600
Private equity investments	-	-	102,833	-	-	-	-	-	102,833	-	102,833
Investment gains, net											
Marketable securities	7,265	-	-	-	-	-	-	-	7,265	-	7,265
Equity gains in limited partnerships	-	-	-	-	632	-	-	(632)	-	-	-
Equity gains in consolidated subsidiaries	31,854	-	-	-	-	-	-	(31,854)	-	-	-
Loan and lease fees	803,375	181,555	-	(14,691)	-	-	-	-	970,239	(24,323)	994,562
Asset management fee	846,731	-	-	-	420,761	-	-	(339,996)	927,496	-	927,496
Total Financial Income	9,790,952	999,825	112,888	42,266	421,602	113,923	-	(423,117)	11,058,339	356,378	10,701,961
Financial Expense											
Interest expense	3,600,344	463,507	-	38,124	-	115,589	-	(50,635)	4,166,929	-	4,166,929
Asset management fee	-	-	-	-	339,996	-	-	(339,996)	-	-	-
Investment losses, net											
Marketable securities	207,363	-	-	-	-	19,496	-	-	226,859	(32,843)	259,702
Program investments	44,000	-	-	-	-	-	-	-	44,000	(162,281)	206,281
Private equity investments	70,746	-	1,199,545	-	-	-	-	(70,746)	1,199,545	-	1,199,545
Equity losses in limited partnerships	47,083	-	-	-	-	-	49,482	(632)	95,933	-	95,933
Provision for loan and lease losses	4,235,070	(261,410)	-	(16,165)	-	-	-	(69,509)	3,887,986	127,751	3,760,235
Total Financial Expense	8,204,606	202,097	1,199,545	21,959	339,996	135,085	49,482	(531,518)	9,621,252	(67,373)	9,688,625
Net Financial Income	1,586,346	797,728	(1,086,657)	20,307	81,606	(21,162)	(49,482)	108,401	1,437,087	423,751	1,013,336
Revenue and Support											
Grants and contributions	11,456,707	-	-	-	-	868,956	-	(768,956)	11,556,707	-	11,556,707
Program services and fees	2,918,975	17,810	137,500	(100)	-	198,791	-	(794,198)	2,478,778	129,343	2,349,435
Total Revenue and Support	14,375,682	17,810	137,500	(100)	-	1,067,747	-	(1,563,154)	14,035,485	129,343	13,906,142
Program and General Expenses and Other Decreases											
Program and General Expenses											
Program - Lending and Community Investing	5,916,516	815,538	-	10,395	270	-	-	(794,198)	5,948,521	-	5,948,521
Program - Private Equity	-	-	829,330	-	-	-	-	-	829,330	-	829,330
Program - Sustainable Development Fund	1,079,129	-	-	-	-	-	-	-	1,079,129	1,079,129	-
Program - Policy Solutions	789,740	-	-	-	-	-	-	-	789,740	-	789,740
Program - PolicyMap	1,506,677	-	-	-	-	-	-	-	1,506,677	-	1,506,677
Program - Development Partners	-	-	-	-	-	1,580,189	-	-	1,580,189	-	1,580,189
Management and general	3,679,606	-	154,608	-	-	365,078	-	(768,956)	3,430,336	-	3,430,336
Total Program and General Expenses	12,971,668	815,538	983,938	10,395	270	1,945,267	-	(1,563,154)	15,163,922	1,079,129	14,084,793
Other Decreases											
Charges related to revolving loan fund	930,381	-	-	-	-	-	-	-	930,381	-	930,381
Forgiveness of debt from related parties	-	-	-	(40,317)	-	-	-	40,317	-	-	-
Total Other Decreases	930,381	-	-	(40,317)	-	-	-	40,317	930,381	-	930,381
Total Expenses and Other Decreases	13,902,049	815,538	983,938	(29,922)	270	1,945,267	-	(1,522,837)	16,094,303	1,079,129	15,015,174
Net income (loss)	-	-	-	50,129	81,336	-	(49,482)	(81,983)	-	-	-
Change in net assets	2,059,979	-	(1,933,095)	-	-	(898,682)	-	150,067	(621,731)	(526,035)	(95,696)
Capital contributions (distributions), net	-	-	-	-	(168,350)	-	-	168,350	-	-	-
Change in net assets before non-controlling interest	2,059,979	-	(1,933,095)	50,129	(87,014)	(898,682)	(49,482)	236,434	(621,731)	(526,035)	(95,696)
Less: non-controlling interest	-	-	1,738,590	-	-	-	-	(70,746)	1,667,844	-	1,667,844
Change in net assets	2,059,979	-	(194,505)	50,129	(87,014)	(898,682)	(49,482)	165,688	1,046,113	(526,035)	1,572,148
Net assets, beginning	73,267,134	500,000	(1,532,480)	316,409	426,954	30,539	60,100	(1,567,092)	71,501,564	11,834,900	59,666,664
Net assets, ending	\$ 75,327,113	\$ 500,000	\$ (1,726,985)	\$ 366,538	\$ 339,940	\$ (868,143)	\$ 10,618	\$ (1,401,404)	\$ 72,547,677	\$ 11,308,865	\$ 61,238,812

