

The Reinvestment Fund, Inc. and Affiliates

Consolidated Financial Report
December 31, 2010

The Reinvestment Fund, Inc. and Affiliates

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

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

We have audited the accompanying consolidated statement of financial position of The Reinvestment Fund, Inc. and Affiliates (the "Organization") as of December 31, 2010, and the related consolidated statements of activities and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Reinvestment III UCCC, LP, a consolidated subsidiary, which statements reflect total assets and total revenue and support constituting 4% and 3%, respectively, as of and for the six months ended December 31, 2010, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Reinvestment III UCCC, LP, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Reinvestment Fund, Inc. and Affiliates as of December 31, 2010, and the changes in their net assets and their cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
April 22, 2011

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statement of Financial Position
December 31, 2010

Assets

Current Assets

Cash and cash equivalents	\$ 13,758,399
Grants and contributions receivable	1,068,000
Investments in marketable securities	41,650,203
Loans and leases, less allowance for losses of \$4,286,974	61,467,244
Other	2,256,599
Restricted cash, cash equivalents and certificate of deposit	20,514,501
	<u>140,714,946</u>

Noncurrent Assets

Grants and contributions receivable	307,500
Investments in marketable securities	14,541,717
Program investments	336,500
Loans and leases, less allowance for losses of \$5,740,133	82,618,832
Investments in limited partnerships	1,255,051
Private equity investments	2,835,500
Equipment, leasehold improvements and software, net	2,047,322
Other real estate held for sale	13,834,866
Property held for development or sale, net	5,824,404
Other	910,867
	<u>124,512,559</u>

Total Assets

\$ 265,227,505

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 1,081,148
Grants payable	18,480
Escrow payable and due to third parties	3,675,012
Other	508,564
Loans payable, current portion	40,662,441
	<u>45,945,645</u>

Noncurrent Liabilities

Loans payable, less current maturities	<u>117,335,793</u>
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Total Liabilities

163,281,438

Commitments and Contingencies (Note 19)

Net Assets

Unrestricted	10,278,972
Unrestricted - Contractually limited as to use	10,240,838
Non-controlling interest in consolidated subsidiaries	8,036,911
Total Unrestricted	<u>28,556,721</u>
Temporarily restricted	19,669,062
Temporarily restricted - Contractually limited as to use	963,496
Total Temporarily restricted	<u>20,632,558</u>
Permanently restricted	<u>52,756,788</u>
Total Net Assets	<u>101,946,067</u>
Total Liabilities and Net Assets	<u><u>\$ 265,227,505</u></u>

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statement of Activities
For the Six Months Ended December 31, 2010

	Unrestricted		Temporarily	Permanently	Total
	Controlling	Non-Controlling	Restricted	Restricted	
Financial Activity					
Financial Income					
Interest income from:					
Marketable securities	\$ 151,307	\$ -	\$ 54,557	\$ -	\$ 205,864
Loans and leases	4,414,324	-	-	-	4,414,324
Private equity investments	5,260	47,302	-	-	52,562
Investment gains, net:					
Marketable securities	-	-	410	-	410
Program investments	7,500	-	-	-	7,500
Private equity investments	307,204	2,762,532	-	-	3,069,736
Loan and lease fees	256,184	-	12,000	-	268,184
Asset management fee	584,746	-	-	-	584,746
Total Financial Income	5,726,525	2,809,834	66,967	-	8,603,326
Financial Expense					
Interest expense	2,509,683	-	-	-	2,509,683
Investment losses, net:					
Marketable securities	50,658	-	-	-	50,658
Equity losses in limited partnerships	162,841	-	-	-	162,841
Provision for loan and lease losses	830,247	-	-	-	830,247
Total Financial Expense	3,553,429	-	-	-	3,553,429
Net Financial Income	2,173,096	2,809,834	66,967	-	5,049,897
Revenue and Support					
Grants and contributions	35,086	-	3,150,000	12,876,266	16,061,352
Program services and fees	2,521,460	-	-	-	2,521,460
Other income	936,418	-	-	-	936,418
Net assets released from restrictions	2,246,322	-	(2,246,322)	-	-
Total Revenue and Support	5,739,286	-	903,678	12,876,266	19,519,230
Program and General Expenses and Other Decreases					
Program and General Expenses					
Program - Lending and Community Investing	3,081,103	-	-	-	3,081,103
Program - Private Equity	201,751	16,545	-	-	218,296
Program - Sustainable Development Fund	162,999	-	-	-	162,999
Program - Policy Solutions	502,658	-	-	-	502,658
Program - PolicyMap	1,048,158	-	-	-	1,048,158
Program - Development Partners	498,840	-	-	-	498,840
Management and general	1,892,090	-	-	-	1,892,090
Total Program and General Expenses	7,387,599	16,545	-	-	7,404,144
Other Decreases					
Net charges related to revolving loan fund	-	-	-	499,917	499,917
Total Other Decreases	-	-	-	499,917	499,917
Total Expenses and Other Decreases	7,387,599	16,545	-	499,917	7,904,061
Change in net assets - unrestricted	524,783	2,793,289	-	-	3,318,072
Change in net assets - restricted	-	-	970,645	12,376,349	13,346,994
Total change in net assets	524,783	2,793,289	970,645	12,376,349	16,665,066
Net assets, beginning	19,995,027	5,243,622	19,661,913	40,380,439	85,281,001
Net assets, ending	\$ 20,519,810	\$ 8,036,911	\$ 20,632,558	\$ 52,756,788	\$ 101,946,067

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates
Consolidated Statement of Cash Flows
For the Six Months Ended December 31, 2010

Cash Flows from Operating Activities

Change in net assets	\$ 16,665,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for loan and lease losses	830,247
Net charges related to revolving loan fund	499,917
Gains in private equity investments, net	(3,069,736)
Depreciation and amortization	575,490
Deferred loan and lease fees, net	(6,379)
Investment losses in marketable securities, net	50,248
Investment gains in program investments, net	(7,500)
Non-cash grant support	(8,000)
Decrease in equity earnings in limited partnerships	162,841
(Increase) decrease in:	
Grants and contributions receivable	6,274,500
Restricted cash and cash equivalents	(5,869,843)
Property held for development or sale	(278,698)
Other	1,287,900
Increase (decrease) in:	
Accounts payable and accrued expenses	212,338
Grants payable	(1,073,918)
Recoverable grant payable	(12,000,000)
Escrow payable and due to third parties	(443,024)
Other	(336,979)
Net cash provided by operating activities	<u>3,464,470</u>

Cash Flows from Investing Activities

Purchases of marketable securities	(38,125,045)
Proceeds from maturities of marketable securities	40,737,572
Proceeds from sale/maturity of Certificate of Deposit Account Registry Service	10,149,217
Proceeds from maturities of program investments	64,500
Proceeds from disposition of private equity investments	5,843,589
Purchases of limited partnerships	(2,091)
Cash disbursements on loans receivable	(27,327,984)
Cash receipts on loans receivable	19,224,937
Cash disbursements on leases receivable	(1,784,380)
Principal payments received under leases	1,950,456
Additions of equipment, leasehold improvements and software	(987,040)
Purchase of other real estate held for sale	(21,486)
Net cash provided by investing activities	<u>9,722,245</u>

Cash Flows from Financing Activities

Proceeds from issuance of loans payable	6,801,334
Principal payments on loans payable	(14,419,643)
Reinvested interest on investors payable	37,294
Assignment of debt to homebuyers	(434,605)
Net cash used in financing activities	<u>(8,015,620)</u>

Net increase in cash and cash equivalents 5,171,095

Cash and cash equivalents, beginning 8,587,304

Cash and cash equivalents, ending \$ 13,758,399

(Continued)

See Notes to Consolidated Financial Statements.

The Reinvestment Fund, Inc. and Affiliates

**Consolidated Statement of Cash Flows (Continued)
For the Six Months Ended December 31, 2010**

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest \$ 2,771,726

**Supplemental Schedule of Non-Cash Investing
and Financing Activities:**

Conversion of loans payable into grant support \$ 8,000

**Assets Acquired and Liabilities Assumed in Connection with the
Assignment and Assumption Agreement under Reinvest II**

Other real estate owned	\$ 4,406,085
Due from third party	960,328
Loan payable (TRF portion)	<u>(3,246,228)</u>
Other real estate owned (participants portion)	2,120,185
Loan payable (participants portion)	<u>(2,120,185)</u>
Net assets acquired during formation	<u>\$ -</u>

**Assets Acquired and Liabilities Assumed in Connection with the Master
Settlement and Assignment Agreement under Reinvest III**

Restricted deposits	\$ 863,525
Assets held for sale	9,140,000
Accounts receivable	28,605
Notes payable	(9,991,069)
Deferred revenue	<u>(41,061)</u>
Net assets acquired during formation	<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. Effective July 1, 2010, the Organization changed their reporting year end from June 30 to December 31, and as such, these financial statements reflect the activity for the six months ended December 31, 2010.

Description of each entity and its operation is summarized below.

