SELF HELP

CREATING OWNERSHIP AND ECONOMIC OPPORTUNITY

Nov. 1, 2013

Andy Scott
Assistant City Manager for Economic Development
City of Greensboro
One Governmental Plaza
P.O. Box 3136
Greensboro, NC 27402-3136

Dear Andy:

We are pleased to submit our offer to purchase the Renaissance / Bessemer Shopping Center from the City of Greensboro, so that we can renovate it and return it to being a useful commercial area for the surrounding community.

As we will outline in the following pages, we are proposing the following:

1. Self-Help Ventures Fund or its affiliates (SHVF) will acquire the Renaissance / Bessemer Shopping Center (Center) for $490,000, and then fully renovate the space. We will bring the entire space up to fully leasable standards, and replace or repair the parking lot for the entire space.

2. The City of Greensboro (City) will provide a one-time $2 million grant to SHVF to assist with the renovation of the Center. The grant will have recoverable features if SHVF fails to perform, as outlined in the remainder of this proposal.

3. The City further agrees that it will rent sufficient parking spaces to accommodate the needs of the Library located on the Library outparcel that will not be included in this agreement.

4. SHVF certifies that it has the funds needed to complete its share of the construction involved in renovating the Center. The attached financial statements should confirm that the organization has the resources to undertake this project.

5. Five SHVF staff members will serve as the initial development team for the project: Jim Overton, Tucker Bartlett, Napoleon Wallace, Will Perreault, and Paul Brown. They will use resources from Self-Help's full real estate team and general management as needed – including me, Real Estate Team Director Kim Cameron and Assistant Real Estate Team Leader Dan Levine.

301 West Main Street, Durham, NC 27701
P.O. Box 3619, Durham, NC 27702-3619

Tel: 919.956.4400 / Fax: 919.956.4600
www.self-help.org

If you need additional information on this proposal, please contact our Project Manager Jim Overton at (919) 956-4473.

We look forward to working collaboratively with you, the Council, and the community around the Center to develop a solid plan for upgrading this property to become a community asset.

Best wishes,

Martin Eakes

Martin Eakes, CEO
Center for Community Self-Help and Self-Help Ventures Fund

Project Proposal:
Self-Help Ventures Fund (SHVF) will buy the Renaissance / Bessemer Shopping Center (Center) from the City of Greensboro (City) for $490,000. SHVF will then fully renovate the property to make it leasable to tenants.

SHVF will have an architect complete a full exterior makeover proposal for the property and set standards for all tenant spaces. It will then commission contractors to renovate the building to these specifications. In addition to full renovation of the existing Center building, the project will involve an overhaul of the parking lot, and upgrade of the common areas and grounds of the facility.

Because the space has not been pre-leased, SHVF has not fully determined final budgets for tenant improvements. We will need to negotiate final interior specs and needs with each tenant – thus affecting the final budget for the project. However, we have estimated that the overall cost of the completed Center will be approximately $4.6 million.

We estimate that the primary construction project to renovate the building shell will take up to 6 months after completion of design and bidding. The actual time to lease to tenants and complete individual spaces will likely take longer.

M/WBE Inclusion in Construction Process:
We have reviewed the City's M/WBE guidelines, and will pledge as part of our agreement that we will do our best to comply fully with your guidelines.

Request from City:
SHVF requests that the City provide a grant of $2 million toward the costs of the renovation project. SHVF is a 501(c)(3) organization that should be eligible to receive such a grant from the City. (See below for additional description of SHVF.)

We request that the City provide this grant to cover the price of building acquisition and the first $1.51 million toward construction costs. SHVF will then fund all additional costs associated with renovating the Center.

Parking: We request that the City agree to a 10-year lease for parking needed for the library. The City will reimburse SHVF $24K annually for this parking. SHVF agrees to keep the parking lot in acceptable operating condition for lifetime of parking agreement.

We are willing to negotiate with the City appropriate terms for how the grant could be recoverable for nonperformance of our agreed-upon standards for the Center.

Proposed Relationship and Commitment to Renaissance Community Cooperative (RCC):
As part of the agreement with the City, SHVF pledges to make a good-faith effort to negotiate a mutually agreeable lease arrangement with RCC for the purpose of locating an estimated 10,000-

square-foot retail grocery space at the Center. SHVF has a long history of supporting cooperatively owned businesses and helping to provide communities with access to healthy foods. For example, SHVF is currently developing a project in Durham that includes a 10,000 square foot cooperatively owned natural foods grocery store.

SHVF has been working with RCC since spring 2013. In fact, our first exposure to the Center occurred as we investigated whether we could provide financing for RCC's desired leased space in the Center. We provided a letter of intent, but did not pursue the matter further after the City decided to sell the Center instead of retaining ownership.

We remain committed to the idea of supporting both cooperatives and creative attempts to solve the problems of food deserts within urban areas. Therefore, the goals and aspirations of RCC are compatible with our own.

Thus, we pledge to work closely with RCC to see if they can qualify as a tenant for the space. We have reserved a 10,000-square-foot space at the Center that should be suitable for their operations.

If we are unable to reach an agreement, we further pledge to seek out another tenant that can supply fresh foods to the community as the first choice for developing the space reserved for RCC.

Project Budget – and Sources and Uses of Funds:

Sources and Uses of Funds:
See Exhibit 1-A for detail on the projected budget for this project.

The total development costs are estimated to be $4.6 million, and $2.6 million will be invested in the project on top of the $2 million provided by the City. These estimates are preliminary and will change as the shell work is designed and bid and as leases are negotiated which will stipulate tenant improvement allowances.

Operating Pro Forma:

Exhibit 1-B shows the operating pro forma for this project. We have based this pro forma on several sources of income:

1. Existing Family Dollar lease;
2. Proposed lease to RCC;
3. Lease of other space to prospective tenants; and
4. Reimbursements from tenants for TICAM (taxes, insurance, common area maintenance).

We noted that the City has requested us to reserve space for several specific potential tenants including a community space, a health care space, and a Municipal Credit Union. While SHVF is interested in working to make sure these uses are included in the project, actual tenants have not yet been identified so it is too preliminary to propose lease terms. Instead, we have assumed that these uses will be included in our Other Tenants where we have assumed an average rental rate of $9.50 per rsf plus TICAM of $3/rsf and that SHVF would provide a $25/rsf Tenant Improvement Allowance.

After an initial period during which new tenants will be moving into the Center and vacancy will be higher, we have used a 15% stabilized vacancy factor to account for the uncertainty of the leasing process. Estimated expenses include TICAM at $3/rsf plus a property management fee to operate the Center. We have allocated reserves to provide for ongoing maintenance of the property.

Property Developer SHVF:

SHVF, the proposed developer of the Center, is a 30-year-old Durham-based non-profit that works to pioneer innovative community economic development programs. Focused initially on small business and cooperatively owned business financing, we have branched out into many other sectors – including home lending and development. We work primarily in North Carolina, but also run commercial and home lending programs on regional and national bases.

Self-Help Ventures Fund is an affiliate of the Center for Community Self-Help (CCSH), the 501(c)(3) non-profit that serves as corporate parent for SHVF. CCSH has also founded the Self-Help Credit Union, a statewide credit union that provides financial services to many North Carolina communities.

As a mission-driven nonprofit, we have seen that commercial real estate development fits our goals of building economic self-sufficiency and stability in low- and moderate-income neighborhoods. We redevelop property primarily to spur downtown and neighborhood reinvestment.

Our strategy is to purchase vacant or underutilized properties, renovate those properties to make them attractive for modern uses, lease the resulting space primarily to small businesses and nonprofits, and then hold and manage the properties for the long term.

In our 30 years of real-estate development, we have invested over $80 million in 20 properties totaling more than 1.3 million square feet of community facility, office and retail space throughout North Carolina and Washington, D.C.

A current Self-Help effort in Durham is a close parallel to our plans to develop the Center. We are about to break ground on a $12 million ground-up construction project that will catalyze the redevelopment of a neighborhood commercial district. At a corner that currently has vacant and rundown buildings, we are undertaking the construction of new buildings that will include a 10,000 square foot co-op natural food store and an office building that includes space for a 17,000 square foot community health non-profit.

We currently have two commercial properties in Greensboro. In the early 1990s, we bought and developed the 66,000-square-foot Self-Help Center in downtown. That building exclusively serves area non-profits, and we are pleased that it has provided a solid home for these non-profits to remain part of Greensboro's downtown development.

In 2012, we took over ownership of the Revolution Mill – the 600,000-square-foot complex off Yanceyville Street. We have begun stabilizing some of the buildings at the complex, and have plans to renovate the former Nussbaum Entrepreneurship Center in 2014.

Self-Help Project Team:
Currently, the Executive Staff of Self-Help is overseeing our efforts to purchase and develop the Center. Here are the five primary staff members assigned to this project:

1. Jim Overton is serving as project manager for this effort. A 25-year veteran of Self-Help, Overton has broad experience in small business lending and project management. He is also serving as project manager for our efforts to redevelop Revolution Mill.