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

Consolidating Statement of Activities
Year Ended June 30, 2008

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Financial Activity											
Financial Income											
Interest income from:											
Marketable securities	\$ 2,356,433	\$ 56,825	\$ 25,789	\$ (40)	\$ 4,037	\$ 259,430	\$ -	\$ -	\$ 2,702,474	\$ 447,870	\$ 2,254,604
Loans and leases	6,080,508	979,855	-	148,684	-	-	-	(83,027)	7,126,020	153,395	6,972,625
Private equity investments	-	-	84,330	-	-	-	-	-	84,330	-	84,330
Investment gains, net											
Equity gains in limited partnerships	-	-	-	-	740	-	-	(740)	-	-	-
Equity gains in consolidated subsidiaries	366,058	-	-	-	-	-	-	(366,058)	-	-	-
Loan and lease fees	667,481	276,319	-	(11,326)	-	-	-	-	932,474	3,000	929,474
Asset management fee	995,984	-	-	-	387,111	-	-	(509,994)	873,101	-	873,101
Other income	-	-	-	-	-	-	-	-	-	-	-
Total Financial Income	<u>10,466,464</u>	<u>1,312,999</u>	<u>110,119</u>	<u>137,318</u>	<u>391,888</u>	<u>259,430</u>	<u>-</u>	<u>(959,819)</u>	<u>11,718,399</u>	<u>604,265</u>	<u>11,114,134</u>
Financial Expense											
Interest expense	3,256,357	774,508	-	73,000	-	120,270	-	(83,027)	4,141,108	-	4,141,108
Asset management fee	-	-	-	-	509,994	-	-	(509,994)	-	-	-
Investment losses, net											
Marketable securities	51,971	-	-	-	-	-	-	-	51,971	10,965	41,006
Program investments	541,122	-	-	-	-	-	-	-	541,122	548,372	(7,250)
Private equity investments	172,737	-	3,977,310	-	-	-	-	(172,737)	3,977,310	-	3,977,310
Equity losses in limited partnerships	118,011	-	-	-	-	-	-	(740)	117,271	(3,959)	121,230
Provision for loan and lease losses	1,126,389	78,326	-	(127,775)	-	-	-	140,448	1,217,388	28,302	1,189,086
Total Financial Expense	<u>5,266,587</u>	<u>852,834</u>	<u>3,977,310</u>	<u>(54,775)</u>	<u>509,994</u>	<u>120,270</u>	<u>-</u>	<u>(626,050)</u>	<u>10,046,170</u>	<u>583,680</u>	<u>9,462,490</u>
Net Financial Income	<u>5,199,877</u>	<u>460,165</u>	<u>(3,867,191)</u>	<u>192,093</u>	<u>(118,106)</u>	<u>139,160</u>	<u>-</u>	<u>(333,769)</u>	<u>1,672,229</u>	<u>20,585</u>	<u>1,651,644</u>
Revenue and Support											
Grants and contributions	18,996,934	-	-	-	-	595,987	-	(535,987)	19,056,934	-	19,056,934
Program services and fees	1,911,346	24,349	150,000	-	484,568	(36,502)	-	(465,764)	2,067,997	63,809	2,004,188
Other income	-	-	9,105	-	-	-	-	-	9,105	-	9,105
Total Revenue and Support	<u>20,908,280</u>	<u>24,349</u>	<u>159,105</u>	<u>-</u>	<u>484,568</u>	<u>559,485</u>	<u>-</u>	<u>(1,001,751)</u>	<u>21,134,036</u>	<u>63,809</u>	<u>21,070,227</u>
Program and General Expenses and Other Decreases											
Program and General Expenses											
Program - Lending and Community Investing	6,720,429	484,514	-	24,727	404	-	-	(465,764)	6,764,310	-	6,764,310
Program - Private Equity	-	-	736,247	-	-	-	-	-	736,247	-	736,247
Program - Sustainable Development Fund	3,711,912	-	-	-	-	-	-	-	3,711,912	3,711,912	-
Program - Policy Solutions	2,436,481	-	-	-	-	-	-	(535,987)	1,900,494	-	1,900,494
Program - PolicyMap	930,073	-	-	-	-	-	-	-	930,073	-	930,073
Program - Development Partners	-	-	-	-	-	886,741	-	-	886,741	-	886,741
Management and general	2,574,173	-	314,177	-	-	470,360	-	-	3,358,710	-	3,358,710
Total Program and General Expenses	<u>16,373,068</u>	<u>484,514</u>	<u>1,050,424</u>	<u>24,727</u>	<u>404</u>	<u>1,357,101</u>	<u>-</u>	<u>(1,001,751)</u>	<u>18,288,487</u>	<u>3,711,912</u>	<u>14,576,575</u>
Other Decreases											
Discontinuation of program	192,382	-	-	-	-	-	-	-	192,382	-	192,382
Charges related to revolving loan fund	546,956	-	-	-	-	-	-	-	546,956	-	546,956
Forgiveness of debt from related parties	-	-	-	(73,197)	-	-	-	73,197	-	-	-
Total Other Decreases	<u>739,338</u>	<u>-</u>	<u>-</u>	<u>(73,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,197</u>	<u>739,338</u>	<u>-</u>	<u>739,338</u>
Total Expenses and Other Decreases	<u>17,112,406</u>	<u>484,514</u>	<u>1,050,424</u>	<u>(48,470)</u>	<u>404</u>	<u>1,357,101</u>	<u>-</u>	<u>(928,554)</u>	<u>19,027,825</u>	<u>3,711,912</u>	<u>15,315,913</u>
Net income (loss)	-	-	-	240,563	366,058	-	-	(606,621)	-	-	-
Change in net assets	8,995,751	-	(4,758,510)	-	-	(658,456)	-	199,655	3,778,440	(3,627,518)	7,405,958
Capital contributions (distributions), net	-	-	-	-	(1,310,341)	-	60,100	1,250,241	-	-	-
Change in net assets before non-controlling interest	8,995,751	-	(4,758,510)	240,563	(944,283)	(658,456)	60,100	843,275	3,778,440	(3,627,518)	7,405,958
Less: non-controlling interest	-	-	4,245,517	-	-	-	-	(172,737)	4,072,780	-	4,072,780
Change in net assets	8,995,751	-	(512,993)	240,563	(944,283)	(658,456)	60,100	670,538	7,851,220	(3,627,518)	11,478,738
Net assets, beginning	64,271,383	500,000	(1,019,487)	75,846	1,371,237	688,995	-	(2,237,630)	63,650,344	15,462,418	48,187,926
Net assets, ending	<u>\$ 73,267,134</u>	<u>\$ 500,000</u>	<u>\$ (1,532,480)</u>	<u>\$ 316,409</u>	<u>\$ 426,954</u>	<u>\$ 30,539</u>	<u>\$ 60,100</u>	<u>\$ (1,567,092)</u>	<u>\$ 71,501,564</u>	<u>\$ 11,834,900</u>	<u>\$ 59,666,664</u>