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

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

TRF Private Equity, Inc.: TRF Private Equity, Inc. (“Private Equity”) is a Pennsylvania not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Private Equity directly or indirectly owns 100% of the partnership interests of the general partner of TRF Urban Growth Partners, L.P. (“UGP”). In accordance with the partnership agreement, management of the Partnership is vested in Private Equity. UGP is a Delaware limited partnership private equity fund created to provide debt and equity to new and expanding businesses which provide quality job opportunities for low and middle-income workers in the mid-Atlantic region including Pennsylvania, New Jersey, Delaware, Maryland and Washington, D.C. In accordance with appropriate accounting pronouncement, UGP has been consolidated with Private Equity, the general partner. As of December 31, 2010, DVCRF Ventures, L.P. (“DVCRF”) was terminated and net assets were transferred to a liquidation trust.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Description of Organization and Activities (Continued)

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

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

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 16).
- 4) Policy Solutions: Conducts policy, data and social impact analyses that advance TRF's mission and effect system change, on behalf of TRF as well as public and philanthropic clients.
- 5) PolicyMap: Provides an online data and mapping tool that provides broad access to data, reports and analytics useful for social investment strategies.
- 6) Development Partners: Participates in real estate transactions to create opportunity for disadvantaged families by directing capital into distressed urban neighborhoods in a way that encourages additional private investment and reconnects the places and people it serves to a broader and more dynamic socioeconomic system.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Level 1 Inputs:

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

Level 2 Inputs:

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

Level 3 Inputs:

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Loans and Leases Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

Loans and Leases Receivable (Continued)

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

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

Non-Accrual of Loans and Leases: 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.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Other Assets: Other assets include accounts due from third parties and prepaid expenses.

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting for Uncertainty in Income Taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no net unrelated business income tax for the six months ended December 31, 2010.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Consequently, no accrual for interest and penalties was deemed necessary for the six months ended December 31, 2010. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Recent Accounting Pronouncements

1. Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements* – This ASU affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements under FASB ASC Topic 820, originally issued as FASB Statement No. 157, *Fair Value Measurements*. The ASU requires certain new disclosures and clarifies two existing disclosure requirements. The new disclosures and clarifications of existing disclosures became effective on July 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The new guidance did not and is not expected to have a material impact on the Organization's consolidated financial statements.
2. FASB ASC Topic 860, "*Transfers and Servicing*." New authoritative accounting guidance under ASC Topic 860, "*Transfers and Servicing*," amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative accounting guidance under ASC Topic 860 was effective for the Organization on July 1, 2010 and did not have a significant impact on the consolidated financial statements.
3. FASB ASC Topic 310, "*Receivables*." New authoritative accounting guidance (Accounting Standards Update No. 2010-20) under ASC Topic 310, "*Receivables*", amends the current disclosures required by ASC Topic 310. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its loans receivables and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for non-public entities for reporting periods ending on or after December 15, 2011. The Organization expects this new disclosure guidance to significantly expand the credit quality disclosures in the consolidated financial statements but have no impact on the Organization's financial condition or results of operations.
4. New authoritative accounting guidance (Accounting Standards Update No. 2011-02) under ASC Topic 310 "*Receivables*" amends prior accounting guidance for creditors that restructure receivables that fall within ASC Subtopic 310-40 "*Receivables – Troubled Debt Restructurings*." The amendments clarify the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties to facilitate the determination of whether a restructuring constitutes a troubled debt restructuring ("TDR"). In addition, the amendments clarify that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables when evaluating whether a restructuring constitutes a TDR. For non-public entities, these amendments are effective for annual reporting periods ending on or after December 15, 2012, including interim periods within those annual periods. Early adoption is permitted for any interim period of the fiscal year of adoption. The Organization is evaluating the impact this new guidance will have on the consolidated financial statements.

Note 2. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31, 2010 consisted of the following:

Fresh Food Financing Initiative ("FFFI")	\$ 7,029,806
Escrow payable and due to third parties	3,686,431
Pennsylvania Green Energy Loan Fund ("GELF")	18,033
SDF programs	1,520,620
United States Department of Education ("US ED") funds for charter school lending programs	1,282,535
Charter School Loan Fund for credit enhancements	6,176,621
Greenworks Loan Fund	800,455
	<u>\$ 20,514,501</u>

Note 3. Investments in Marketable Securities

Investments at December 31, 2010 consisted of the following:

Investments in marketable securities:

Debt and Mortgage-backed securities:

Federal Farm Credit Bank	\$ 4,143,748
Federal Home Loan Bank	5,072,327
Federal Home Loan Mortgage Company	15,617,695
Federal National Mortgage Association	19,989,412
U.S. Treasury Notes and Bills	10,576,146
Other government sponsored enterprises	734,780
Corporate debt securities	57,812
	<u>\$ 56,191,920</u>

Included in the above are:

Investments in marketable securities restricted as to use:

US ED funds for charter school lending programs	\$ 14,553,268
SDF programs	5,473,691
GELF	12,001,658
	<u>\$ 32,028,617</u>

Investment net losses of \$50,248 were included on the consolidated statement of activities under the investments captions as of December 31, 2010.

Expenses relating to investment income, including custodial and advisory fees amounted to \$36,995 for the period ended December 31, 2010. These expenses have been netted against interest income from marketable securities in the respective consolidated statement of activities.

Note 4. Program Investments

Program investments at December 31, 2010 consisted of the following:

The Community Development Trust, Inc.	<u>\$ 336,500</u>
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Note 5. Grants, Contributions Receivable and Grant Revenue

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

Lending and Community Investing	\$ 957,500
Policy Solutions	150,000
PolicyMap	150,000
Development Partners	<u>118,000</u>
	<u><u>\$ 1,375,500</u></u>

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

During the six months ended December 31, 2010, TRF recognized \$12,000,000 in grant revenue upon satisfaction of the grant matching requirement. This grant was awarded from the PA Department of Environmental Protection funded with The American Recovery and Reinvestment Act's State Energy Program ("SEP") allocation. This grant supports GELF, a statewide revolving loan program. The grant represents approximately 61% of total revenue and support.

Note 6. Concentration of Credit Risk

The Organization maintains cash in various financial institutions with insurance provided by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for interest bearing accounts and unlimited insurance for non-interest bearing accounts. At times during the year ended December 31, 2010, the Organization had cash balances in excess of the FDIC limits. At December 31, 2010, cash balances in excess of FDIC limits approximated \$1,737,000. At December 31, 2010, total cash equivalents include short-term money market funds of approximately \$117,000 which are separately collateralized by securities held by the financial institution. All other cash equivalents represent short-term government holdings.

At December 31, 2010, 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 December 31, 2010, the Organization's portfolio of housing, supermarkets, and charter school loans constituted 22.8%, 21.6%, and 25.2% of total loans outstanding, respectively. As such, the ability of the Organization's borrowers to honor their contracts is dependent upon the viability of the nonprofit organizations, supermarkets, charter schools and the real estate sectors in this region.

Note 7. Loans and Leases Receivable

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

Housing	\$ 34,845,351
Community facilities	42,451,982
Commercial real estate	69,175,987
Energy and small business	7,275,747
Deferred loan fees	<u>364,116</u>
	154,113,183
Allowance for loan and lease losses	<u>(10,027,107)</u>
	<u><u>\$ 144,086,076</u></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 \$2,541,861 for the six months ended December 31, 2010. The housing predevelopment loans carry interest rates of 0.00% to 5% 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.

Note 7. Loans and Leases Receivable (Continued)

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

Energy and small business loans and leases include small business loans, some with portions guaranteed by the Small Business Administration, and loans and leases originated by SDF. This category includes leases receivable totaled \$1,231,187 as of December 31, 2010. The leases expire over a seven year period. At December 31, 2010, total minimum lease payments receivable were \$1,443,587.

Outstanding loans other than pre-development loans have annual interest rates ranging from 1.00% to 8.65%. At December 31, 2010, approximately 18% of these loans receivable have variable interest rates which are indexed to the prime rate and/or London Interbank Offered Rate ("LIBOR"). The remaining loans have a fixed rate. Loans and leases receivable have various maturities through 2037.

Certain loans receivable are pledged against loans payable as more fully described in Note 14.

Information about impaired loans and non-accrual loans as of December 31 is as follows:

Impaired loans with a valuation allowance	\$ 14,247,258
Impaired loans without a valuation allowance	<u>4,064,885</u>
Total impaired loans	<u>\$ 18,312,143</u>
Related allowance for loan losses	\$ 2,200,022
Non-accrual loans (included in total impaired loans)	\$ 15,310,499
Sum of the average balance of impaired loans	\$ 19,736,388
Interest income recognized on impaired loans	\$ 111,214
Interest income (included above) that is recognized on a cash basis on impaired loans	\$ 3,792

Total impaired loans include TDR's in the aggregate amount of \$5,995,996 as of December 31, 2010.

TRF's exposure with respect to impaired loans is reduced by \$111,204 as of December 31, 2010 for amounts guaranteed by the SBA.

Note 8. Allowance for Losses

The following table presents the changes in the allowance for losses at December 31, 2010:

Balance at July 1	<u>\$ 10,491,585</u>
Add: Provision	
Unrestricted	830,247
Net reduction in permanently restricted net assets	<u>499,917</u>
	1,330,164
Recoveries	535,746
Less: Charge-offs	<u>(2,330,388)</u>
	<u>(464,478)</u>
Balance at December 31	<u>\$ 10,027,107</u>

Note 8. Allowance for Losses (Continued)

Net reduction in permanently restricted net assets of \$499,917 includes the charge-offs of \$1,013,515, less recoveries of \$513,598 related to the revolving loan program, recorded through a decrease in permanently restricted net assets (Note 15) for the six months ended December 31, 2010.