2. Tucker Bartlett is Executive Vice-President overseeing Lending and Real Estate Development at Self-Help. Over his career, Bartlett has provided the financing or overseen the development of numerous commercial real estate development projects across North Carolina. As an expert in the financing of revitalization projects in low-income areas, Tucker speaks frequently at conferences across the country about urban real estate development and the use of Historic Rehabilitation and New Market Tax Credits.

3. Napoleon Wallace is a Special Assistant to Self-Help CEO Martin Eakes. Wallace has been deeply involved in the community engagement process for several of our commercial development projects in Durham, and has a broad-based knowledge of finance and community development.

4. Will Perreault is also a Special Assistant to CEO Eakes. A recent addition to the Self-Help staff, Perreault has extensive experience with economic development projects both domestically and internationally.

5. Paul Brown is Self-Help's Senior Advisor for Real Estate and Construction. An experienced general contractor, Brown has overseen the renovation of many of Self-Help's commercial properties, as well as providing invaluable advice to small business loan customers who are carrying out construction projects with Self-Help financing.

In addition to these individuals, the team can draw on the collective skills of Self-Help's real-estate and commercial lending teams, which has overseen the purchase and development of all of our 20 commercial properties and the financing of many more. Other key members of the Self-Help team include:

1. Self-Help CEO Martin Eakes is a native of Greensboro. He founded CCSH in 1980, and now serves as CEO for SHVF and other Self-Help institutions. He will provide general management to the project.

2. Kim Cameron is the Director of Self-Help's Real Estate Team. She has extensive experience in housing development and in general contracting work.

3. Dan Levine is Self-Help's Assistant Team Leader for Real Estate. He has overseen many of Self-Help's commercial and residential development projects.

Self-Help has engaged George Carr and Vernon Powell as consultants in pursuing this project. Carr and Powell have extensive histories in developing properties in the Greensboro area, have previously done thorough examinations of the Center, and are assisting with planning for the development and leasing of the Center.

<u>SHVF Financials</u>:
Attached as Exhibit II are the last three years of audited financial returns for SHVF. We have also attached a balance sheet and income statement dated June 30, 2103, reflecting updated information on SHVF's financial status.

The organization has more than $360 million in net worth. Net gain for 2013 is down slightly for the first 6 months of 2013, but the organization had $3.56 million in net gain for 2012.

The organization had approximately $71 million in liquid assets on June 30 – demonstrating that it has adequate resources to finance the equity required for this project.

Exhibit I:
Project Pro Forma Statements

Exhibit 1-A

Renaissance / Bessemer Shopping Center

Sources and Uses of Funds

Sources of Funds		Amount		Per S.F. Overall	% TDC
Grant from City of Greensboro	$	2,000,000	$	43.81	43.8%
Self-Help Equity	$	2,567,682	$	56.25	56.2%
TOTAL SOURCES	**$**	**4,567,682**	**$**	**100.07**	100.0%

Uses of Funds		Amount		Per S.F. Overall	% TDC
Property Acquisition Cost	$	490,000	$	10.73	10.7%
Construction:					
Shell & Site Hard Costs	$	1,866,335	$	40.89	40.9%
Tenant Improvements	$	1,343,175	$	29.43	29.4%
Contingency estimate	$	320,951	$	7.03	7.0%
Soft Costs	$	353,046	$	7.73	7.7%
Project Management Costs	$	194,175	$	4.25	4.3%
TOTAL USES	**$**	**4,567,682**	**$**	**100.07**	100.0%

Exhibit 1-B: Operating Pro Forma

Renaissance / Bessemer Shopping Center

Operating Pro Forma

REVENUES	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11
Family Dollar Rent	$ 39,680	$ 39,680	$ 43,648	$ 43,648	$ 43,648	$ 43,648	$ 43,648	$ 48,013	$ 48,013	$ 48,013	$ 48,013
Co-op Grocery Rent (includes Ten Imp)	$ 80,000	$ 82,400	$ 84,872	$ 87,418	$ 90,041	$ 92,742	$ 95,524	$ 98,390	$ 101,342	$ 104,382	$ 107,513
Other Space Rent (includes Ten Imp)	$ 244,407	$ 251,739	$ 259,291	$ 267,070	$ 275,082	$ 283,334	$ 291,834	$ 300,589	$ 309,607	$ 318,895	$ 328,462
Parking Lot Rent from City	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000
TICAM Reimbursement	$ 115,382	$ *118,843*	$ *122,409*	$ *126,081*	$ *129,863*	$ *133,759*	$ *137,772*	$ *141,905*	$ *146,162*	$ *150,547*	$ *155,063*
Vacancy during ramp up	$ (243,305)	$ (167,069)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Stabilized Vacancy and Credit Loss			$ (76,533)	$ (78,632)	$ (80,795)	$ (83,022)	$ (85,317)	$ (88,335)	$ (90,769)	$ (93,276)	$ (95,858)
Effective Gross Income	**$ 260,163**	**$ 349,593**	**$ 457,686**	**$ 469,584**	**$ 481,839**	**$ 494,461**	**$ 507,461**	**$ 524,562**	**$ 538,355**	**$ 552,561**	**$ 567,194**
Operating Expenses											
TICAM	$ (136,710)	$ (140,811)	$ (145,035)	$ (149,386)	$ (153,888)	$ (158,484)	$ (163,239)	$ (168,136)	$ (173,180)	$ (178,375)	$ (183,727)
Management fee	$ (13,008)	$ (17,480)	$ (22,884)	$ (23,479)	$ (24,092)	$ (24,723)	$ (25,373)	$ (26,228)	$ (26,918)	$ (27,628)	$ (28,360)
Total Operating Expenses	**$ (149,718)**	**$ (158,291)**	**$ (167,920)**	**$ (172,866)**	**$ (177,960)**	**$ (183,207)**	**$ (188,612)**	**$ (194,364)**	**$ (200,098)**	**$ (206,003)**	**$ (212,086)**
Net Operating Income	**$ 110,445**	**$ 191,302**	**$ 289,767**	**$ 296,718**	**$ 303,879**	**$ 311,254**	**$ 318,850**	**$ 330,198**	**$ 338,257**	**$ 346,558**	**$ 355,108**
Reserves	*$ (13,008)*	*$ (17,480)*	*$ (22,884)*	*$ (23,479)*	*$ (24,092)*	*$ (24,723)*	*$ (25,373)*	*$ (26,228)*	*$ (26,918)*	*$ (27,628)*	*$ (28,360)*
Net Cash Flow	**$ 97,437**	**$ 173,822**	**$ 266,882**	**$ 273,239**	**$ 279,787**	**$ 286,531**	**$ 293,477**	**$ 303,970**	**$ 311,340**	**$ 318,930**	**$ 326,748**

Exhibit II:
Self-Help Ventures Fund
Financial Statements

SELF-HELP VENTURES FUND
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	December 2012	March 2013	June 2013
ASSETS			
Cash & Cash Equivalents	5,549,613	5,327,652	8,774,897
SHCU Money Market Accounts	79,241,556	50,073,877	62,630,430
Interest Receivable	1,941,556	1,765,271	1,623,388
Other Receivable	20,601,310	16,744,047	16,832,740
Current Assets	107,334,035	73,910,847	89,861,455
Loans Receivable/Secondary Market Assets			
Commercial Loans	176,819,186	190,277,059	182,123,675
Purchased Mortgages	20,837,786	20,387,579	21,586,967
Secondary Market Fannie Mae MBS	259,698,583	245,960,711	228,919,216
Net Purchase Premiums/(Discounts)	922,568	931,268	934,848
Allowance for loan loss	(9,774,820)	(9,223,349)	(9,915,252)
Net Loans Receivable/Secondary Market Asset	448,503,628	448,333,269	423,649,454
Real Estate Assets:			
Investments in Real Estate Sub	(236,633)	(242,694)	(272,214)
Equipment	735,511	735,511	741,285
Land & Buildings	97,664,918	98,572,878	99,993,815
Accumulated Depreciation	(16,298,527)	(16,778,306)	(17,194,136)
Capitalized Lease	272,251	406,210	406,210
Accumulated Amortization	(143,284)	(149,336)	(156,180)
Net Real Estate Assets:	81,994,236	82,544,261	83,518,779
Other Real Estate Owned	3,428,388	4,007,356	2,888,714
Recourse Fee Receivable	13,739,261	12,300,903	16,048,942
Secondary Capital in CU Affiliates	77,000,000	92,000,000	92,000,000
Other Assets	1,595,985	863,886	625,386
Total Assets	733,595,534	713,960,522	708,592,731
LIABILITIES, MINORITY INTEREST & NET WORTH			
Interest Payable	412,072	957,771	349,286
Liability for Contingent Losses	23,178,710	21,016,243	19,962,208
Swaps Market Valuation	15,744,129	14,332,443	12,237,689
Other Current Liabilities	5,733,307	6,984,327	6,672,093
Total Other Liabilities	45,068,218	43,290,784	39,221,275
FHLB Advances	6,000,000	2,000,000	-
PRIs/Notes Payable	206,191,633	212,274,465	213,666,639
Repurchase Agreements	125,523,164	102,808,325	95,245,536
Total Notes Payable	337,714,797	317,082,790	308,912,175
Net Worth			
Noncontrolling Interest	41,371,262	40,281,815	41,348,447
SHVF Core Net Assets	304,826,508	308,074,309	314,282,678
Unrealized Gains (Losses), Net	4,614,750	5,230,824	4,828,155
Total Net Worth	350,812,519	353,586,948	360,459,281
Total Liabilities & Net Worth	733,595,534	713,960,522	708,592,731
Off-Balance Sheet Loans	*376,875,959*	*364,330,104*	*348,355,812*