TRF Private Equity, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2009

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 100	\$ -	\$ 500	\$ -	\$ 871,152	\$ 537,525	\$ -	\$ 1,409,277
Other	-	-	-	-	31,169	52,553	-	83,722
Restricted cash and cash equivalents	-	-	-	-	-	446,600	-	446,600
	<u>100</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>902,321</u>	<u>1,036,678</u>	<u>-</u>	<u>1,939,599</u>
Noncurrent Assets								
Private equity investments	-	100	485,331	5,254	6,939,513	485,931	(976,616)	6,939,513
	<u>-</u>	<u>100</u>	<u>485,331</u>	<u>5,254</u>	<u>6,939,513</u>	<u>485,931</u>	<u>(976,616)</u>	<u>6,939,513</u>
Total Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 485,831</u>	<u>\$ 5,254</u>	<u>\$ 7,841,834</u>	<u>\$ 1,522,609</u>	<u>\$ (976,616)</u>	<u>\$ 8,879,112</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 1,513	\$ 565	\$ -	\$ 2,078
Escrow payable and due to third parties	446,600	2,233	-	-	-	446,600	(448,833)	446,600
	<u>446,600</u>	<u>2,233</u>	<u>-</u>	<u>-</u>	<u>1,513</u>	<u>447,165</u>	<u>(448,833)</u>	<u>448,678</u>
Noncurrent Liabilities								
Due to related parties	-	-	-	-	-	2,802,429	-	2,802,429
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,802,429</u>	<u>-</u>	<u>2,802,429</u>
Total Liabilities	<u>446,600</u>	<u>2,233</u>	<u>-</u>	<u>-</u>	<u>1,513</u>	<u>3,249,594</u>	<u>(448,833)</u>	<u>3,251,107</u>
Non-Controlling Interest	-	-	-	-	7,354,990	-	-	7,354,990
Commitments and Contingencies								
Partners' Capital (Net Assets)								
General partner	(5,968)	(2,133)	5,254	5,254	485,331	-	(487,738)	-
Limited partner	(440,532)	-	480,577	-	-	-	(40,045)	-
Total Partners' capital (Net Assets)	<u>(446,500)</u>	<u>(2,133)</u>	<u>485,831</u>	<u>5,254</u>	<u>485,331</u>	<u>-</u>	<u>(527,783)</u>	<u>-</u>
Net Assets								
Unrestricted	-	-	-	-	-	(2,042,711)	-	(2,042,711)
Total Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,042,711)</u>	<u>-</u>	<u>(2,042,711)</u>
Temporarily restricted	-	-	-	-	-	-	-	-
Total Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permanently restricted	-	-	-	-	-	315,726	-	315,726
Total Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,726,985)</u>	<u>-</u>	<u>(1,726,985)</u>
Total Liabilities and Net Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 485,831</u>	<u>\$ 5,254</u>	<u>\$ 7,841,834</u>	<u>\$ 1,522,609</u>	<u>\$ (976,616)</u>	<u>\$ 8,879,112</u>