Note 9. Investments in Limited Partnerships

Investments in limited partnerships are accounted for under the equity method and at December 31, 2010 consisted of the following:

New Markets Tax Credit Program	
TRF NMTC Fund I, L.P.	\$ 13
TRF NMTC Fund II, L.P.	-
TRF NMTC Fund III, L.P.	1,010
TRF NMTC Fund IV, L.P.	3,934
TRF NMTC Fund V, L.P.	-
TRF NMTC Fund VI, L.P.	1,596
TRF NMTC Fund VII, L.P.	675
TRF NMTC Fund VIII, L.P.	898
TRF NMTC Fund IX, L.P.	747
TRF NMTC Fund X, L.P.	1,937
TRF NMTC Fund XI, L.P.	996
TRF NMTC Fund XII, L.P.	1,295
TRF NMTC Fund XIII, L.P.	1,032
TRF NMTC Fund XIV, L.P.	1,001
TRF NMTC Fund XV, L.P.	565
	<u>15,699</u>
Other	
Charter School Capital Access Program, LLC (a)	26,643
Charter School Financing Partnership (b)	(46,750)
Chase NMTC TRF Charter School Investment Fund, LLC (c)	159
Octavia Hill Bel-Air Partners, L.P. (d)	82,173
Octavia Hill Cheltenham Partners, L.P. (e)	110,037
Pennsylvania Advanced Industrial Technology, L.P. (f)	1,067,090
	<u>1,239,352</u>
	<u>\$ 1,255,051</u>

Note 9. Investments in Limited Partnerships (Continued)

New Markets Tax Credit Program: During fiscal years 2010, 2009, 2007 and 2005, TRF received a New Markets Tax Credit Program ("Program") allocation of \$90,000,000, \$75,000,000, \$75,000,000 and \$38,500,000, respectively. Pursuant to the requirements of the Program, administered by the Community Development Financial Institution Fund ("CDFI Fund"), a division of the US Department of Treasury, TRF formed a for-profit entity TRF NMTC Fund, LLC ("NMTC"). NMTC is the general partner in TRF NMTC Fund I, L.P. through TRF NMTC Fund XV, L.P., (collectively the "NMTC Funds") with a 0.01% ownership interest in each entity. The Organization does not consolidate the NMTC Funds due to the rights granted to the limited partners as defined in the partnership agreements. The limited partners' rights, in the partnership agreement, overcome the presumption of control of the general partner. The information below, as it relates to the total assets, liabilities and net income amounts, is for information purposes and is not consolidated in TRF's financial statements. The Organization received fees of approximately \$511,000 for the six months ended December 31, 2010, for administrative services performed for the NMTC Funds. These amounts are included in asset management fees on the statement of activities. In connection with the formation of TRF NMTC Fund XIII, L.P. TRF NMTC Fund XIV, L.P. and TRF NMTC Fund XV, L.P., the Organization received fees of approximately \$1,706,000 during the six months ended December 31, 2010. These amounts are included in program services and fees on the consolidated statement of activities. In fiscal years 2011 through 2049, TRF and NMTC expect to receive additional fees from NMTC Funds, in part, for ongoing reporting on compliance within the requirements of the Program, as defined in the Program agreement.

Selected financial information as of December 31, 2010 for each of the NMTC funds is as follows:

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Net Income (Loss)</u>
TRF NMTC Fund I, L.P.	\$ 5,029,326	\$ -	\$ 44,428
TRF NMTC Fund II, L.P.	21,408,924	66,475	844,816
TRF NMTC Fund III, L.P.	10,067,965	-	(17,395)
TRF NMTC Fund IV, L.P.	39,658,899	340,000	1,165,954
TRF NMTC Fund V, L.P.	9,993,465	30,000	(6,301,823)
TRF NMTC Fund VI, L.P.	15,980,012	26,920	258,381
TRF NMTC Fund VII, L.P.	6,753,736	2,792	172,034
TRF NMTC Fund VIII, L.P.	8,987,745	11,250	56,121
TRF NMTC Fund IX, L.P.	7,466,418	3,125	24,106
TRF NMTC Fund X, L.P.	19,471,169	96,230	386,242
TRF NMTC Fund XI, L.P.	9,958,034	-	5,643
TRF NMTC Fund XII, L.P.	12,956,733	-	41,721
TRF NMTC Fund XIII, L.P.	10,327,479	4,292	192,122
TRF NMTC Fund XIV, L.P.	10,016,154	4,167	32,724
TRF NMTC Fund XV, L.P.	5,483,391	232	2,094
Total	<u>\$ 193,559,450</u>	<u>\$ 585,483</u>	<u>\$ (3,092,832)</u>

Other:

- a) Charter School Capital Access Program, LLC ("CCAP") is a limited liability company formed for the purpose of implementing a credit enhancement program for charter school debt financing made possible by a \$6,400,000 equity grant from the US ED. TRF's financial exposure as a member of CCAP is limited to capital contributed. As of December 31, 2010, 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, 2010, CCAP reported total assets of \$13,413,446, total liabilities of \$11,451,801, and members' equity of \$1,961,645. CCAP reported a net loss of \$231,858 for the calendar year through December 31, 2010. The net income, other than income attributed to earnings on the grant, is allocated 50.00% to TRF, and losses allocated to TRF for the calendar year through December 31, 2010 was \$839. Due to the reduced size of the CCAP facility, on March 1, 2010, \$4,700,000 for the US ED equity grant (approved by US ED and CCAP lenders) was released from CCAP. TRF received 50.00% of these released funds to be used in support of the charter school lending program.

Note 9. Investments in Limited Partnerships (Continued)

- 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. The company was formed in November 2007. As of December 31, 2010, CSFP reported total assets of \$17,921,486, total liabilities of \$17,912,702 and members' equity of \$8,784. For the year ended December 31, 2010, CSFP reported a net loss of \$149,111. TRF recorded a decrease of equity earnings during the period ending December 31, 2010 of \$27,126. TRF's obligation to CSFP to fund the shortfall in their capital account is expected to be honored.
- c) Chase NMTC TRF Charter School Investment Fund, LLC ("Chase Charter School Fund") was formed to make a Qualified Equity Investments ("QEI") in a Certified Development Entity ("CDE") in accordance with the terms of the NMTC program pursuant to Section 45D of the IRC. In exchange for its QEI, the Chase Charter School Fund receives NMTC and cash distributions on its investment. The .01% managing member of the Chase Charter School Fund is TRF Fund Manager, LLC which is wholly owned by TRF. The Chase Charter School Fund has committed \$50,000,000 in QEI to the CDE. As of December 31, 2010, \$5,650,000 has been advanced to the CDE. At December 31, 2010, the Chase Charter School Fund reported total assets of \$5,513,521, total liabilities of \$4,178,805, and members' equity of \$1,334,716. For the year ended December 31, 2010, the Chase Charter School Fund reported net loss of \$31.
- d) Octavia Hill Bel-Air Partners, L.P. ("Bel-Air") is a limited partnership formed for the purpose of purchasing and operating multifamily residential rental buildings. TRF's non-controlling limited partnership interest in Bel-Air represents 76% of the total contributed capital in the partnership. Per the partnership agreement, the general partner is allocated the first \$125,000 of losses; thereafter, TRF will be allocated 80.25% of net income or 89.32% of losses. TRF recorded a decrease in equity earnings of \$70,695 for the period ending December 31, 2010. At December 31, 2010, Bel-Air reported total assets of \$1,808,038, total liabilities of \$1,722,363, and partners' equity of \$85,675. For the year ended December 31, 2010, Bel-Air reported net loss of \$84,594.
- e) 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 \$59,022 for the period ending December 31, 2010. At December 31, 2010, Cheltenham Arms reported total assets of \$1,369,833, total liabilities of \$1,278,418, and partners' equity of \$91,415. For the year ended December 31, 2010, Cheltenham Arms reported net loss of \$71,359.
- f) Pennsylvania Advanced Industrial Technology Fund, L.P. ("PAIT") is a limited partnership formed to provide managerial and capital investments in early stage renewable and/or clean energy companies. TRF's limited partnership interest in PAIT represents 90% of the total partnership at December 31, 2010. TRF accounts for its investment in PAIT under the equity method and accordingly, recorded a decrease in equity earnings of \$5,476 for the period ending December 31, 2010. Total committed capital to PAIT is \$2,000,000, of which \$1,970,069 has been called and paid through December 31, 2010, including \$0 paid in the period ending December 31, 2010. At December 31, 2010, PAIT reported total assets and partners' equity of \$1,179,989. PAIT reported a net loss of \$6,111 for the calendar year through December 31, 2010.

Note 10. Private Equity Investments

The Private Equity investments are held by UGP. Private Equity serves as the Management Company to UGP to provide general and administrative services and general consulting services in connection with UGP's investment activities. The term of the partnership agreement is ten years from the final closing date, December 31, 2002, as defined in the partnership agreement, unless extended by the General Partner for up to two consecutive one-year periods with the approval of the Limited Partners Advisory Committee. At December 31, 2010, the fair value of the Organization's investment in UGP was \$893,733.

Private equity investments at December 31, 2010, at estimated fair value (Note 1), consisted of the following:

	Balance at July 1, 2010	Purchases & Capitalized Interest	Sales, Repayments & Dispositions	Valuation Adjustments	Balance at December 31, 2010
Flagzone, LLC (a)	\$ 3,473,853	\$ -	\$ (3,473,853)	\$ -	\$ -
MidAtlanticBroadband, Inc. (b)	1,200,000	-	-	1,300,000	2,500,000
Ricochet Manufacturing Company, Inc. (c)	335,500	-	-	-	335,500
Sun & Earth, Inc. (d)	600,000	-	-	(600,000)	-
	<u>\$ 5,609,353</u>	<u>\$ -</u>	<u>\$ (3,473,853)</u>	<u>\$ 700,000</u>	<u>\$ 2,835,500</u>

- a) 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 was comprised of preferred A and B units, mezzanine units and promissory notes. In December 2010, the investment was sold, realizing a gain of \$2,369,736.
- b) MidAtlanticBroadband, Inc., located in Baltimore, MD, is a facilities based provider of telecommunication services. The investment at December 31, 2010 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 December 31, 2010 is \$2,500,000. During the six months ended December 31, 2010, UGP recorded unrealized gains of \$1,300,000 on its investment.
- c) 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 December 31, 2010 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 of \$500,000 and estimated fair value of \$0; 3,125,000 shares of Series "E" preferred stock, convertible into common stock, as defined, with a cost of \$500,000 and estimated fair value of \$0; unsecured promissory notes due on demand with a cost and estimated fair value of \$335,500; 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.
- d) 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 December 31, 2010 is comprised of subordinated debt with an aggregate cost of \$600,000 and estimated fair value of \$0; 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 \$0 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 six months ended December 31, 2010, UGP recorded unrealized losses of \$600,000 on its investment in Sun & Earth, Inc.