SELF-HELP VENTURES FUND

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	2012 Total	quarter ending 3/31/13	quarter ending 6/30/2013	2013 year-to-date
INCOME				
Income from Investments	874,852	171,294	136,175	307,469
Interest from Commercial Loans	8,570,793	2,198,658	2,243,830	4,442,488
Interest from MBS	15,026,482	3,345,298	3,106,268	6,451,565
Risk Premium Income	2,468,418		5,190,917	5,190,917
Interest from Purchased Mortgages	940,596	188,584	219,036	407,620
Discount/(Premium) Amortization	(86,802)	11,423	(24,277)	(12,854)
Rental Income	9,120,027	2,231,659	2,146,626	4,378,285
Fees and Other Income	2,617,633	1,347,925	1,511,766	2,859,691
TOTAL INCOME	39,532,000	9,494,840	14,530,341	24,025,181
EXPENSES				
Interest	15,877,762	3,062,264	3,117,885	6,180,150
Compensation & Benefits	8,333,755	2,363,699	2,183,995	4,547,694
Property Management	4,283,856	1,021,857	1,063,783	2,085,640
Loan Admin	4,091,693	581,246	646,423	1,227,669
General Administrative	3,025,962	1,321,525	2,011,926	3,333,451
Provision for Credit Loss	(2,586,848)	(883,657)	679,383	(204,275)
Advance Impairment	(295,105)	88,987	(114,631)	(25,645)
Depreciation & Amortization	1,845,165	497,209	514,704	1,011,913
Contribution to Affiliate	2,035,180	390,000	260,000	650,000
TOTAL OPERATING EXPENSES	36,613,591	8,443,130	10,364,528	18,807,658
NET OPERATING INCOME	2,918,409	1,051,710	4,165,813	5,217,523
OTHER INCOME & EXPENSES				
Capital Grants	4,857,556	1,397,974	1,467,796	2,865,770
Gain/(Loss) on Disposition of Assets	246,464	(26,492)	355,574	329,082
Gain/loss on fair value swap	(2,153,500)	-	-	-
Net Income (Loss)	5,868,929	2,423,191	5,989,183	8,412,375
OTHER CHANGES IN NET ASSETS				
Changes in Non Controlling Interest	17,187,073	1,094,610	(1,089,803)	4,807
Unrealized Gain (Loss) on MBS	(4,715,595)	(795,612)	(1,727,088)	(2,522,700)
Unrealized Gain (Loss) on swaps	8,277,314	1,411,686	1,324,420	2,736,105
Total Unrealized Gain (Loss)	3,561,719	616,074	(402,669)	213,405
TOTAL CHANGE IN NET ASSETS	26,617,722	4,133,875	4,496,712	8,630,587

Self-Help Ventures Fund

Consolidated Financial Statements
December 31, 2012 and 2011

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

To the Board of Directors of
Self-Help Ventures Fund
Durham, North Carolina

We have audited the accompanying consolidated financial statements of Self-Help Ventures Fund and subsidiaries (the "Ventures Fund"), which comprise the consolidated statements of financial position, as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Ventures Fund as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

May 23, 2013

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Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Self-Help Ventures Fund
Consolidated Statements of Financial Position
December 31, 2012 and 2011

		2012		2011
Assets				
Cash and cash equivalents	$	84,790,168	$	100,598,137
Fannie Mae mortgage-backed securities		261,523,981		315,873,920
Loans receivable, net of allowance for loan losses		185,256,457		203,408,301
Accrued interest receivable		1,941,556		2,263,959
Other real estate owned		3,428,388		8,589,733
Recourse fee receivable		13,739,261		17,971,662
Premises and equipment, net of accumulated depreciation		81,994,236		70,212,003
Secondary capital invested in affiliate credit unions		77,000,000		77,000,000
Other assets		23,921,486		19,656,821
Total assets	$	733,595,533	$	815,574,536
Liabilities and Net Assets				
Accrued interest payable	$	412,071	$	1,779,845
Liability for contingent losses		23,178,710		55,277,460
Notes payable		337,714,797		384,612,247
Fair value of interest rate swaps		13,823,059		22,123,451
Other liabilities		7,654,375		6,432,071
Total liabilities		382,783,012		470,225,074
Net assets				
Self-Help Ventures Fund, unrestricted		280,389,163		259,364,209
Noncontrolling interests in subsidiaries, unrestricted		41,371,261		62,525,870
Unrestricted unrealized gains, net		4,614,752		1,053,030
Total unrestricted net assets		326,375,176		322,943,109
Self-Help Ventures Fund, temporarily restricted		24,437,345		22,406,353
Total net assets		350,812,521		345,349,462
Total liabilities and net assets	$	733,595,533	$	815,574,536

The accompanying notes are an integral part of these consolidated financial statements.

Self-Help Ventures Fund
Consolidated Statements of Activities
Years Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Interest on loans	$ 9,424,587	$ -	$ 9,424,587	$ 10,107,584	$ -	$ 10,107,584
Interest on mortgage-backed securities	15,026,482	-	15,026,482	18,090,749	-	18,090,749
Income on investments and deposits	874,853	-	874,853	823,835	-	823,835
Rental income	9,350,146	-	9,350,146	9,526,595	-	9,526,595
Grants	657,557	4,200,000	4,857,557	9,842,915	4,750,000	14,592,915
Other	3,129,444	-	3,129,444	1,361,832	-	1,361,832
Total revenues	38,463,069	4,200,000	42,663,069	49,753,510	4,750,000	54,503,510
Expenses						
Interest expense	15,877,762	-	15,877,762	16,075,477	-	16,075,477
Salaries and employee benefits	8,333,755	-	8,333,755	7,788,450	-	7,788,450
Provision for credit losses	(2,691,968)	-	(2,691,968)	10,620,739	-	10,620,739
Property management	4,292,751	-	4,292,751	4,124,171	-	4,124,171
Depreciation	1,845,166	-	1,845,166	1,750,853	-	1,750,853
Contribution to affiliates	2,035,180	-	2,035,180	280,000	-	280,000
Professional and supervisory	724,994	-	724,994	656,959	-	656,959
Loan administration	4,091,693	-	4,091,693	6,809,189	-	6,809,189
Other	2,284,806	-	2,284,806	5,213,128	-	5,213,128
Total expenses	36,794,139	-	36,794,139	53,318,966	-	53,318,966
Income from operations	1,668,930	4,200,000	5,868,930	(3,565,456)	4,750,000	1,184,544
Other changes in net assets						
Net assets released from restriction	2,169,008	(2,169,008)	-	6,060,860	(6,060,860)	-
Changes in noncontrolling interests	(3,967,593)	-	(3,967,593)	1,490,735	-	1,490,735
Net unrealized gains (losses) on mortgage-backed securities	(4,774,611)	-	(4,774,611)	471,068	-	471,068
Net unrealized gains on derivatives	8,300,454	-	8,300,454	1,887,424	-	1,887,424
Net amortization of forward commitments	35,879	-	35,879	(47,044)	-	(47,044)
Total change in net assets	3,432,067	2,030,992	5,463,059	6,297,587	(1,310,860)	4,986,727
Net assets at beginning of year	322,943,109	22,406,353	345,349,462	316,645,522	23,717,213	340,362,735
Net assets at end of year	$ 326,375,176	$ 24,437,345	$ 350,812,521	$ 322,943,109	$ 22,406,353	$ 345,349,462

The accompanying notes are an integral part of these consolidated financial statements.