TRF Private Equity, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2008

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 100	\$ -	\$ 500	\$ -	\$ 686,167	\$ 1,016,871	\$ -	\$ 1,703,638
Other	-	-	-	-	105,112	63,074	-	168,186
Restricted cash and cash equivalents	-	-	-	-	11,537	446,600	-	458,137
	<u>100</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>802,816</u>	<u>1,526,545</u>	<u>-</u>	<u>2,329,961</u>
Noncurrent Assets								
Private equity investments	-	100	525,055	5,651	7,708,084	525,655	(1,056,461)	7,708,084
Total Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 525,555</u>	<u>\$ 5,651</u>	<u>\$ 8,510,900</u>	<u>\$ 2,052,200</u>	<u>\$ (1,056,461)</u>	<u>\$ 10,038,045</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 17,321	\$ 20,447	\$ -	\$ 37,768
Escrow payable and due to third parties	446,600	2,233	-	-	11,537	446,600	(448,833)	458,137
Accounts payable - related parties	-	-	-	-	-	3,117,633	-	3,117,633
Total Liabilities	<u>446,600</u>	<u>2,233</u>	<u>-</u>	<u>-</u>	<u>28,858</u>	<u>3,584,680</u>	<u>(448,833)</u>	<u>3,613,538</u>
Non-Controlling Interest	-	-	-	-	7,956,987	-	-	7,956,987
Commitments and Contingencies								
Partners' Capital (Net Assets)								
General partner	(5,968)	(2,133)	5,650	5,651	525,055	-	(528,255)	-
Limited partner	(440,532)	-	519,905	-	-	-	(79,373)	-
Total Partners' capital (Net Assets)	<u>(446,500)</u>	<u>(2,133)</u>	<u>525,555</u>	<u>5,651</u>	<u>525,055</u>	<u>-</u>	<u>(607,628)</u>	<u>-</u>
Net Assets								
Unrestricted	-	-	-	-	-	(1,848,206)	-	(1,848,206)
Total Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,848,206)</u>	<u>-</u>	<u>(1,848,206)</u>
Temporarily restricted	-	-	-	-	-	-	-	-
Total Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permanently restricted	-	-	-	-	-	315,726	-	315,726
Total Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,532,480)</u>	<u>-</u>	<u>(1,532,480)</u>
Total Liabilities and Net Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 525,555</u>	<u>\$ 5,651</u>	<u>\$ 8,510,900</u>	<u>\$ 2,052,200</u>	<u>\$ (1,056,461)</u>	<u>\$ 10,038,045</u>