Note 11. Equipment, Leasehold Improvements and Software, net

Equipment, leasehold improvements and software, net at December 31, 2010 consisted of the following:

Office furniture, equipment and software	\$ 1,635,659
Leasehold improvements	865,677
Software development	2,808,018
Accumulated depreciation	<u>(3,262,032)</u>
	<u><u>\$ 2,047,322</u></u>

Depreciation and amortization expense of \$575,490 was recorded for the six months ended December 31, 2010.

Note 12. Property Held for Development or Sale

Property held for development or sale at December 31, 2010 consisted of the following residential projects:

Preston Place, net of subsidy of \$235,681 at December 31, 2010	\$ 2,321,179
City Arts	81,285
School House Square, net of subsidy of \$1,376,669 at December 31, 2010	3,868,544
Impairment writedown	<u>(446,604)</u>
	<u><u>\$ 5,824,404</u></u>

Home sales by project, which are included in program services and fees in the Consolidated Statement of Activities, for the six months ended December 31, 2010 were as follows:

Home sales	\$ 1,677,183
Fees and interest	180,870
Subsidies	954,524
Cost of homes sold	<u>(2,679,424)</u>
	<u><u>\$ 133,153</u></u>

Preston Place is a project concentrated in the Oliver community of Baltimore, Maryland, City Arts is concentrated in the Greenmount West neighborhood of Baltimore, Maryland and the School House Square project is concentrated in Neptune, New Jersey.

Note 13. Other Real Estate Held for Sale

The Organization holds titles to three real estate properties totaling \$13,834,866 at December 31, 2010. These properties were assigned to entities as described below:

Reinvest I holds title to a commercial property with an estimated fair value of \$288,781 as of December 31, 2010.

During the year, Reinvest II assumed title to a commercial property that housed a charter school with an estimated fair value of \$4,406,085 as of December 31, 2010, along with the amount due from the third party entity of \$960,328 and related notes payable of \$5,366,413. The property generated rental income of approximately \$256,000 for the six months ended December 31, 2010 which is included in other income on the statement of activities.

Note 13. Other Real Estate Held for Sale (Continued)

During the year, Reinvest III assumed a property, including a 60 room hotel, 14,000 square feet of retail space and 57 residential apartment units with an estimated fair value of \$9,140,000 along with notes payable of \$9,991,069 as of December 31, 2010. The property generated revenue and net losses from the hotel and rental operations totaling approximately \$680,000 and \$39,000, respectively, for the six months ended December 31, 2010 which is included in other income on the statement of activities.

Note 14. Loans Payable

Loans payable at December 31 consisted of the following:

<u>Lender</u>	<u>Balance</u>	<u>Maturity Date</u>	<u>Interest rate</u>
Government			
<i>Government</i>			
MD DHCD	\$ 1,435,163	02/2018 - 12/2020	0.0% - 2.0%
NJHMFA	2,013,405	02/2014	0.0%
Other fixed rate	688,888	07/2011 - 11/2014	0.0% - 4.09%
Other variable rate	447,363	06/2011	2.5%
Total	<u>4,584,819</u>		
Financial institutions, partnerships, and corporations			
<i>Financial Institutions & Partnerships</i>			
Fresh Food Financing Initiative fixed rate	1,375,355	12/2012 - 07/2016	3.73% - 5.75%
Fresh Food Financing Initiative variable rate	3,373,352	08/2013 - 12/2016	1.51% - 1.54%
CLI	2,355,624	06/2014	1.75% - 4.0%
Fannie Mae	6,121,901	06/2012	0.49%
NMTC Program activities	53,764,773	09/2013 - 12/2016	1.0% - 6.54%
Other fixed rate	38,132,956	12/2010 - 09/2019	2% - 7.15%
Other variable rate	2,547,277	03/2011 - 08/2018	0.05% - 4.99%
<i>Corporations</i>	<u>6,913,044</u>	12/2010 - 07/2019	0.0% - 5.0%
Total	<u>114,584,282</u>		
Foundations, religious, and civic organizations			
<i>Foundations fixed rate</i>	14,281,196	03/2011 - 06/2018	0.0% - 5.0%
<i>Foundations variable rate</i>	2,550,000	09/2016 - 06/2018	0.05%
<i>Religious fixed rate</i>	6,566,041	12/2010 - 12/2025	0.0% - 5.50%
<i>Religious variable rate</i>	1,200,000	08/2017 - 06/2019	0.05%
<i>Civic fixed rate</i>	8,305,721	06/2011 - 12/2020	2.0% - 5.72%
<i>Civic variable rate</i>	<u>200,000</u>	01/2017	0.05%
Total	<u>33,102,958</u>		
Individuals			
<i>Individuals</i>	<u>5,726,175</u>	12/2010 - 06/2025	0.0% - 5.75%
Total loans payable	<u>157,998,234</u>		
Less: Current portion	<u>40,662,441</u>		
Long-term portion	<u>\$ 117,335,793</u>		

Note 14. Loans Payable (Continued)

TRF's variable rate loans have base rates of Wall Street Journal Prime ("Prime") rate, 30 day LIBOR rate, 90 day LIBOR rate, 30 day US Treasury rate and 12 month LIBOR rate. The Prime rate was 3.25% at December 31, 2010. The 90 day LIBOR Rate was 0.30% at December 31, 2010. The 30 day LIBOR rate was 0.26% at December 31, 2010. The 12 month LIBOR rate was 0.91% at December 31, 2010. The 30 day US Treasury rate was .15% at December 31, 2010.

During the year, certain Development Partners-Baltimore subscription noteholders were modified where the interest rate would be reduced from 2% to 10 basis points below the US Treasury rate as of the close of business on the first business day of each calendar quarter. The rate would then reset on a quarterly basis and be calculated using simple interest. The rate will remain in effect until December 31, 2012, whereby it will return back to 2%.

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

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

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

Government - Other loans of \$1,136,251 consist of 4 loans ranging in amounts from \$107,000 to \$447,000 at December 31, 2010.

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

Fresh Food Financing Initiative - TRF has a credit facility with a group of syndicated lenders, in which JPMC acts as the lead agent. This facility supports the Fresh Food Financing Initiative Program and was created to finance 80.00% of lending activity for qualified supermarket loans receivable. Funding of these loans is contingent upon the remaining 20.00% being financed using grant funds. As of June 2009, the credit facility feature expired, however the facility continues to finance the term loans until the end borrower loans mature. As of December 31, 2010, the loans payable are secured by their prospective loans receivable of approximately \$6,045,000.

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

An interim lender commitment, with JPMC of \$10,000,000, which expires on June 30, 2011. No amounts were outstanding under this commitment as of December 31, 2010.

Syndicated lender commitments, with 11 banks which expire on June 30, 2014. The aggregate amount of these commitments as of December 31, 2010 is \$23,550,000.

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

Fannie Mae – TRF has a \$10,000,000 revolving credit facility with Fannie Mae whose purpose is to make project level loans to third parties which meet the specific criteria as defined in the credit agreement. The agreement also stipulates that at least 25% of the credit facility proceeds must be used to finance projects within Fannie Mae's geographic target areas. The Fannie Mae facility has a variable interest rate of 90 day LIBOR rate plus 0.20%. In July 2010, due to discontinuation of Fannie Mae's lending program, this agreement was re-negotiated and reduced from a \$25,000,000 to a \$10,000,000 revolving credit facility with a revised maturity date of June 30, 2012.

Note 14. Loans Payable (Continued)

NMTC Program Activities:

In connection with its NMTC program activities, TRF has borrowings totaling approximately \$43,774,000 whose proceeds were used to finance NMTC eligible loans with balances outstanding of approximately \$43,555,000. As a condition of the program, TRF has assigned to the lenders a lien on and security interest in all of TRF's rights, title, and interest to the related loans receivable.

The following are loans payable to related parties:

Merrill Lynch - TRF has a loan payable with Merrill Lynch originated as a pass-through loan to TC-TRF QEI, LLC (borrower) in support of TRF's NMTC program. As of December 31, 2010, the loans payable were \$7,027,225, secured by loans receivable of approximately \$7,024,000.

NMTC Fund X, LP - TRF has four related party loans with NMTC Fund X, LP. These loans were used as pass-through loans to supermarket borrowers in support of our NMTC program. This re-lending was necessary to facilitate a guarantee from the PA Department of Community and Economic Development ("DCED"). As of December 31, 2010, the loans payable were \$10,877,000 secured by their prospective loans receivable of approximately \$10,877,000.

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

Financial Institutions - Other loans of \$40,680,233 consists of 50 loans payable ranging in amount from \$25,000 to \$5,000,000 at December 31, 2010.

Corporations - The Organization has 18 fixed rate loans ranging from \$1,000 to \$5,000,000 at December 31, 2010.

Foundations, Religious and Civic debt includes the following:

Foundations - The Organization has 25 fixed rate loans and 6 variable rate loans with foundations ranging in amount from \$1,000 to \$4,000,000 at December 31, 2010.

Religious - The Organization has 123 fixed rate loans and 2 variable rate loans with religious organizations ranging in amount from \$1,000 to \$2,110,000 at December 31, 2010.