Self-Help Ventures Fund
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 5,463,059	$ 4,986,727
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,931,968	1,826,108
Net loss (gain) on disposal of other real estate owned	662,455	(1,229,438)
Net unrealized loss (gain) on mortgage-backed securities	4,774,611	(471,068)
Net unrealized derivative gains arising during the period	(8,300,454)	(1,887,424)
Net amortization of forward commitments	(35,879)	47,044
Provision for credit losses	(2,691,968)	10,620,739
Loss on disposal of property and equipment	189,358	-
Property writedowns	1,507,166	1,495,260
Recourse fee receivable valuation adjustment	(2,468,418)	261,013
Investment impairment	300,000	-
Changes in operating assets and liabilities:		
Accrued interest receivable	322,403	136,654
Accrued interest payable	(1,367,774)	(49,692)
Other assets	(3,792,369)	(2,402,405)
Other liabilities	3,375,866	(1,748,322)
Net cash provided by (used in) operating activities	(129,976)	11,585,196
Cash flows from investing activities		
Principal payments on mortgage-backed securities	49,488,526	53,547,182
Net loan originations and repurchases	(3,054,394)	(62,119,704)
Interest rate swap termination	(2,153,500)	-
Proceeds from sales of loans	17,557,719	20,682,803
Net loan purchases	(4,746,340)	-
Purchase of premises and equipment	(16,223,372)	(4,794,149)
Sale of premises and equipment	899,449	1,478,471
Proceeds from recourse fee receivable	6,700,819	7,095,330
Proceeds from sale of other real estate owned	8,527,940	16,484,456
Loss prepayment to Fannie Mae	(25,777,390)	-
Secondary capital investments in affiliated credit unions	-	(12,500,000)
Net cash provided by investing activities	31,219,457	19,874,389
Cash flows from financing activities		
Proceeds from issuance of notes payable	67,645,000	110,416,021
Repayment of notes payable	(114,542,450)	(133,279,751)
Net cash used in financing activities	(46,897,450)	(22,863,730)
Net increase (decrease) in cash and cash equivalents	(15,807,969)	8,595,855
Cash and cash equivalents at beginning of year	100,598,137	92,002,282
Cash and cash equivalents at end of year	$ 84,790,168	$ 100,598,137
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 17,245,536	$ 16,125,169
Non-cash investing and financing activities:		
Transfers of loans to other real estate owned	4,484,805	16,312,352
Transfer of reserves from liability for contingent losses to allowance for loan losses	5,640,813	22,761,336

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

Self-Help Ventures Fund (the "Ventures Fund") is a not-for-profit organization established in 1984. The Ventures Fund is a community development loan fund that provides financing, real estate development and other forms of assistance to disadvantaged communities.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements of the Ventures Fund have been prepared on the accrual basis of accounting. All significant intercompany transactions and balances have been eliminated in consolidation. Significant wholly-owned subsidiaries include Self-Help Manager, LLC; Barr Building, LLC; Self-Help Ventures Fund Properties, LLC; and Self-Help Historic Properties. The Ventures Fund also consolidates other entities as discussed in Note 14.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ventures Fund and changes therein are classified and reported as either unrestricted or temporarily restricted.

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets include:

- Self-Help Ventures Fund, unrestricted, consists of accumulated retained earnings from unrestricted operations as well as net assets acquired at a discount in the purchase of non-controlling interests in subsidiaries.

- Noncontrolling interests in subsidiaries, unrestricted, include amounts invested by third parties in consolidated subsidiaries of the Ventures Fund that operate financing or real estate development programs in disadvantaged communities.

- Unrestricted unrealized gains (losses), net, consists of unrealized gains (losses) on mortgage-backed securities, and unrealized gains (losses) on interest rate swaps and forward commitments.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Ventures Fund and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, which is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income from Operations

The "Income from Operations" performance measure reported in the Consolidated Statements of Activities is the functional equivalent of "income from continuing operations" reported by for-profit enterprises. This performance measure excludes net assets released from restriction and unrealized gains and losses. Income (loss) from operations also excludes changes in noncontrolling interests, including unrestricted Self-Help Ventures Fund net assets acquired at a discount in the purchase of non-controlling interests in subsidiaries.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of mortgage-backed securities, the determination of the allowance for loan losses and liability for contingent losses, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the recourse fee receivable and the valuation of derivatives. In connection with the determination of the allowance for loan losses and the valuation of real estate owned, management obtains independent valuations for significant properties.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and various interest-bearing demand deposit accounts. Interest-bearing demand deposits in financial institutions bear interest of 0.16% and 0.50% at December 31, 2012 and 2011 respectively. Eligible accounts are insured up to $250,000 by the National Credit Union Share Insurance Fund or the Federal Deposit Insurance Corporation.

2. Summary of Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable are stated at the amount advanced less principal payments collected, reduced by an allowance for loan losses, unearned discounts and net deferred loan origination fees and costs. The interest rates and maturities of the loans range from 0.01% to 12.25% and 3 months to 45 years, respectively. Interest income is computed using the simple interest method and is recognized over the term of the loan. Accrual of interest on a loan is discontinued when the loan is 60 days past due.

Management may return a loan classified as nonaccrual to accrual status when the obligation has been brought current, has performed in accordance with its contractual terms over an extended period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

When the ultimate collectability of a loan's principal is doubtful, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that any interest has been foregone.

Mortgage-Backed Securities

In accordance with accounting standards for certain investments held by not-for-profit organizations, mortgage-backed securities are recorded at fair value. Fair value is determined by reference to transactions in the open market for debt securities with similar credit, coupon rate, and prepayment characteristics. Unrealized gains and losses are reflected as a component of unrestricted net assets. Accreted discounts and amortized premiums are included in interest income on an effective yield basis. The Ventures Fund provides recourse to Fannie Mae on some of the loans that have been securitized. The Ventures Fund calculates the fair value of the credit risk and provides for this in the liability for contingent losses. Fannie Mae guarantees payment of both principal and interest on all mortgage-backed securities.

Recourse Fee Receivable and Liability for Contingent Losses

Prior to 2011, the Ventures Fund routinely purchased residential mortgage loans from banks and credit unions and immediately sold these loans to Fannie Mae, with recourse retained. No loans were purchased and immediately sold to Fannie Mae in 2012 or 2011. The Ventures Fund sold $17,557,719 and $20,682,803 of mortgage loans to Self-Help Credit Union, a related party (Note 7), with recourse retained, during 2012 and 2011, respectively. These loans are not reported as loans receivable on the statements of financial position.

2. Summary of Significant Accounting Policies (Continued)

Recourse Fee Receivable and Liability for Contingent Losses (Continued)

In return for the Ventures Fund retaining credit risk for any borrower defaults on the loans sold to Fannie Mae, the Ventures Fund is entitled to a portion of the interest paid by the borrower for the life of the loans. At the time of these pass-through transactions with Fannie Mae, the Ventures Fund records a retained interest in accordance with the guidelines of accounting for transfers and servicing of financial assets and extinguishment of liabilities. The retained interest is for the fair value of the expected cash flows from the borrower interest payments, which is reported as recourse fee receivable. In accordance with accounting standards for certain hybrid financial instruments, the recourse fee receivable is valued in subsequent periods as a derivative, with changes in fair value presented in the statement of activities as a component of other income, based upon the outstanding balance of the loans upon which the Ventures Fund receives recourse fees, the weighted-average recourse fee and the effective duration of those loans (Note 12). The Ventures Fund recognized $2,468,418 and $(261,013) of other income related to the recourse fee receivable fair value adjustment for the years ended December 31, 2012 and 2011, respectively.

The total outstanding balance of loans for which the Ventures Fund is receiving recourse fees is $931,842,225 and $1,056,862,317 as of December 31, 2012 and 2011, respectively. These totals include loans for which the Ventures Fund previously held recourse upon their sale to Fannie Mae, for which Fannie Mae has subsequently assumed recourse based on the performance of the loans sold and the passage of time, loans on which the Ventures Fund prepaid the future projected losses as described below, as well as the loans for which the Ventures Fund retains recourse at December 31, 2012 and 2011, respectively.

In accordance with accounting standards for guarantor's accounting and disclosure requirements for guarantees, the liability relating to credit risk retained by Ventures Fund is recorded at inception at its fair value. This liability for contingent losses is adjusted in subsequent reporting periods through provisions for credit losses included in the statement of activities. The total outstanding balance of loans and mortgage-backed securities for which the Ventures Fund guarantees credit risk was $375,678,522 and $620,487,759 as of December 31, 2012 and 2011, respectively, excluding loans that are reported as receivables on the statements of financial position.

In March 2012, the Ventures Fund paid $25,777,390 to Fannie Mae to cover the future projected losses on $91,224,653 of mortgage loans for which it provides recourse to Fannie Mae, all of which were 30 or more days delinquent as of December 31, 2012. The Ventures Fund continues to receive recourse fees on all of the loans. This prepayment reduced the liability for contingent losses by $25,777,390. The prepayment of losses resulted in neither a gain nor a loss for the Ventures Fund.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses ("ALL") is generally established through provisions for losses included in the statement of activities. When the Ventures Fund repurchases non-performing loans from Fannie Mae under its recourse obligation, the reserve associated with those loans is transferred from the liability for contingent losses to the ALL. Loan amounts deemed to be uncollectible are charged against the ALL, and subsequent recoveries, if any, are credited to the ALL. The ALL represents management's estimate of the amount necessary to absorb probable losses existing in the loan portfolio. Management believes that the ALL is adequate. Management's periodic evaluation of the adequacy of the ALL is based on individual loan reviews, past loan loss experience, economic conditions in the Venture Fund's market areas, the fair value and adequacy of underlying collateral, and the growth and risk composition of the loan portfolio.