TRF Private Equity, Inc. and Affiliates

**Consolidating Statement of Activities
Year Ended June 30, 2009**

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Financial Activity								
Financial Income								
Interest income from:								
Marketable securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,055	\$ -	\$ 10,055
Private equity investments	-	-	-	-	102,833	-	-	102,833
Asset management fee	-	-	-	-	-	587,436	(587,436)	-
Total Financial Income	-	-	-	-	102,833	597,491	(587,436)	112,888
Financial Expense								
Asset management fee	-	-	-	-	587,436	-	(587,436)	-
Investment losses, net								
Private equity investments	-	-	-	-	1,199,545	-	-	1,199,545
Equity losses in private equity investments	-	-	114,724	1,147	-	114,724	(230,595)	-
Total Financial Expense	-	-	114,724	1,147	1,786,981	114,724	(818,031)	1,199,545
Net Financial Income	-	-	(114,724)	(1,147)	(1,684,148)	482,767	230,595	(1,086,657)
Revenue and Support								
Program services and fees	-	-	-	-	-	137,500	-	137,500
Total Revenue and Support	-	-	-	-	-	137,500	-	137,500
Program and General Expenses								
Program and General Expenses								
Program - Private Equity	-	-	-	-	169,166	660,164	-	829,330
Management and general	-	-	-	-	-	154,608	-	154,608
Total Program and General Expenses	-	-	-	-	169,166	814,772	-	983,938
Net loss	-	-	(114,724)	(1,147)	(1,853,314)	-	1,969,185	-
Change in net assets	-	-	-	-	-	(194,505)	(1,738,590)	(1,933,095)
Change in net assets before non-controlling interest	-	-	(114,724)	(1,147)	(1,853,314)	(194,505)	230,595	(1,933,095)
Less: non-controlling interest	-	-	-	-	1,738,590	-	-	1,738,590
Change in net assets	-	-	(114,724)	(1,147)	(114,724)	(194,505)	230,595	(194,505)
Net assets, beginning	(446,500)	(2,133)	525,555	5,651	525,055	(1,532,480)	(607,628)	(1,532,480)
Capital contribution	-	-	75,000	750	75,000	-	(150,750)	-
Net assets, ending	<u>\$ (446,500)</u>	<u>\$ (2,133)</u>	<u>\$ 485,831</u>	<u>\$ 5,254</u>	<u>\$ 485,331</u>	<u>\$ (1,726,985)</u>	<u>\$ (527,783)</u>	<u>\$ (1,726,985)</u>

TRF Private Equity, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2008

	DVCRF Ventures Capital, LP	DVCRF Ventures GP, LLC	TRF UG Capital, LP	TRF UG GP, LLC	TRF UGP, LP	TRF Private Equity, Inc.	Eliminations & Reclassifications	Total
Financial Activity								
Financial Income								
Interest income from:								
Marketable securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,789	\$ -	\$ 25,789
Private equity investments	-	-	-	-	84,330	-	-	84,330
Asset management fee	-	-	-	-	-	556,086	(556,086)	-
Total Financial Income	-	-	-	-	84,330	581,875	(556,086)	110,119
Financial Expense								
Asset management fee	-	-	-	-	556,086	-	(556,086)	-
Investment losses, net								
Private equity investments	-	-	-	-	3,977,310	-	-	3,977,310
Equity losses in private equity investments	-	-	280,115	1,555	-	279,616	(561,286)	-
Provision for loan and lease losses	-	-	-	-	-	-	-	-
Total Financial Expense	-	-	280,115	1,555	4,533,396	279,616	(1,117,372)	3,977,310
Net Financial Income	-	-	(280,115)	(1,555)	(4,449,066)	302,259	561,286	(3,867,191)
Revenue and Support								
Program services and fees	-	-	-	-	-	150,000	-	150,000
Other income	-	-	-	-	9,105	-	-	9,105
Total Revenue and Support	-	-	-	-	9,105	150,000	-	159,105
Program and General Expenses								
Program and General Expenses								
Program - Private Equity	-	-	-	-	85,171	651,075	1	736,247
Management and general	-	-	-	-	-	314,177	-	314,177
Total Program and General Expenses	-	-	-	-	85,171	965,252	1	1,050,424
Net loss	-	-	(280,115)	(1,555)	(4,525,132)	-	4,806,802	-
Change in net assets	-	-	-	-	-	(512,993)	(4,245,517)	(4,758,510)
Change in net assets before non-controlling interest	-	-	(280,115)	(1,555)	(4,525,132)	(512,993)	561,285	(4,758,510)
Less: non-controlling interest	-	-	-	-	4,245,017	-	500	4,245,517
Change in net assets	-	-	(280,115)	(1,555)	(280,115)	(512,993)	561,785	(512,993)
Net assets, beginning	(405,900)	(1,930)	715,670	6,306	715,170	(1,019,487)	(1,029,316)	(1,019,487)
Capital contribution	-	-	90,000	900	90,000	-	(180,900)	-
Partners' distribution	(40,600)	(203)	-	-	-	-	40,803	-
Net assets, ending	\$ (446,500)	\$ (2,133)	\$ 525,555	\$ 5,651	\$ 525,055	\$ (1,532,480)	\$ (607,628)	\$ (1,532,480)

TRF Development Partners, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2009