Civic - The Organization has 23 fixed rate loans and 1 variable rate loan with civic organizations ranging in amount from \$1,000 to \$1,650,000 at December 31, 2010.

Individuals - The Organization has 550 fixed rate loans with individuals ranging in amount from \$300 to \$250,000 at December 31, 2010.

The Organization has certain debt agreements that contain financial covenants requiring the Organization to maintain minimum cash and investment balances and certain financial ratios. As of December 31, 2010, 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 approximately \$18,200,000 was reclassified from noncurrent to current loans payable.

Note 14. Loans Payable (Continued)

Aggregate maturities for loans payable at December 31, 2010 are as follows:

2011	\$ 40,662,441
2012	21,874,113
2013	7,450,110
2014	38,340,594
2015	8,832,101
Thereafter	<u>40,838,875</u>
	<u><u>\$ 157,998,234</u></u>

As of December 31, 2010 the Organization has available undrawn debt facilities of approximately:

Lender	Total Debt Facility	Debt Facility Type	Available undrawn at December 31, 2010
JP Morgan Chase (agent)	\$ 23,550,000	Syndicated bank revolving line of credit	\$ 21,194,377
Fannie Mae	10,000,000	Term loan facility	3,878,100
ING	12,000,000	Line of credit	10,070,000
MetLife	5,000,000	Non-revolving line of credit	3,000,000
Susquehanna Bank	4,783,000	Revolving line of credit	4,335,340
NJHMFA	4,783,000	Revolving line of credit	4,335,340
NJEDA	3,000,000	Non-revolving line of credit	3,000,000
K. Hovnanian	1,800,000	Non-revolving line of credit	600,000
City of Baltimore	1,150,000	Non-revolving line of credit	968,255
NJEDA	1,000,000	Non-revolving line of credit	1,000,000
State of Maryland - DHCD	<u>300,000</u>	Non-revolving line of credit	<u>234,837</u>
	<u><u>\$ 67,366,000</u></u>		<u><u>\$ 52,616,249</u></u>

Note 15. Net Assets

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. At December 31, 2010, unrestricted net assets of \$10,240,838 were contractually limited as to use by SDF.

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

Note 15. Net Assets (Continued)

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

Purpose Restricted	
Lending and Community Investing	\$ 18,744,887
Sustainable Development Fund - Contractually limited as to use	963,496
Policy Solutions	99,104
PolicyMap	345,895
Development Partners	162,500
	<u>20,315,882</u>
Time Restricted	
Long-lived assets	316,676
	<u>\$ 20,632,558</u>

Temporarily restricted for Lending and Community Investing includes \$15,831,839 for the six months ended December 31, 2010 that TRF received from the US ED plus earned interest, to leverage funds through credit enhancement initiatives in order to assist charter schools in using private sector capital to acquire, construct, or renovate charter school facilities.

Permanently restricted net assets represent grants and contributions received subject to donor restrictions that are primarily for use in the Organization's permanent revolving loan funds. Charge-offs in the revolving loan fund of \$1,013,515 were offset by a partial recovery in the amount of \$513,598 for FFFI loans that had been charged off in a prior period.

During the six months ended December 31, 2010, \$11,700,000 of permanently restricted revenue was recognized as match requirements were met on the PA Department of Environmental Protection award that was funded with The American Recovery and Reinvestment Act's State Energy Program ("SEP") allocation. This grant supports GELF, a statewide revolving loan program. During the six months ended December 31, 2010, the Organization received \$865,504 to fund the City of Philadelphia's PAID GAP financing program, and \$302,400 to fund the PIDC's Greenworks loan program. In addition, the Organization received contributions of \$8,362 for the six months ended December 31, 2010 to be used for the permanent revolving loan fund.

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

Note 16. Sustainable Development Fund

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

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

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

Note 16. Sustainable Development Fund (Continued)

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

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

During the period ended December 31, 2010, net assets released from restriction for SDF totaled \$44,124. SDF did not incur any fundraising expenses.

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

Note 17. Fundraising Expenses

The management and general category includes fundraising expenses, which are approximately \$5,950 for the six months ended December 31, 2010.

Note 18. Commitments and Contingencies

The Organization leases its offices and certain office equipment under non-cancelable operating leases. In January 2011, the Organization entered into a long term agreement to lease office space at 1700 Market Street. The Organization's future annual minimum payments under these leases, net of sublease income, are as follows:

2011	\$ 508,966
2012	673,536
2013	686,888
2014	634,172
2015	553,779
Thereafter	<u>6,438,322</u>
	<u>\$ 9,495,663</u>

Rent expense, net of subleases, was \$168,098 for the year ended December 31, 2010.

At December 31, 2010, SDF had approximately \$213,000 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 December 31, 2010, the Organization had approximately \$24,400,000 of loans closed but not yet disbursed and \$7,200,000 of loan commitments, net of participations. Loan commitments represent arrangements to lend funds at specified interest rates and contain fixed expiration dates or other termination clauses.

TRF acts as guarantor for any loans outstanding under the CLI credit facility; however, the maximum amount TRF is obligated to pay shall not exceed 50.00% of the aggregate loan balance. The maximum dollar amount that TRF is liable for under this agreement as of December 31, 2010 is approximately \$1,178,000.

At December 31, 2010, 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.

Note 18. Commitments and Contingencies (Continued)

At December 31, 2010, TRF had committed capital to PAIT in the amount of \$2,000,000, of which \$1,970,069 has been called and paid.

At December 31, 2010, TRF had unconditional outstanding letters of credit totaling approximately \$2,200,000. These letters of credit have maturity dates ranging from January 2011 to March 2014.

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

Note 19. Retirement Plan

The Organization offers all eligible employees the opportunity to participate in a 401(k) tax deferred plan whereby employees may elect to contribute through payroll deduction amounts subject to statutory maximums. The 2010 plan provided for a discretionary match of 50.00% of employees' contributions not to exceed 6.00% of employees' compensation. The Organization contributed \$77,367 for the six months ended December 31, 2010.

Note 20. Fair Value Measurements

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

Fair Value on a Recurring Basis

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

Program investments: The fair value of program investments is based on mark-to-market valuation information available to the general partner and program managers as of December 31, 2010.

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.

Note 20. Fair Value Measurements (Continued)*Fair Value on a Recurring Basis (Continued)*

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

	Total	Level 1	Level 2	Level 3
Investments in marketable securities:				
Debt and Mortgage-backed securities:				
Federal Farm Credit Bank	\$ 4,143,748	\$ -	\$ 4,143,748	\$ -
Federal Home Loan Bank	5,072,327	176,281	4,896,046	-
Federal Home Loan Mortgage Company	15,617,695	-	15,617,695	-
Federal National Mortgage Association	19,989,412	1,809,700	18,179,712	-
U.S. Treasury Notes and Bills	10,576,146	10,576,146	-	-
Other government sponsored enterprises	734,780	-	734,780	-
Corporate debt securities	57,812	-	-	57,812
Program investments	336,500	-	-	336,500
Private equity investments	2,835,500	-	-	2,835,500
Total assets	<u>\$ 59,363,920</u>	<u>\$ 12,562,127</u>	<u>\$ 43,571,981</u>	<u>\$ 3,229,812</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, June 30, 2010	\$ 51,875	\$ 393,500	\$ 5,609,353
Total net gains included in change in net assets	5,938	500	3,069,736
Purchases and sales, net	-	(57,500)	(5,843,589)
Balance, December 31, 2010	<u>\$ 57,813</u>	<u>\$ 336,500</u>	<u>\$ 2,835,500</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 gains above	\$ -	\$ 500	\$ 2,369,736
Change in unrealized gains relating to assets still held at December 31, 2010	\$ 5,938	\$ -	\$ 700,000

Note 20. Fair Value Measurements (Continued)*Fair Value on a Nonrecurring Basis*

Impaired loans: The fair value of impaired loans is determined based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The valuation allowance for impaired loans is included in the allowance for losses in the statement of financial position. The valuation allowance for impaired loans at December 31, 2010 was \$2,200,022.

Residential property held for development or sale: The fair value of residential property held for development or sale is determined in good faith by the management of the Organization by taking into consideration the current real estate market, units owned verse city owned property, and such other factors as management may deem relevant. The valuation allowance at December 31, 2010 was \$446,604.

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

	Total	Level 1	Level 2	Level 3
Impaired loans, net of specific reserves of \$2,200,022	\$ 16,412,121	\$ -	\$ -	\$ 16,412,121
Property held for development or sale, net of specific reserve of \$446,604	5,824,404	-	-	5,824,404
Other real estate held for sale	13,834,866	-	-	13,834,866
	<u>\$ 36,071,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,071,391</u>

Fair Value of Financial Instruments

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

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

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

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

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

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

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

Note 20. Fair Value Measurements (Continued)**Fair Value of Financial Instruments (continued)**

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

Property held for development or sale: Fair value of residential property held for development or sale is described above.

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

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

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets		
Cash and cash equivalents	\$ 13,417,473	\$ 13,417,473
Investments in marketable securities	56,191,920	56,191,920
Program investments	336,500	336,500
Loans and leases, less allowance for losses	144,086,076	143,423,001
Private equity investments	<u>5,609,353</u>	<u>5,609,353</u>
Total Assets	<u>\$ 219,641,322</u>	<u>\$ 218,978,247</u>
Liabilities		
Loans payable	<u>\$ 157,998,234</u>	<u>\$ 158,483,424</u>

Note 21. Subsequent Events

The Organization's management has evaluated subsequent events through April 22, 2011, the date the financial statements were issued and has determined that no recognized or non-recognized subsequent events warrants inclusion or disclosure in the financial statements, except as noted in Note 18 as of December 31, 2010.