This evaluation is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on loans which may be susceptible to significant change. Thus, future additions to the ALL may be necessary based on the impact of changes in economic conditions.

The ALL related to loans that are identified as impaired is based on discounted cash flows using the loans' initial effective interest rates, the loans' observable market prices and/or the fair values of the collateral for collateral dependent loans. Management considers loans to be impaired when, based on current information or events, it is probable that borrowers will be unable to pay all amounts due according to the contractual terms of the loan agreements.

The provision for credit losses includes $0 and $6,894,176 associated with the liability for contingent losses and $(2,691,968) and $3,726,563 related to loans receivable for the years ended December 31, 2012 and 2011, respectively. The Ventures Fund transferred $5,640,813 and $22,761,337 from the liability for contingent losses to the ALL for the years ended December 31, 2012 and 2011, respectively.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of buildings and furniture and fixtures is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	31–39 years
Furniture and fixtures	2–5 years

As described in Note 7, the Ventures Fund has numerous transactions with related parties. These transactions include rental income for use of facilities owned by the Ventures Fund. Many of the premises owned by the Ventures Fund are shared with one or more related parties that make rental payments to the Ventures Fund.

2. Summary of Significant Accounting Policies (Continued)

Secondary Capital

The Ventures Fund periodically invests certain amounts in uninsured secondary capital of related parties (Note 7). The term of these investments is a rolling five-year maturity. The Ventures Fund has the right at any time to convert the term structure from a rolling five-year term to a fixed five-year term. At December 31, 2012 and 2011, the carrying value approximated fair value.

Membership Capital and Other Cost-Basis Investments

The following financial instruments are included in other assets:

Membership Capital Share Deposit with First Carolina Corporate Credit Union
The Ventures Fund owned membership capital shares on deposit ("MCSD") with First Carolina Corporate Credit Union ("First Carolina") of $1,569,872 at December 31, 2010. In 2011, the Ventures Fund sold $1,568,872 of its MCSD to Self-Help Credit Union, a related party, at par, decreasing the Ventures Fund total MCSD investment to a par value of $1,000 as of December 31, 2012 and 2011. MCSD is a form of regulatory capital with substantially restricted withdrawal terms that is available to absorb all losses at First Carolina after First Carolina's retained earnings, and is equivalent to non-cumulative preferred shares.

The MCSD is carried at cost and evaluated for impairment. No impairment expense was taken during 2012 and 2011.

Federal Home Loan Bank of Atlanta Stock
The Ventures Fund owns stock in the Federal Home Loan Bank of Atlanta ("FHLB") as a requirement of membership, in the amount of 0.2% of total assets plus 4.5% of total advances to the Ventures Fund, if any. At December 31, 2012 and 2011, the Ventures Fund owns 14,933 and 21,117 shares of the FHLB's $100 par value capital stock, respectively. Due to the FHLB's redemption provisions, the Ventures Fund estimated that fair value equals the cost of $1,493,300 and that the stock was not impaired at December 31, 2012.

Urban Partnership Bank
During 2010, the MacArthur Foundation contributed $1,500,000 of stock in Urban Partnership Bank to the Ventures Fund. Due to continuous losses at Urban Partnership Bank during the two years ended December 31, 2012, the Ventures Fund estimated that fair value was $1,200,000 at December 31, 2012. The Ventures Fund recorded an impairment loss of $300,000 in this investment during the year ended December 31, 2012.

Other Real Estate Owned

Other real estate owned is recorded initially at estimated fair value of the property less estimated selling cost at the date of foreclosure. The initial recorded value may be subsequently reduced by additional discounts, which are expensed, if the estimated fair value of the property declines below the initial recorded value. Costs related to the improvement of the property are capitalized. Such properties are held for sale, and, accordingly, no depreciation or amortization expense is recognized.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Ventures Fund is exempt from the payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income. The date of the latest determination letter for the Ventures Fund is August 17, 1984. During the years ended December 31, 2012 and 2011, the Ventures Fund did not have any income subject to taxation as unrelated business income. The Ventures Fund has determined that all tax positions taken for the year ended December 31, 2012 and all years open under the statute of limitation are highly certain. In accordance with the accounting guidance for uncertainty in income taxes, the Ventures Fund has determined that no unrecognized tax liability exists.

Noncontrolling Interests

Noncontrolling interests represent amounts invested by third parties in certain limited liability corporations ("LLC's"). The LLC's have been created to take advantage of certain tax credits. The Ventures Fund has consolidated these entities in recognition that the Ventures Fund retains principally all risk and rewards of the operations and ownership. Changes in ownership interests of these consolidated entities are recorded as other changes in net assets.

Interest Rate Swaps

The Ventures Fund uses interest rate swaps from time to time to manage the impact of interest rate changes on underlying floating-rate liabilities ("cash flow hedges"). The Ventures Fund does not enter into derivative financial instruments for speculative or trading purposes.

The primary objective of the Ventures Fund's interest rate risk management program is to limit the sensitivity of the Ventures Fund net economic value of equity and net income to changes in interest rates. No less than quarterly, the Ventures Fund simulates the net economic value and net income of various interest rate scenarios. The simulations estimate the impact of changes in market interest rates on the values and levels of all assets and liabilities. Based upon the outcome of the simulation, the Ventures Fund may enter into new interest rate swap transactions as a means of reducing the sensitivity of net economic value and/or net income.

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the statement of financial position as either a freestanding asset or liability, with a corresponding offset recorded in unrestricted unrealized gains (losses) within net assets. Amounts are reclassified from unrestricted unrealized gains (losses) to income (loss) from operations in the period or periods the hedged transaction affects net income. Derivative gains and losses not effective in hedging the change in fair value or expected cash flows of the hedged item are recognized immediately in income (loss) from operations.

Any adjustment to a hedged asset or liability is included in the basis of the hedged item, while the fair value of all swaps is reported as a freestanding asset or liability.

2. Summary of Significant Accounting Policies (Continued)

Interest Rate Swaps (Continued)

The Ventures Fund is exposed to potential credit-related losses in the event of nonperformance by the counterparties to its various swap agreements. The Ventures Fund controls the credit risk of its financial contracts through credit approvals, exposure limits and monitoring procedures and agreements. These agreements specify collateral levels to be maintained by the Ventures Fund and the counterparties. These collateral levels are based on the credit quality of the counterparties.

Subsequent Events

Subsequent events have been evaluated through May 23, 2013, which is the date the financial statements were available to be issued.

3. Loans Receivable

In 2011, the Ventures Fund adopted a new accounting principle to provide additional disclosures around the credit quality of loans receivable. The disclosures are intended to provide two levels of disaggregation of a loan portfolio – portfolio segments and classes. Portfolio classes are a subset of portfolio segments. Management has identified commercial loans and home loan as the portfolio segments. Within the commercial loan segment, management has identified commercial real estate, business, and charter school loans as the classes. Home loans are considered both a segment and a class.

The following is a summary of loans receivable at December 31:

	2012	2011
Commercial loans:		
Commercial real estate	$ 56,736,862	$ 89,228,530
Business	41,102,572	36,894,833
Charter school	78,980,078	63,511,311
Home Loans	20,837,786	29,468,832
Total loans	197,657,298	219,103,506
Less:		
Allowance for loan losses	(9,774,820)	(13,893,607)
Deferred loan fees	(2,626,021)	(1,801,598)
	$ 185,256,457	$ 203,408,301

3. Loans Receivable (Continued)

The Ventures Fund periodically purchased affordable residential mortgage loans originated by several financial institutions. The purpose of the purchases was to help establish a future permanent secondary market for these types of loans. Upon purchase by the Ventures Fund, the purchase price was set at a level that provides compensation to the Ventures Fund for the associated default risk. In certain instances, the Ventures Fund has recourse against the originating institutions for a contractually specified period of time such that if a loan defaults during that period the originating institution would be required to repurchase, substitute the loan, or pay for the losses on the loan following foreclosure. Recoveries from originating lenders under this limited recourse obligation are credited to the allowance for loan losses. After the contractually specified recourse period, the Ventures Fund has all risk of loss on the loans. At December 31, 2012 and 2011, there were $3,469,477 and $3,802,597, respectively, of loans for which the Ventures Fund still had recourse against the originating institution. None of these amounts were included in loans receivable at December 31, 2012 and 2011, respectively, as all of the loans had been sold to Fannie Mae.