	TRF Development Partners, Inc.	Baltimore, LLC & Subsidiary	TRF DP - Philadelphia, LLC	TRF DP - Ridge Avenue, LLC	TRF DP - Chester, LLC	Eliminations & Reclassifications	Total
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,241,224	\$ 1,713,988	\$ 47,298	\$ 13,361	\$ 154,724	\$ -	\$ 3,170,595
Grants and contributions receivable	75,000	-	-	-	-	-	75,000
Investments in marketable securities	-	3,670,174	-	-	846,718	-	4,516,892
Other	664,143	153,512	50,456	-	-	(645,882)	222,229
Restricted cash and cash equivalents	-	10,820	-	-	-	-	10,820
	<u>1,980,367</u>	<u>5,548,494</u>	<u>97,754</u>	<u>13,361</u>	<u>1,001,442</u>	<u>(645,882)</u>	<u>7,995,536</u>
Noncurrent Assets							
Investments in consolidated subsidiaries	(515,296)	-	-	-	-	515,296	-
Property held for development or sale	-	3,639,182	-	3,200,705	-	(60,926)	6,778,961
Other	-	79,885	239,033	-	1,750	-	320,668
	<u>(515,296)</u>	<u>3,719,067</u>	<u>239,033</u>	<u>3,200,705</u>	<u>1,750</u>	<u>454,370</u>	<u>7,099,629</u>
Total Assets	<u>\$ 1,465,071</u>	<u>\$ 9,267,561</u>	<u>\$ 336,787</u>	<u>\$ 3,214,066</u>	<u>\$ 1,003,192</u>	<u>\$ (191,512)</u>	<u>\$ 15,095,165</u>
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 2,491	\$ 81,308	\$ 910	\$ 54,974	\$ 716	\$ -	\$ 140,399
Escrow payable and due to third parties	-	10,820	-	-	-	-	10,820
Accounts payable - related parties	-	5,035	375,000	265,847	-	(645,882)	-
Other	19,494	79,438	-	-	7,799	-	106,731
	<u>21,985</u>	<u>176,601</u>	<u>375,910</u>	<u>320,821</u>	<u>8,515</u>	<u>(645,882)</u>	<u>257,950</u>
Noncurrent Liabilities							
Due to related parties	2,250,303	-	-	-	-	-	2,250,303
Loans payable, less current maturities	-	9,460,000	-	2,995,055	1,000,000	-	13,455,055
	<u>2,250,303</u>	<u>9,460,000</u>	<u>-</u>	<u>2,995,055</u>	<u>1,000,000</u>	<u>-</u>	<u>15,705,358</u>
Total Liabilities	<u>2,272,288</u>	<u>9,636,601</u>	<u>375,910</u>	<u>3,315,876</u>	<u>1,008,515</u>	<u>(645,882)</u>	<u>15,963,308</u>
Commitments and Contingencies							
Paid-in-Capital	-	65,471	561,758	60,000	1,675	(688,904)	-
Accumulated Deficit	-	(434,511)	(600,881)	(161,810)	(6,998)	1,204,200	-
Net Assets							
Unrestricted	(882,217)	-	-	-	-	(60,926)	(943,143)
Total Unrestricted	<u>(882,217)</u>	<u>(369,040)</u>	<u>(39,123)</u>	<u>(101,810)</u>	<u>(5,323)</u>	<u>454,370</u>	<u>(943,143)</u>
Temporarily restricted	75,000	-	-	-	-	-	75,000
Total Temporarily restricted	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total Net Assets	<u>(807,217)</u>	<u>(369,040)</u>	<u>(39,123)</u>	<u>(101,810)</u>	<u>(5,323)</u>	<u>454,370</u>	<u>(868,143)</u>
Total Liabilities and Net Assets	<u>\$ 1,465,071</u>	<u>\$ 9,267,561</u>	<u>\$ 336,787</u>	<u>\$ 3,214,066</u>	<u>\$ 1,003,192</u>	<u>\$ (191,512)</u>	<u>\$ 15,095,165</u>

TRF Development Partners, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2008