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

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

Our audit was 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, based upon our audit and the report of other auditors as explained in our report on the basic financial statements on page 1, 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
April 22, 2011

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

Consolidating Statement of Financial Position
December 31, 2010

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Reinvest I	Reinvest II	Reinvest III	Fund Manager, LLC	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Assets															
Current Assets															
Cash and cash equivalents	\$ 4,442,925	\$ 177,290	\$ 7,211,908	\$ 58,954	\$ 108,405	\$ 1,268,141	\$ -	\$ -	\$ 149,456	\$ 340,926	\$ 394	\$ -	\$ 13,758,399	\$ -	\$ 13,758,399
Grants and contributions receivable	950,000	-	-	-	-	118,000	-	-	-	-	-	-	1,068,000	-	1,068,000
Investments in marketable securities	37,665,817	-	-	-	-	3,984,386	-	-	-	-	-	-	41,650,203	3,417,914	38,232,289
Accounts receivable - related parties	145,800	15,579	-	20,203	-	-	100	-	-	-	-	(181,682)	-	5,979	(5,979)
Loans and leases	63,023,807	2,701,160	-	112,806	-	-	-	-	-	-	-	(83,555)	65,754,218	507,293	65,246,925
Allowance for losses	(4,210,301)	(106,578)	-	(10,377)	-	-	-	-	-	-	-	40,282	(4,286,974)	(16,816)	(4,270,158)
Other	1,252,237	1,905	11,560	904	366,946	570,661	-	(4,976)	47,463	95,240	23	(85,364)	2,256,599	16,748	2,239,851
Restricted cash, cash equivalents and certificate of deposit	18,420,523	865,444	550,056	-	-	9,530	-	-	51,307	617,641	-	-	20,514,501	1,520,619	18,993,882
	<u>121,690,808</u>	<u>3,654,800</u>	<u>7,773,524</u>	<u>182,490</u>	<u>475,351</u>	<u>5,950,718</u>	<u>100</u>	<u>(4,976)</u>	<u>248,226</u>	<u>1,053,807</u>	<u>417</u>	<u>(310,319)</u>	<u>140,714,946</u>	<u>5,451,737</u>	<u>135,263,209</u>
Noncurrent Assets															
Grants and contributions receivable	307,500	-	-	-	-	-	-	-	-	-	-	-	307,500	-	307,500
Investments in marketable securities	11,073,685	-	-	-	-	3,468,032	-	-	-	-	-	-	14,541,717	2,055,777	12,485,940
Program investments	336,500	-	-	-	-	-	-	-	-	-	-	-	336,500	-	336,500
Due from related parties	7,182,439	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and leases	92,664,287	75,951	-	369,380	-	-	-	-	-	-	-	(7,182,439)	88,358,965	2,846,784	85,512,181
Allowance for losses	(6,134,418)	(2,980)	-	(45,874)	-	-	-	-	-	-	-	443,139	(5,740,133)	(94,364)	(5,645,769)
Investments in limited partnerships	1,286,263	-	-	-	15,379	-	(46,750)	-	-	-	-	-	1,255,051	1,067,090	187,961
Private equity investments	340,908	-	2,835,500	-	-	-	-	-	-	-	-	-	(340,908)	2,835,500	2,835,500
Investments in consolidated subsidiaries	1,528,691	-	-	-	-	-	-	-	-	-	-	(1,528,691)	-	-	-
Other real estate held for sale	-	-	-	-	-	-	-	288,781	4,406,085	9,140,000	-	-	13,834,866	-	13,834,866
Equipment, leasehold improvements and software, net	2,047,322	-	-	-	-	-	-	-	-	-	-	-	2,047,322	-	2,047,322
Property held for development or sale, net	-	-	-	-	-	5,824,404	-	-	-	-	-	-	5,824,404	-	5,824,404
Other	9,212	-	-	-	-	-	-	-	901,655	-	-	-	910,867	-	910,867
	<u>110,642,389</u>	<u>72,971</u>	<u>2,835,500</u>	<u>323,506</u>	<u>15,379</u>	<u>9,292,436</u>	<u>(46,750)</u>	<u>288,781</u>	<u>5,307,740</u>	<u>9,140,000</u>	<u>159</u>	<u>(13,359,552)</u>	<u>124,512,559</u>	<u>5,875,287</u>	<u>118,637,272</u>
Total Assets	<u>\$ 232,333,197</u>	<u>\$ 3,727,771</u>	<u>\$ 10,609,024</u>	<u>\$ 505,996</u>	<u>\$ 490,730</u>	<u>\$ 15,243,154</u>	<u>\$ (46,650)</u>	<u>\$ 283,805</u>	<u>\$ 5,555,966</u>	<u>\$ 10,193,807</u>	<u>\$ 576</u>	<u>\$ (13,669,871)</u>	<u>\$ 265,227,505</u>	<u>\$ 11,327,024</u>	<u>\$ 253,900,481</u>
Liabilities and Net Assets															
Current Liabilities															
Accounts payable and accrued expenses	\$ 681,892	\$ 6,488	\$ 21,259	\$ 2,027	\$ -	\$ 230,164	\$ -	\$ 85	\$ 20,245	\$ 118,988	\$ -	\$ -	\$ 1,081,148	\$ 35,862	\$ 1,045,286
Grants payable	18,480	-	-	-	-	-	-	-	-	-	-	-	18,480	18,480	-
Escrow payable and due to third parties	2,134,804	865,444	550,056	-	-	9,530	-	-	51,307	63,871	-	-	3,675,012	68,348	3,606,664
Accounts payable - related parties	-	-	-	-	86,530	-	-	32,309	3,387	59,056	500	(181,782)	-	-	-
Other	445,943	216	-	-	-	6,594	-	-	141,175	-	-	(85,364)	508,564	-	508,564
Loans payable, current portion	39,767,714	-	-	83,555	86,530	894,727	-	-	-	-	-	(83,555)	40,662,441	-	40,662,441
	<u>43,048,833</u>	<u>872,148</u>	<u>571,315</u>	<u>85,582</u>	<u>86,530</u>	<u>1,141,015</u>	<u>-</u>	<u>32,394</u>	<u>216,114</u>	<u>241,915</u>	<u>500</u>	<u>(350,701)</u>	<u>45,945,645</u>	<u>122,690</u>	<u>45,822,955</u>
Noncurrent Liabilities															
Due to related parties	-	-	3,820,990	-	-	3,361,449	-	-	-	-	-	(7,182,439)	-	-	-
Loans payable, less current maturities	91,413,766	2,355,623	-	319,262	-	12,640,313	-	-	5,366,413	9,991,069	-	-	117,335,793	-	117,335,793
	<u>91,413,766</u>	<u>2,355,623</u>	<u>3,820,990</u>	<u>319,262</u>	<u>-</u>	<u>16,001,762</u>	<u>-</u>	<u>-</u>	<u>5,366,413</u>	<u>9,991,069</u>	<u>-</u>	<u>(11,933,092)</u>	<u>117,335,793</u>	<u>-</u>	<u>117,335,793</u>
Total Liabilities	<u>134,462,599</u>	<u>3,227,771</u>	<u>4,392,305</u>	<u>404,844</u>	<u>86,530</u>	<u>17,142,777</u>	<u>-</u>	<u>32,394</u>	<u>5,582,527</u>	<u>10,232,984</u>	<u>500</u>	<u>(12,283,793)</u>	<u>163,281,438</u>	<u>122,690</u>	<u>163,158,748</u>
Commitments and Contingencies															
Paid in capital	-	-	-	985,000	(1,532,691)	-	60,100	267,395	100	1	100	219,995	-	-	-
Earnings/(Deficit)	-	-	-	(883,848)	1,936,891	-	(106,750)	(15,984)	(26,661)	(393)	(24)	(903,231)	-	-	-
Net Assets															
Unrestricted	14,718,640	500,000	(2,476,826)	-	-	(2,062,123)	-	-	-	-	-	-	(400,719)	10,278,972	10,278,972
Unrestricted-Contractually limited as to use	10,240,838	-	-	-	-	-	-	-	-	-	-	-	10,240,838	10,240,838	-
Non-Controlling Interest in consolidating subsidiaries	-	-	8,377,819	-	-	-	-	-	-	-	-	-	-	-	8,377,819
Total Unrestricted	<u>24,959,478</u>	<u>500,000</u>	<u>5,900,993</u>	<u>101,152</u>	<u>404,200</u>	<u>(2,062,123)</u>	<u>(46,650)</u>	<u>251,411</u>	<u>(26,561)</u>	<u>(39,177)</u>	<u>76</u>	<u>(1,386,078)</u>	<u>28,556,721</u>	<u>10,240,838</u>	<u>18,315,883</u>
Temporarily restricted	19,506,562	-	-	-	-	162,500	-	-	-	-	-	-	19,669,062	-	19,669,062
Temporarily restricted - Contractually limited as to use	963,496	-	-	-	-	-	-	-	-	-	-	-	963,496	963,496	-
Total Temporarily Restricted	<u>20,470,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,632,558</u>	<u>963,496</u>	<u>19,669,062</u>
Permanently restricted	52,441,062	-	315,726	-	-	-	-	-	-	-	-	-	52,756,788	-	52,756,788
Total Net Assets	<u>97,870,598</u>	<u>500,000</u>	<u>6,216,719</u>	<u>101,152</u>	<u>404,200</u>	<u>(1,899,623)</u>	<u>(46,650)</u>	<u>251,411</u>	<u>(26,561)</u>	<u>(39,177)</u>	<u>76</u>	<u>(1,386,078)</u>	<u>101,946,067</u>	<u>11,204,334</u>	<u>90,741,733</u>
Total Liabilities and Net Assets	<u>\$ 232,333,197</u>	<u>\$ 3,727,771</u>	<u>\$ 10,609,024</u>	<u>\$ 505,996</u>	<u>\$ 490,730</u>	<u>\$ 15,243,154</u>	<u>\$ (46,650)</u>	<u>\$ 283,805</u>	<u>\$ 5,555,966</u>	<u>\$ 10,193,807</u>	<u>\$ 576</u>	<u>\$ (13,669,871)</u>	<u>\$ 265,227,505</u>	<u>\$ 11,327,024</u>	<u>\$ 253,900,481</u>