The following is a summary of loans in non-accrual status at December 31:

	2012	2011
Commercial loans:		
Commercial real estate	$ 3,353,226	$ 8,864,802
Business	1,846,272	1,117,419
Home loans	13,623,289	13,773,885
Total loans	$ 18,822,787	$ 23,756,106

Interest income forgone on such loans amounted to approximately $2,036,268 and $1,789,578 for 2012 and 2011, respectively.

The following summarizes the loans modified as TDRs during 2012 and 2011:

	Number of loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
2012			
Home	100	$ 9,317,248	$ 9,317,248
Commercial	2	4,272,119	4,272,119
Total	102	$ 13,589,367	$ 13,589,367
2011			
Home	197	$ 17,880,911	$ 17,880,911

Of the $13,589,367 in loans identified as TDRs during 2012, $10,356,072 were modified to a below market interest rate and $3,233,295 were modified by capitalizing delinquent interest and extending the payment terms. The recorded investment is the unpaid principal balance of the loan less charged off principal, if any.

3. Loans Receivable (Continued)

The following summarizes the TDRs which have subsequently defaulted as of December 31, 2012 and 2011:

	Number of loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
2012			
Home	15	$ 1,529,457	$ 1,529,457
2011			
Home	42	$ 4,004,487	$ 4,004,487

The following summarizes the impaired loans:

	Recorded Investment	Contractual Unpaid Principal Balance	Related Allowance	December 31, 2012 Year to Date Average Recorded Investment	December 31, 2012 Year to Date Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance					
Commercial real estate	$ 4,021,069	$ 4,021,069	$ 1,781,569	$ 6,460,312	$ 163,561
Commercial business	481,043	481,043	48,560	481,203	16,691
Home loans	11,845,345	11,845,345	2,253,663	11,734,354	207,854
Total	$ 16,347,457	$ 16,347,457	$ 4,083,792	$ 18,675,869	$ 388,106

	Recorded Investment	Contractual Unpaid Principal Balance	Related Allowance	December 31, 2011 Year to Date Average Recorded Investment	December 31, 2011 Year to Date Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance					
Commercial real estate	$ 8,711,476	$ 8,711,476	$ 4,369,460	$ 5,110,461	$ -
Commercial business	507,208	507,208	29,718	692,758	-
Home loans	14,325,604	14,325,604	2,656,420	5,534,118	252,501
Total	$ 23,544,288	$ 23,544,288	$ 7,055,598	$ 11,337,337	$ 252,501

At December 31, 2012, and 2011, included in the investment in loans that are considered to be impaired are $12,003,623 and $14,325,604 of loans that qualify as troubled debt restructurings ("TDRs"), respectively.

3. Loans Receivable (Continued)

The following is a summary of the changes in the allowance for losses for the years ended December 31:

	2012		
	Commercial Loans	Home Loans	Total
Beginning balance	$ 7,546,192	$ 6,347,415	$ 13,893,607
Provision for loan losses	(2,691,968)	-	(2,691,968)
Transfer of reserves from liability for contingent losses	-	5,640,813	5,640,813
Recoveries	43,441	-	43,441
Charge-offs	(109,536)	(7,001,537)	(7,111,073)
Ending balance	$ 4,788,129	$ 4,986,691	$ 9,774,820

	2011		
	Commercial Loans	Home Loans	Total
Beginning balance	$ 4,485,082	$ 6,174,661	$ 10,659,743
Provision for loan losses	3,726,563	-	3,726,563
Transfer of reserves from liability for contingent losses	-	22,761,337	22,761,337
Recoveries	56,784	-	56,784
Charge-offs	(722,237)	(22,588,583)	(23,310,820)
Ending balance	$ 7,546,192	$ 6,347,415	$ 13,893,607

During 2011, a borrower defaulted on a commercial loan that the Ventures Fund had previously impaired and reserved $3,061,000 for loss on the loan through the allowance for loan losses. During 2012, the Ventures Fund foreclosed on the property and retained the property for development and use at its fair value of $9,770,000. The Ventures Fund recognized a $(3,061,000) reversal to the provision for credit losses upon foreclosure as the fair value of the property exceeded the recorded balance. The property is included in premises and equipment on the statement of financial position.

The following is an aging schedule of loans as of December 31, 2012 and 2011:

2012	**Current**	**30 - 59 Days**	**60 - 89 Days**	**90 + Days**	**Total**
Commercial Loans:					
Commercial real estate	$ 53,050,337	$ 333,299	$ -	$ 3,353,226	$ 56,736,862
Business	39,198,902	57,399	60,103	1,786,168	41,102,572
Charter school	78,980,078	-	-	-	78,980,078
Total commercial loans	171,229,317	390,698	60,103	5,139,394	176,819,512
Home Loans	5,567,451	1,647,045	797,191	12,826,099	20,837,786
Total	$ 176,796,768	$ 2,037,743	$ 857,294	$ 17,965,493	$ 197,657,298

3. Loans Receivable (Continued)

2011	Current	30 - 59 Days	60 - 89 Days	90 + Days	Total
Commercial Loans:					
Commercial real estate	$ 78,855,983	$ 1,507,745	$ -	$ 8,864,802	$ 89,228,530
Business	35,275,378	502,036	162,983	954,436	36,894,833
Charter school	63,511,311	-	-	-	63,511,311
Total commercial loans	177,642,672	2,009,781	162,983	9,819,238	189,634,674
Home Loans	11,523,947	4,171,000	2,009,155	11,764,730	29,468,832
Total	$ 189,166,619	$ 6,180,781	$ 2,172,138	$ 21,583,968	$ 219,103,506

As part of the process of evaluating the credit quality of the loan portfolio, management continually monitors home loans using the delinquency status of the loan, historical loan losses, incidence rates and severity rates as the primary indicators of credit quality. Management evaluates commercial loans on a 1-5 scale with 1 representing pass loans and 2-5 representing classified loans. Below are the pass and classification definitions:

1 - Pass loans - Pass loans are loans in a strong financial condition that have a primary source able to repay debt and secondary sources able to repay debt. Pass loans have strong credit scores and no more than one delinquent payment in the past 12 months. The borrower's business operations appear to be strong. The lines of communication are open with the lender.

2 - Acceptable - Acceptable loans have weakened primary sources to repay debt and have secondary sources available. They have moderate-to-weak credit scores and no more than two delinquent payments in the past 12 months. The borrower's business is still developing and the lines of communication are open with the lender.

3 - Substandard - Substandard loans have questionable primary business resources and doubts about secondary sources. There are deteriorating trends including large or consecutive losses. There have been serious delinquencies and three or more delinquent payments in the past 12 months. The borrower's business shows signs of weakness and communication with the borrower is difficult and infrequent.

4 - Doubtful - Doubtful loans show deteriorating trends that are unlikely to be collected. There are poor or non-existent primary or secondary sources of repayment and/or bankruptcy is declared. The loan is in non-accrual status and short-term modifications cannot fix the current problems. There have been four or more delinquent payments in the past 12 months. The business may be closing and headed towards liquidation and the borrower may have stopped communicating with the lender.

5 - Loss - Assets are considered uncollectible and the loan is scheduled to be charged-off. Such loans are classified as impaired.

3. Loans Receivable (Continued)

The following is a schedule of loan classifications at December 31, 2012 and 2011:

2012	Commercial Real Estate	Business	Charter School	Total Commercial
Classified Loans:				
Loss "5"	$ 3,353,226	$ 990,608	$ -	$ 4,343,834
Doubtful "4"	333,299	189,939	-	523,238
Substandard "3"	6,702,459	2,828,636	1,282,201	10,813,296
Acceptable "2"	9,846,668	12,814,791	13,602,327	36,263,786
Subtotal	20,235,652	16,823,974	14,884,528	51,944,154
Pass Loans	36,501,210	24,278,598	64,095,550	124,875,358
Total Loans	$ 56,736,862	$ 41,102,572	$ 78,980,078	$ 176,819,512

2011	Commercial Real Estate	Business	Charter School	Total Commercial
Classified Loans:				
Loss "5"	$ 8,864,802	$ 353,892	$ -	$ 9,218,694
Doubtful "4"	1,507,745	-	1,337,343	2,845,088
Substandard "3"	2,485,674	4,500,483	2,740,765	9,726,922
Special mention "2"	34,065,850	17,199,292	26,022,166	77,287,308
Subtotal	46,924,071	22,053,667	30,100,274	99,078,012
Pass Loans	42,304,459	14,841,166	33,411,037	90,556,662
Total Loans	$ 89,228,530	$ 36,894,833	$ 63,511,311	$ 189,634,674

4. Mortgage-Backed Securities

The aggregate fair values of the Venture Fund's mortgaged-backed securities, all of which are fully-guaranteed by Fannie Mae, as of December 31 are as follows:

Mortgage-backed Securities	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
2012	$ 240,922,870	$ 20,750,146	$ (149,035)	$ 261,523,981
2011	$ 290,498,198	$ 25,548,133	$ (172,411)	$ 315,873,920

4. Mortgage-Backed Securities (Continued)

Mortgage-backed securities at December 31, 2012, are projected to mature as follows:

	Amortized cost	Estimated fair value
Due less than one year	$ 55,290,183	$ 60,018,011
Due after one year through five years	123,602,525	134,171,673
Due after five years through ten years	46,046,278	49,983,653
Due after ten years	15,983,884	17,350,644
	$ 240,922,870	$ 261,523,981

The Ventures Fund estimates that at December 31, 2012, the fair value of the mortgage-backed securities would increase by approximately $6,242,000 with a 1% decline in interest rates. Conversely, the fair value of these securities would decrease by approximately $10,460,000 with a 1% rise in interest rates.