	TRF Development Partners, Inc.	TRF DP - Baltimore, LLC & Subsidiary	TRF DP - Philadelphia, LLC	TRF DP - Ridge Avenue, LLC	Eliminations & Reclassifications	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 693,042	\$ 1,422,965	\$ 48,687	\$ -	\$ -	\$ 2,164,694
Investments in marketable securities	-	5,035,101	-	-	-	5,035,101
Other	781,436	15,020	-	-	(768,948)	27,508
Restricted cash and cash equivalents	-	1,300	-	-	-	1,300
	<u>1,474,478</u>	<u>6,474,386</u>	<u>48,687</u>	<u>-</u>	<u>(768,948)</u>	<u>7,228,603</u>
Noncurrent Assets						
Investments in consolidated subsidiaries	(238,962)	-	-	-	238,962	-
Property held for development or sale	-	1,557,157	-	-	-	1,557,157
Other	2,700	39,207	152,575	224,005	-	418,487
	<u>(236,262)</u>	<u>1,596,364</u>	<u>152,575</u>	<u>224,005</u>	<u>238,962</u>	<u>1,975,644</u>
Total Assets	<u>\$ 1,238,216</u>	<u>\$ 8,070,750</u>	<u>\$ 201,262</u>	<u>\$ 224,005</u>	<u>\$ (529,986)</u>	<u>\$ 9,204,247</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 3,199	\$ 56,215	\$ 421	\$ -	\$ -	\$ 59,835
Escrow payable and due to third parties	-	1,300	-	-	-	1,300
Accounts payable - related parties	1,204,478	375,000	225,000	168,948	(768,948)	1,204,478
Other	-	148,095	-	-	-	148,095
	<u>1,207,677</u>	<u>580,610</u>	<u>225,421</u>	<u>168,948</u>	<u>(768,948)</u>	<u>1,413,708</u>
Noncurrent Liabilities						
Loans payable, less current maturities	-	7,760,000	-	-	-	7,760,000
Total Liabilities	<u>1,207,677</u>	<u>8,340,610</u>	<u>225,421</u>	<u>168,948</u>	<u>(768,948)</u>	<u>9,173,708</u>
Commitments and Contingencies						
Paid-in-Capital	-	65,600	368,487	60,000	(494,087)	-
Accumulated Deficit	-	(335,460)	(392,646)	(4,943)	733,049	-
Net Assets						
Unrestricted	22,666	-	-	-	-	22,666
Total Unrestricted	<u>22,666</u>	<u>(269,860)</u>	<u>(24,159)</u>	<u>55,057</u>	<u>238,962</u>	<u>22,666</u>
Temporarily restricted	7,873	-	-	-	-	7,873
Total Temporarily restricted	<u>7,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,873</u>
Total Net Assets	<u>30,539</u>	<u>(269,860)</u>	<u>(24,159)</u>	<u>55,057</u>	<u>238,962</u>	<u>30,539</u>
Total Liabilities and Net Assets	<u>\$ 1,238,216</u>	<u>\$ 8,070,750</u>	<u>\$ 201,262</u>	<u>\$ 224,005</u>	<u>\$ (529,986)</u>	<u>\$ 9,204,247</u>

TRF Development Partners, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2009

	TRF Development Partners, Inc.	TRF DP - Baltimore, LLC & Subsidiary	TRF DP - Philadelphia, LLC	TRF DP - Ridge Avenue, LLC	TRF DP - Chester, LLC	Eliminations & Reclassifications	Total
Financial Activity							
Financial Income							
Interest income from:							
Marketable securities	\$ 8,427	\$ 104,358	\$ (468)	\$ (145)	\$ 1,751	\$ -	\$ 113,923
Asset management fee	510,000	-	-	-	-	(510,000)	-
Total Financial Income	518,427	104,358	(468)	(145)	1,751	(510,000)	113,923
Financial Expense							
Interest expense	-	107,790	-	-	7,799	-	115,589
Investment losses, net							
Marketable securities	-	19,496	-	-	-	-	19,496
Equity losses in consolidated subsidiaries	462,777	-	-	-	-	(462,777)	-
Total Financial Expense	462,777	127,286	-	-	7,799	(462,777)	135,085
Net Financial Income	55,650	(22,928)	(468)	(145)	(6,048)	(47,223)	(21,162)
Revenue and Support							
Grants and contributions	868,956	-	-	-	-	-	868,956
Program services and fees	69,981	189,736	-	-	-	(60,926)	198,791
Total Revenue and Support	938,937	189,736	-	-	-	(60,926)	1,067,747
Program and General Expenses							
Program and General Expenses							
Program - Development Partners	1,467,265	265,860	199,392	156,722	950	(510,000)	1,580,189
Management and general	365,078	-	-	-	-	-	365,078
Total Program and General Expenses	1,832,343	265,860	199,392	156,722	950	(510,000)	1,945,267
Net loss	-	(99,052)	(199,860)	(156,867)	(6,998)	462,777	-
Change in net assets	(837,756)	-	-	-	-	(60,926)	(898,682)
Capital contributions (distributions), net	-	(128)	184,896	-	1,675	(186,443)	-
Change in net assets	(837,756)	(99,180)	(14,964)	(156,867)	(5,323)	215,408	(898,682)
Net assets, beginning	30,539	(269,860)	(24,159)	55,057	-	238,962	30,539
Net assets, ending	\$ (807,217)	\$ (369,040)	\$ (39,123)	\$ (101,810)	\$ (5,323)	\$ 454,370	\$ (868,143)