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

Consolidating Statement of Activities
For the Six Months Ended December 31, 2010

	TRF	CLI	Private Equity	EFI	NMTC	Development Partners	Education Funding	Reinvest I	Reinvest II	Reinvest III	Fund Manager, LLC	Eliminations & Reclassifications	Total	SDF	Total (excluding SDF)
Financial Activity															
Financial Income															
Interest income from:															
Marketable securities	\$ 191,536	\$ -	\$ -	\$ -	\$ -	\$ 14,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,864	\$ 18,505	\$ 187,359
Loans and leases	4,419,383	76,275	-	12,253	-	-	-	-	-	-	-	(93,587)	4,414,324	91,103	4,323,221
Private equity investments	-	-	52,562	-	-	-	-	-	-	-	-	-	52,562	-	52,562
Investment gains, net															
Marketable securities	-	-	-	-	-	2,433	-	-	-	-	-	(2,023)	410	-	410
Program investments	7,500	-	-	-	-	-	-	-	-	-	-	-	7,500	-	7,500
Private equity investments	118,485	-	3,069,736	-	-	-	-	-	-	-	-	(118,485)	3,069,736	-	3,069,736
Equity gains in limited partnerships	-	-	-	-	320	-	-	-	-	-	-	(320)	-	-	-
Loan and lease fees	250,463	31,205	-	(13,484)	-	-	-	-	-	-	-	-	268,184	2,299	265,885
Asset management fee	544,341	-	-	-	210,380	-	-	-	-	-	23	(169,998)	584,746	-	584,746
Total Financial Income	5,531,708	107,480	3,122,298	(1,231)	210,700	16,761	-	-	-	-	23	(384,413)	8,603,326	111,907	8,491,419
Financial Expense															
Interest expense	2,382,992	70,002	-	11,014	-	(1,913)	-	-	141,175	-	-	(93,587)	2,509,683	-	2,509,683
Asset management fee	-	-	-	-	169,998	-	-	-	-	-	-	(169,998)	-	-	-
Investment losses, net															
Marketable securities	52,681	-	-	-	-	-	-	-	-	-	-	(2,023)	50,658	4,714	45,944
Equity losses in limited partnerships	136,032	-	-	-	-	-	27,126	-	-	-	3	(320)	162,841	5,476	157,365
Equity losses in consolidated subsidiaries	68,649	-	-	-	-	-	-	-	-	-	-	(68,649)	-	-	-
Provision for loan and lease losses	1,178,339	(8,685)	-	79,403	-	-	-	-	-	-	-	(418,810)	830,247	(29,066)	859,313
Total Financial Expense	3,818,693	61,317	-	90,417	169,998	(1,913)	27,126	-	141,175	-	3	(753,387)	3,553,429	(18,876)	3,572,305
Net Financial Income	1,713,015	46,163	3,122,298	(91,648)	40,702	18,674	(27,126)	-	(141,175)	-	20	368,974	5,049,897	130,783	4,919,114
Revenue and Support															
Grants and contributions	15,947,952	-	-	-	-	527,442	-	-	-	-	-	(414,042)	16,061,352	-	16,061,352
Program services and fees	2,273,255	7,101	-	-	-	241,561	-	-	-	-	-	(457)	2,521,460	-	2,521,460
Other income	-	-	-	-	-	-	-	-	256,366	680,052	-	-	936,418	-	936,418
Total Revenue and Support	18,221,207	7,101	-	-	-	769,003	-	-	256,366	680,052	-	(414,499)	19,519,230	-	19,519,230
Program and General Expenses and Other Decreases															
Program and General Expenses															
Program - Lending and Community Investing	2,142,331	53,264	-	18,585	671	-	-	15,984	131,352	719,329	44	(457)	3,081,103	-	3,081,103
Program - Private Equity	-	-	218,296	-	-	-	-	-	-	-	-	-	218,296	-	218,296
Program - Sustainable Development Fund	162,999	-	-	-	-	-	-	-	-	-	-	-	162,999	162,999	-
Program - Policy Solutions	502,658	-	-	-	-	-	-	-	-	-	-	-	502,658	-	502,658
Program - PolicyMap	1,048,158	-	-	-	-	-	-	-	-	-	-	-	1,048,158	-	1,048,158
Program - Development Partners	-	-	-	-	-	498,840	-	-	-	-	-	-	498,840	-	498,840
Management and general	2,070,614	-	95,960	-	-	129,058	-	-	10,500	-	-	(414,042)	1,892,090	22,540	1,869,550
Total Program and General Expenses	5,926,760	53,264	314,256	18,585	671	627,898	-	15,984	141,852	719,329	44	(414,499)	7,404,144	185,539	7,218,605
Other Decreases															
Charges related to revolving loan fund	499,917	-	-	-	-	-	-	-	-	-	-	-	499,917	-	499,917
Forgiveness of debt from related parties	-	-	-	(119,290)	-	(25,407)	-	-	-	-	-	144,697	-	-	-
Total Other Decreases	499,917	-	-	(119,290)	-	(25,407)	-	-	-	-	-	144,697	499,917	-	499,917
Total Expenses and Other Decreases	6,426,677	53,264	314,256	(100,705)	671	602,491	-	15,984	141,852	719,329	44	(269,802)	7,904,061	185,539	7,718,522
Net income (loss)	-	-	-	9,057	40,031	-	(27,126)	(15,984)	(26,661)	(39,277)	(24)	59,984	-	-	-
Change in net assets	13,507,545	-	2,808,042	-	-	185,186	-	-	-	-	-	164,293	16,665,066	(54,756)	16,719,822
Capital contributions (distributions), net	-	-	-	-	(55,000)	-	-	-	100	100	100	54,700	-	-	-
Change in net assets	13,507,545	-	2,808,042	9,057	(14,969)	185,186	(27,126)	(15,984)	(26,561)	(39,177)	76	278,977	16,665,066	(54,756)	16,719,822
Net assets, beginning	84,363,053	500,000	3,408,677	92,095	419,169	(2,084,809)	(19,524)	267,395	-	-	-	(1,665,055)	85,281,001	11,259,090	74,021,911
Net assets, ending	\$ 97,870,598	\$ 500,000	\$ 6,216,719	\$ 101,152	\$ 404,200	\$ (1,899,623)	\$ (46,650)	\$ 251,411	\$ (26,561)	\$ (39,177)	\$ 76	\$ (1,386,078)	\$ 101,946,067	\$ 11,204,334	\$ 90,741,733

TRF Private Equity, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2010

	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	\$ -	\$ 6,090,183	\$ 1,121,125	\$ -	\$ 7,211,908
Other	-	-	-	-	11,560	-	-	11,560
Restricted cash and cash equivalents	-	-	-	-	550,056	-	-	550,056
	<u>100</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>6,651,799</u>	<u>1,121,125</u>	<u>-</u>	<u>7,773,524</u>
Noncurrent Assets								
Private equity investments	-	100	552,824	5,928	2,835,500	553,424	(1,112,276)	2,835,500
Total Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 553,324</u>	<u>\$ 5,928</u>	<u>\$ 9,487,299</u>	<u>\$ 1,674,549</u>	<u>\$ (1,112,276)</u>	<u>\$ 10,609,024</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 6,600	\$ 14,659	\$ -	\$ 21,259
Escrow payable and due to third parties	-	-	-	-	550,056	-	-	550,056
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,656</u>	<u>14,659</u>	<u>-</u>	<u>571,315</u>
Noncurrent Liabilities								
Due to related parties	-	-	-	-	-	3,820,990	-	3,820,990
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,656</u>	<u>3,835,649</u>	<u>-</u>	<u>4,392,305</u>
Commitments and Contingencies								
Partners' Capital (Net Assets)								
General partner	100	100	5,928	5,928	552,824	-	(564,880)	-
Limited partner	-	-	547,396	-	8,377,819	-	(8,925,215)	-
Total Partners' capital (Net Assets)	<u>100</u>	<u>100</u>	<u>553,324</u>	<u>5,928</u>	<u>8,930,643</u>	<u>-</u>	<u>(9,490,095)</u>	<u>-</u>
Net Assets								
Unrestricted	-	-	-	-	-	(2,476,826)	-	(2,476,826)
Non-Controlling Interest	-	-	-	-	-	-	8,377,819	8,377,819
Total Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,476,826)</u>	<u>8,377,819</u>	<u>5,900,993</u>
Temporarily restricted								
Total Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permanently restricted								
Total Net Assets	<u>100</u>	<u>100</u>	<u>553,324</u>	<u>5,928</u>	<u>8,930,643</u>	<u>(2,161,100)</u>	<u>(1,112,276)</u>	<u>6,216,719</u>
Total Liabilities and Net Assets	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 553,324</u>	<u>\$ 5,928</u>	<u>\$ 9,487,299</u>	<u>\$ 1,674,549</u>	<u>\$ (1,112,276)</u>	<u>\$ 10,609,024</u>