The following table shows gross unrealized losses and fair value for mortgage-backed securities aggregated by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2012 and 2011:

	Less Than 12 Months		12 Months or More		Total	
Mortgage-backed Securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
2012	$ -	$ -	$ 1,435,282	$ (149,035)	$ 1,435,282	$ (149,035)
2011	$ -	$ -	$ 2,800,610	$ (172,411)	$ 2,800,610	$ (172,411)

All eight mortgage-backed securities with unrealized losses at December 31, 2012 had continuous unrealized losses for more than twelve months. The unrealized losses relate to mortgage-backed securities that have incurred fair value reductions due to higher market interest rates since the securities were purchased. The unrealized losses are not likely to reverse unless and until market interest rates decline to the levels that existed when the securities were purchased. Since none of the unrealized losses relate to the marketability of the securities or the issuer's ability to honor redemption obligations, none of the securities are deemed to be other than temporarily impaired. The Ventures Fund does not intend to sell these securities. Further, it is more likely than not that the Ventures Fund will not have to sell these securities before maturity.

Mortgage-backed securities having a value of $5,185,873 and $6,291,541 at December 31, 2012 and 2011, respectively, were pledged as collateral for the Ventures Fund's recourse obligation to Fannie Mae. Mortgage-backed securities having a value of $20,261,010 and $27,198,658 were pledged as collateral to the Ventures Fund's swap counterparties as of December 31, 2012 and 2011, respectively. Mortgage-backed securities having a value of $98,844,281 and $83,480,681 were pledged as collateral to the FHLB at December 31, 2012 and 2011, respectively.

5. Premises and Equipment

Premises and equipment includes the following as of December 31:

	2012	2011
Land and land improvements	$ 15,403,298	$ 14,593,393
Buildings	77,764,331	68,750,063
Furniture and fixtures	1,019,172	892,519
Construction-in-progress	4,260,654	621,189
	98,447,455	84,857,164
Accumulated depreciation	(16,453,220)	(14,645,161)
	$ 81,994,236	$ 70,212,003

Depreciation expense for the years ended December 31, 2012 and 2011 was $1,845,166 and $1,750,853, respectively. Many of the premises owned by the Ventures Fund are shared with one or more related parties that make rental payments to the Ventures Fund (Note 7).

6. Notes Payable

Notes payable including the following at December 31:

	2012	2011
Repurchase agreement with financial institutions at variable rates tied principally to 30-day LIBOR (0.2087% at December 31, 2012) due through January 30, 2013	$ 125,523,164	$ 180,485,094
Notes payable to various financial institutions, not-for-profit entities and government agencies at rates ranging from 0.00% to 5.518%, due through July 11, 2052	155,977,153	135,677,153
FHLB advance, at overnight rate (0.35% at December 31, 2012) due July 31, 2013	6,000,000	18,000,000
Notes payable to various financial institutions and not-for-profit entities at variable rates tied to 30-day LIBOR, 90-day LIBOR, Prime, 5-year Treasury and 7-year Treasury at rates ranging from 0.00% to 4.00% due through June 1, 2018	50,214,480	50,450,000
	$ 337,714,797	$ 384,612,247

The Ventures Fund periodically receives commitments from federal agencies for additional borrowings to be used for funding loans to qualifying individuals. The Ventures Fund had no undrawn funds from those commitments at December 31, 2012 and 2011, respectively.

6. Notes Payable (Continued)

Under the Ventures Fund's various loan agreements, there are restrictive covenants related to, among other things, uses of the loan proceeds, timely reporting requirements, minimum net worth, minimum cash flow requirements, repayment of indebtedness and the creation of additional indebtedness. The Ventures Fund is in compliance with these covenants at December 31, 2012.

Included in notes payable are repurchase agreements with various counterparties accounted for as secured borrowings, listed above. The Ventures Fund sold mortgage-backed securities with fair values of $133,291,343 and $198,580,030 at December 31, 2012 and 2011, respectively, with obligations to repurchase the same securities by January 30, 2013 and 2012, respectively.

Management actively monitors the counterparty risk associated with having short-term wholesale creditors funding its repurchase agreements. Management also monitors liquidity by actively reviewing credit capacity approved by each repurchase agreement counterparty, seeks additional repurchase agreement counterparties, and identifies alternative liquidity options available for its mortgage-backed securities portfolios. In the event that one or more counterparties does not renew a repurchase agreement, the Ventures Fund can increase its repurchase agreement activity with other counterparties, enter into agreements with new counterparties, borrow from the FHLB and/or sell a portion of its mortgage-backed securities portfolio.

The Ventures Fund periodically receives funds from lenders at interest rates below current market rates. Based on the accounting guidelines for contributions, grant revenue must be recognized for the difference between the fair value of the loans at market rates and the fair value of loans at their stated rates with a corresponding adjustment to the carrying value of the debt. The carrying value of the debt is then adjusted over the life of the loan by imputing interest expense for the difference between the stated interest rate and the market rate. The Ventures Fund did not recognize any grant revenue from such below market rate loans during the year ending December 31, 2012. The Ventures Fund recognized $1,694,550 of grant revenue during the year ending December 31, 2011. The Ventures Fund recognized imputed interest expense of $2,047,018 and $1,922,278 during the years ending December 31, 2012 and 2011, respectively, related to below-market rate loans.

The following is a schedule of future principal payments on notes payable during the years ending December 31:

2013	$ 132,806,656
2014	22,105,782
2015	63,902,181
2016	14,135,885
2017	36,000,000
Thereafter	90,290,265
Less unamortized discount on below market rate loans	(21,525,972)
	$ 337,714,797

The Ventures Fund has the authority to borrow from the FHLB, secured by assignment of specific Ventures Fund mortgage-backed securities to the FHLB.

7. Related Party Transactions

Related to the Ventures Fund are Self-Help Credit Union ("Credit Union"), Self-Help Federal Credit Union ("Federal"), the Center for Community Self-Help (the "Center") and the Center's affiliates: the Self-Help Services Corporation (the "Services Corporation"), the Self-Help Community Development Corporation ("CDC") and the Center for Responsible Lending ("CRL"). All of these entities have a common Chief Executive Officer. The Services Corporation provides employees to the Ventures Fund and the Ventures Fund reimburses the Service Corporation for the salaries and benefits of those employees based on the time devoted to Ventures Fund activities. Such personnel costs were $8,333,755 and $7,788,450 in 2012 and 2011, respectively.

Certain portions of the Ventures Fund's premises and equipment are leased to the Center and its affiliates and to the Credit Union. During 2012 and 2011, rental income of $1,055,234 and $1,044,412, respectively, was received from these related parties.

<u>Self-Help Credit Union</u>

At December 31, 2012 and 2011, interest-bearing deposits of $79,070,643 and $96,697,834, respectively, are held by the Credit Union. At December 31, 2012 and 2011 the Ventures Fund had deposits with the Credit Union in excess of the amount insured by the National Credit Union Share Insurance Fund in the amount of $74,589,046 and $92,488,659, respectively.

During 2004, the Credit Union purchased $10,451,440 of loans from the Ventures Fund for which the Credit Union has recourse against the Ventures Fund. At December 31, 2012 and 2011, $1,197,437 and $1,323,224 of the loans remain outstanding, respectively.

During 2012, the Credit Union purchased $17,557,719 of loans at cost from the Ventures Fund, with recourse retained by the Ventures Fund, and a $9,496,420 loan at a premium of $109,788, without recourse retained by Ventures Fund. During 2011, the Credit Union purchased $20,682,803 of loans at cost from the Ventures Fund, with recourse retained by the Ventures Fund, and $5,800,327 of loans at cost, without recourse retained by Ventures Fund.

During 2012 and 2011, the Ventures Fund repurchased at cost $4,746,340 and $288,975, respectively, of loans from the Credit Union for which Ventures Fund had previously retained recourse. At December 31, 2012, $37,654,172 of Credit Union loans remain outstanding for which the Ventures Fund retains recourse.

During 2012, the Credit Union purchased $518,569 of land and buildings from the Ventures Fund, at fair value.