TRF Development Partners, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2008

	TRF Development Partners, Inc.	TRF DP - Baltimore, LLC & Subsidiary	TRF DP - Philadelphia, LLC	TRF DP - Ridge Avenue, LLC	Eliminations & Reclassifications	Total
Financial Activity						
Financial Income						
Interest income from:						
Marketable securities	\$ 20,670	\$ 238,550	\$ 210	\$ -	\$ -	\$ 259,430
Asset management fee	300,000	-	-	-	(300,000)	-
Total Financial Income	<u>320,670</u>	<u>238,550</u>	<u>210</u>	<u>-</u>	<u>(300,000)</u>	<u>259,430</u>
Financial Expense						
Interest expense	-	120,270	-	-	-	120,270
Investment losses, net						
Equity losses in consolidated subsidiaries	461,971	-	-	-	(461,971)	-
Total Financial Expense	<u>461,971</u>	<u>120,270</u>	<u>-</u>	<u>-</u>	<u>(461,971)</u>	<u>120,270</u>
Net Financial Income	<u>(141,301)</u>	<u>118,280</u>	<u>210</u>	<u>-</u>	<u>161,971</u>	<u>139,160</u>
Revenue and Support						
Grants and contributions	595,987	-	-	-	-	595,987
Program services and fees	(37,975)	1,473	-	-	-	(36,502)
Total Revenue and Support	<u>558,012</u>	<u>1,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,485</u>
Program and General Expenses						
Program and General Expenses						
Program - Development Partners	604,807	269,565	307,426	4,943	(300,000)	886,741
Management and general	470,360	-	-	-	-	470,360
Total Program and General Expenses	<u>1,075,167</u>	<u>269,565</u>	<u>307,426</u>	<u>4,943</u>	<u>(300,000)</u>	<u>1,357,101</u>
Net loss	-	(149,812)	(307,216)	(4,943)	461,971	-
Change in net assets	(658,456)	-	-	-	-	(658,456)
Capital contributions	-	8,661	251,439	60,000	(320,100)	-
Change in net assets	(658,456)	(141,151)	(55,777)	55,057	141,871	(658,456)
Net assets, beginning	688,995	(128,709)	31,618	-	97,091	688,995
Net assets, ending	<u>\$ 30,539</u>	<u>\$ (269,860)</u>	<u>\$ (24,159)</u>	<u>\$ 55,057</u>	<u>\$ 238,962</u>	<u>\$ 30,539</u>

The Reinvestment Fund, Inc. and Affiliates

Consolidated Schedules of Functional Expenses
Years Ended June 30, 2009 and 2008

	2009					
	Personnel	Occupancy	Professional Services	General & Administrative	Grants	Total
Program - Lending and Community Investing	\$ 2,366,463	\$ 402,205	\$ 1,003,967	\$ 82,231	\$ 2,093,655	\$ 5,948,521
Program - Private Equity	582,163	50,085	172,942	24,140	-	829,330
Program - Sustainable Development Fund	302,768	40,277	79,811	10,625	645,648	1,079,129
Program - Policy Solutions	581,173	87,072	95,323	26,172	-	789,740
Program - PolicyMap	474,630	528,148	475,948	27,951	-	1,506,677
Program - Development Partners	1,078,353	177,842	257,954	66,040	-	1,580,189
Management and general	2,452,380	411,804	493,047	73,105	-	3,430,336
	<u>\$ 7,837,930</u>	<u>\$ 1,697,433</u>	<u>\$ 2,578,992</u>	<u>\$ 310,264</u>	<u>\$ 2,739,303</u>	<u>\$ 15,163,922</u>

	2008					
	Personnel	Occupancy	Professional Services	General & Administrative	Grants	Total
Program - Lending and Community Investing	\$ 2,238,463	\$ 370,866	\$ 1,297,059	\$ 79,058	\$ 2,778,864	\$ 6,764,310
Program - Private Equity	539,207	45,975	128,036	23,029	-	736,247
Program - Sustainable Development Fund	453,610	57,838	101,352	28,371	3,070,741	3,711,912
Program - Policy Solutions	1,158,898	202,539	473,386	65,671	-	1,900,494
Program - PolicyMap	467,784	128,092	318,003	16,194	-	930,073
Program - Development Partners	454,326	209,268	174,908	48,239	-	886,741
Management and general	2,563,497	423,799	308,321	63,093	-	3,358,710
	<u>\$ 7,875,785</u>	<u>\$ 1,438,377</u>	<u>\$ 2,801,065</u>	<u>\$ 323,655</u>	<u>\$ 5,849,605</u>	<u>\$ 18,288,487</u>