TRF Private Equity, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2010

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private equity investments	-	-	192,138	1,921	3,122,298	192,138	(386,197)	3,122,298
Asset management fee	-	-	-	-	-	-	-	-
Total Financial Income	-	-	192,138	1,921	3,122,298	192,138	(386,197)	3,122,298
Financial Expense								
Asset management fee	-	-	-	-	-	-	-	-
Investment losses, net								
Private equity investments	-	-	-	-	-	-	-	-
Equity losses in private equity investments	-	-	-	-	-	-	-	-
Total Financial Expense	-	-	-	-	-	-	-	-
Net Financial Income	-	-	192,138	1,921	3,122,298	192,138	(386,197)	3,122,298
Revenue and Support								
Program services and fees	-	-	-	-	-	-	-	-
Total Revenue and Support	-	-	-	-	-	-	-	-
Program and General Expenses								
Program and General Expenses								
Program - Private Equity	-	-	-	-	18,386	199,910	-	218,296
Management and general	-	-	-	-	-	95,960	-	95,960
Total Program and General Expenses	-	-	-	-	18,386	295,870	-	314,256
Net loss	-	-	192,138	1,921	3,103,912	-	(3,297,971)	-
Change in net assets								
Capital contribution	446,600	2,233	-	-	-	(103,732)	2,911,774	2,808,042
Change in net assets	446,600	2,233	192,138	1,921	3,103,912	(103,732)	(835,030)	2,808,042
Net assets, beginning	(446,500)	(2,133)	361,186	4,007	5,826,731	(2,057,368)	(277,246)	3,408,677
Net assets, ending	\$ 100	\$ 100	\$ 553,324	\$ 5,928	\$ 8,930,643	\$ (2,161,100)	\$ (1,112,276)	\$ 6,216,719

TRF Development Partners, Inc. and Affiliates

Consolidating Statement of Financial Position

December 31, 2010

	TRF Development Partners, Inc.	TRF DP-Baltimore, LLC & Subsidiary	TRF DP- Philadelphia, LLC	TRF DP-Ridge Avenue, LLC	TRF DP-Chester, LLC	TRF DP-Scotland Commons, Inc.	Eliminations & Reclassifications	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 684,558	\$ 251,160	\$ 240,481	\$ 91,942	\$ -	\$ -	\$ -	\$ 1,268,141
Grants and contributions receivable	118,000	-	-	-	-	-	-	118,000
Investments in marketable securities	540,430	3,443,956	-	-	-	-	-	3,984,386
Other	1,386,578	416,586	97,192	51,794	-	100	(1,381,589)	570,661
Restricted cash and cash equivalents	-	8,530	-	1,000	-	-	-	9,530
	<u>2,729,566</u>	<u>4,120,232</u>	<u>337,673</u>	<u>144,736</u>	<u>-</u>	<u>100</u>	<u>(1,381,589)</u>	<u>5,950,718</u>
Noncurrent Assets								
Investments in marketable securities	555,793	2,912,239	-	-	-	-	-	3,468,032
Investments in consolidated subsidiaries	(1,725,801)	-	-	-	-	-	1,725,801	-
Property held for development or sale, net	-	2,012,796	-	3,868,544	-	-	(56,936)	5,824,404
	<u>(1,170,008)</u>	<u>4,925,035</u>	<u>-</u>	<u>3,868,544</u>	<u>-</u>	<u>-</u>	<u>1,668,865</u>	<u>9,292,436</u>
Total Assets	<u>\$ 1,559,558</u>	<u>\$ 9,045,267</u>	<u>\$ 337,673</u>	<u>\$ 4,013,280</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 287,276</u>	<u>\$ 15,243,154</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ 40,696	\$ 26,256	\$ 27,536	\$ 135,676	\$ -	\$ -	\$ -	\$ 230,164
Escrow payable and due to third parties	-	8,530	-	1,000	-	-	-	9,530
Accounts payable - related parties	100	-	537,500	843,989	-	-	(1,381,589)	-
Other	-	6,000	-	594	-	-	-	6,594
Loans payable, current portion	-	-	-	894,727	-	-	-	894,727
	<u>40,796</u>	<u>40,786</u>	<u>565,036</u>	<u>1,875,986</u>	<u>-</u>	<u>-</u>	<u>(1,381,589)</u>	<u>1,141,015</u>
Noncurrent Liabilities								
Due to related parties	3,361,449	-	-	-	-	-	-	3,361,449
Loans payable, less current maturities	-	10,226,908	-	2,413,405	-	-	-	12,640,313
	<u>3,361,449</u>	<u>10,226,908</u>	<u>-</u>	<u>2,413,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,001,762</u>
Total Liabilities	<u>3,402,245</u>	<u>10,267,694</u>	<u>565,036</u>	<u>4,289,391</u>	<u>-</u>	<u>-</u>	<u>(1,381,589)</u>	<u>17,142,777</u>
Commitments and Contingencies								
Paid-in-Capital	-	65,471	610,716	60,000	1,675	100	(737,962)	-
Accumulated Deficit	-	(1,287,898)	(838,079)	(336,111)	(1,675)	-	2,463,763	-
Net Assets								
Unrestricted	(2,005,187)	-	-	-	-	-	(56,936)	(2,062,123)
Total Unrestricted	<u>(2,005,187)</u>	<u>(1,222,427)</u>	<u>(227,363)</u>	<u>(276,111)</u>	<u>-</u>	<u>100</u>	<u>1,668,865</u>	<u>(2,062,123)</u>
Temporarily restricted	162,500	-	-	-	-	-	-	162,500
Total Temporarily restricted	<u>162,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,500</u>
Total Net Assets	<u>(1,842,687)</u>	<u>(1,222,427)</u>	<u>(227,363)</u>	<u>(276,111)</u>	<u>-</u>	<u>100</u>	<u>1,668,865</u>	<u>(1,899,623)</u>
Total Liabilities and Net Assets	<u>\$ 1,559,558</u>	<u>\$ 9,045,267</u>	<u>\$ 337,673</u>	<u>\$ 4,013,280</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 287,276</u>	<u>\$ 15,243,154</u>

TRF Development Partners, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2010

	TRF Development Partners, Inc.	TRF DP-Baltimore, LLC & Subsidiary	TRF DP- Philadelphia, LLC	TRF DP-Ridge Avenue, LLC	TRF DP- Chester, LLC	TRF DP-Scotland Commons, Inc.	Eliminations & Reclassifications	Total
Financial Activity								
Financial Income								
Interest income from:								
Marketable securities	\$ 1,816	\$ 13,094	\$ -	\$ -	\$ (677)	\$ -	\$ 95	\$ 14,328
Investment gains, net								
Marketable securities	-	-	-	-	2,528	-	(95)	2,433
Asset management fee	255,000	-	-	-	-	-	(255,000)	-
Total Financial Income	256,816	13,094	-	-	1,851	-	(255,000)	16,761
Financial Expense								
Interest expense	-	(7,612)	-	-	5,699	-	-	(1,913)
Investment losses, net								
Equity losses in consolidated subsidiaries	253,611	-	-	-	-	-	(253,611)	-
Total Financial Expense	253,611	(7,612)	-	-	5,699	-	(253,611)	(1,913)
Net Financial Income	3,205	20,706	-	-	(3,848)	-	(1,389)	18,674
Revenue and Support								
Grants and contributions	527,442	-	-	-	-	-	-	527,442
Program services and fees	214,978	(21,407)	40,000	4,000	-	-	3,990	241,561
Total Revenue and Support	742,420	(21,407)	40,000	4,000	-	-	3,990	769,003
Program and General Expenses								
Program and General Expenses								
Program - Development Partners	435,371	132,051	110,304	76,014	100	-	(255,000)	498,840
Management and general	129,058	-	-	-	-	-	-	129,058
Total Program and General Expenses	564,429	132,051	110,304	76,014	100	-	(255,000)	627,898
Other Decreases								
Forgiveness of debt from related parties	-	-	-	-	(25,407)	-	-	(25,407)
Total Other Decreases	-	-	-	-	(25,407)	-	-	(25,407)
Total Expenses and Other Decreases	564,429	132,051	110,304	76,014	(25,307)	-	(255,000)	602,491
Net loss	-	(132,752)	(70,304)	(72,014)	21,459	-	257,601	3,990
Change in net assets	181,196	-	-	-	-	-	-	181,196
Capital contributions (distributions), net	-	-	7,620	-	-	100	(7,720)	-
Change in net assets	181,196	(132,752)	(62,684)	(72,014)	21,459	100	249,881	185,186
Net assets, beginning	(2,023,883)	(1,089,675)	(164,679)	(204,097)	(21,459)	-	1,418,984	(2,084,809)
Net assets, ending	\$ (1,842,687)	\$ (1,222,427)	\$ (227,363)	\$ (276,111)	\$ -	\$ 100	\$ 1,668,865	\$ (1,899,623)

The Reinvestment Fund, Inc. and Affiliates

Consolidated Schedules of Functional Expenses
Year Ended December 31, 2010

	2010					
	Personnel	Occupancy	Professional Services	General & Administrative	Grants	Total
Program - Lending and Community Investing	\$ 1,739,007	\$ 386,158	\$ 652,919	\$ 303,019	\$ -	\$ 3,081,103
Program - Private Equity	155,771	24,627	37,173	725	-	218,296
Program - Sustainable Development Fund	73,513	12,105	53,465	1,719	22,197	162,999
Program - Policy Solutions	385,850	68,476	32,688	15,644	-	502,658
Program - PolicyMap	286,616	504,163	243,281	14,098	-	1,048,158
Program - Development Partners	280,584	62,223	135,846	20,187	-	498,840
Management and general	1,007,890	188,456	666,492	29,252	-	1,892,090
	<u>\$ 3,929,231</u>	<u>\$ 1,246,208</u>	<u>\$ 1,821,864</u>	<u>\$ 384,644</u>	<u>\$ 22,197</u>	<u>\$ 7,404,144</u>