The Ventures Fund participates in various loans held by the Credit Union. The value of the Ventures Fund's participation was equal to $9,548,120 and $9,892,797 at December 31, 2012 and 2011, respectively.

The Ventures Fund has a secondary capital investment of $25,000,000 in the Credit Union as of December 31, 2012 and 2011. The interest rate on the account is tied to 30-day LIBOR (0.2087% at December 31, 2012) and the Ventures Fund recognized dividend income of $212,904 and $269,377 during 2012 and 2011, respectively.

7. Related Party Transactions (Continued)

The Credit Union services loans for the Ventures Fund in the amount of $184,161,458 and $198,613,058 at December 31, 2012 and 2011, respectively. The Credit Union is paid a fee for servicing $7,342,272 and $8,978,385 of these loans at December 31, 2012 and 2011, respectively, which have been sold by the Ventures Fund with recourse retained.

Included in notes payable at December 31, 2012 and 2011 are $8,347,987 and $8,431,843, respectively, due to the Credit Union that are fully collateralized by an equivalent amount of the Ventures Fund's interest-bearing deposits in the Credit Union.

Center for Community Self-Help

During 2012, the Ventures Fund reimbursed the Center $1,709,076 for expenses incurred by the Ventures Fund that the Center had previously paid during 2012. These expenses totaled: $314,548 for travel, $151,001 for phone, $124,453 for supplies, $24,942 for consulting, $98,147 for printing and copying, and $995,985 for other general and administrative expenses. These amounts are recorded in the Ventures Fund financial statements based on their respective expense classifications.

During 2011, the Ventures Fund reimbursed the Center $1,585,379 for expenses incurred by the Ventures Fund that the Center had previously paid during 2011. These expenses totaled: $283,407 for travel, $139,948 for phone, $142,008 for supplies, $44,395 for consulting, $91,737 for printing and copying, and $883,884 for other general and administrative expenses. These amounts are recorded in the Ventures Fund financial statements based on their respective expense classifications.

During 2012 and 2011, the Center granted $754,062 and $7,887,194 to the Ventures Fund, respectively that the Center had previously received from various government agencies. These amounts are included in grant revenue on the Ventures Fund's statements of activities.

During 2012, the Ventures Fund contributed $1,200,000 to the Center to further the Center's activities which is classified as a contribution to affiliate on the statement of activities. The Ventures Fund made no contributions to the Center during 2011.

The Center is the guarantor of notes payable of the Ventures Fund totaling $5,000,000 and $7,000,000 at December 31, 2012 and 2011, respectively.

Self-Help Federal

Interest-bearing deposits of $170,913 and $286,476 are held by Federal at December 31, 2012 and 2011, respectively.

The Ventures Fund has a secondary capital investment of $52,000,000 in Federal as of December 31, 2012 and 2011. The interest rate on the secondary capital account is tied to 30-day LIBOR (0.2087% at December 31, 2012) and the Ventures Fund recognized dividend income of $443,920 and $493,220 during 2012 and 2011, respectively.

7. Related Party Transactions (Continued)

Self-Help Community Development Corporation

Included in loans receivable at December 31, 2012 and 2011 is $2,543,114 and $1,911,499, respectively, of loans due from CDC. During 2012 and 2011 respectively, the Ventures Fund forgave $835,180 and $280,000 of its loans receivable from CDC to help further CDC's activities which is classified a contribution to affiliate on the statement of activities. Included in interest receivable at December 31, 2012 and 2011 is $181,328 and $179,094 due from CDC.

8. Commitments and Contingencies

The Ventures Fund is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the statement of financial position. Commitments to extend credit amounted to approximately $19,475,480 and $20,680,000 at December 31, 2012 and 2011, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Ventures Fund evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Ventures Fund upon the extension of credit, is based on management's credit evaluation of the customer. Collateral obtained varies, but may include income-producing commercial properties, residential properties, accounts receivable, inventory and fixed assets.

Management believes that the Ventures Fund had no undue concentrations of credit to borrowers in any market in which operations are conducted.

The Ventures Fund has received capital grants and below-market loans from various private organizations. The terms of these grants and investments impose certain requirements on the Ventures Fund, including using the funds for designated purposes and meeting certain reporting requirements.

The Ventures Fund receives federal and state grants and contracts for specific purposes that are subject to annual audit and other periodic review by the grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs which may be disallowed as appropriate expenditures under grant terms. Management believes disallowances, if any, will not be material to the accompanying consolidated financial statements.

9. Rental Income

The Ventures Fund leases certain office space in fourteen buildings to various tenants. The leases are classified as operating leases and they expire during the next five years.

The following is a schedule of minimum future rental income on non-cancellable operating leases as of December 31, 2012:

2013	$ 8,475,431
2014	6,351,179
2015	4,807,247
2016	3,443,189
2017	2,748,324
	$ 25,825,370

10. Net Assets

During 2008, the Ventures Fund received a $15,000,000, 15-year loan commitment from the MacArthur Foundation at an interest rate below then-current market rates to serve as loan loss reserves and funding for foreclosure prevention and mitigation. In 2012, the MacArthur Foundation agreed to repurpose the funds to serve as funding for a $15,000,000 investment in secondary capital in Federal (Note 7). Per the accounting guidelines for contributions received and made, contribution revenue must be recognized for the difference between the fair value of the loan at market rate and the fair value of loan at its stated rate with a corresponding adjustment to the carrying value of the debt. The carrying value of the debt is then adjusted over the life of the loan by imputing interest expense for the difference between the stated interest rate and the market rate. The Ventures Fund recognized $5,502,756 in contribution income during 2008 related to this loan. The Ventures Fund recognized $417,829 and $432,909 of imputed interest expense in 2012 and 2011, respectively, which releases the net assets from restriction. The contribution income, plus any accrued interest income on the funds are classified as temporarily restricted net assets. The funds are released from restriction as the Ventures Fund recognizes imputed interest expense, losses on the secondary capital investment or after 15 years, whichever occurs first.

During 2009, the Ventures Fund received a $2,000,000 grant and a $30,000,000, 18-year loan from the Ford Foundation at an interest rate below then-current market rates to serve as funding for a $32,000,000 secondary capital investment in Federal (Note 7). The Ventures Fund recognized $17,238,974 in contribution income for the difference between the fair value of the loan at market rates and the fair value of the loan at its stated rate. The Ventures Fund recognized $1,001,179 and $877,951 of imputed interest expense for the years ending December 31, 2012 and 2011, respectively, which releases the net assets from restriction. The contribution income and the $2,000,000 grant are classified as temporarily restricted net assets. The funds are released from restriction as the Ventures Fund recognizes imputed interest expense, losses on the secondary capital investment or after 18 years, whichever occurs first.

10. Net Assets (Continued)

During 2010, the Ventures Fund received a $750,000 pass-through grant from the Center that had originally been received by the Center from the N.C. Health and Wellness Trust Fund in order to establish a revolving loan fund to provide financing to health care providers in certain economically distressed rural counties in North Carolina. The Ventures Fund was required to lend $750,000 for this purpose prior to June 30, 2015, at which point the net assets would be released from restriction. The Ventures Fund has not yet lent any of these funds. As such, the entire $750,000 was classified as temporarily restricted net assets at December 31, 2011. During 2012, the Ventures Fund determined it was highly probable that the funds would be returned and as such, recorded a reversal of grant revenue and a reduction in temporarily restricted net assets of $750,000.

During 2011, the Ventures Fund received a $4,500,000 grant from JPMorgan Chase to make loans directly or indirectly to, or as credit enhancement for loans made directly or indirectly to, charter schools (or their developers), charter school operators or any special purpose entity created by a charter school. These funds were released from temporary restriction during 2011. The Ventures also received $250,000 from Bank of America for a loan loss reserve and efficiency related technical assistance and program cost. These funds were released from temporary restriction during 2011.

During 2012, the Ventures Fund received a $4,200,000 grant from JPMorgan Chase to make loans directly or indirectly to, or as credit enhancement for loans made directly or indirectly to charter schools (or their developers), charter school operators or any special purpose entity created by a charter school. These funds are classified as temporarily restricted net assets at December 31, 2012.

During 2005, the Ventures Fund entered into forward commitments to purchase certain Fannie Mae mortgage-backed securities and interest rate swaps. Those forward commitments are included as a component of unrealized net gains (losses) and are amortized into other income over the life of the mortgage-backed securities and swaps. The following is a schedule of the changes in unrestricted unrealized net gains (losses), including the amortization of the forward commitments:

	2012	2011
Beginning balance	$ 1,053,030	$ (1,258,418)
Amortization of forward mortgage-backed security commitments	59,016	53,878
Unrealized gains (losses) on mortgage-backed securities	(4,774,611)	471,068
Amortization of forward swap commitments	(23,137)	(100,922)
Unrealized gains (losses) on interest rate swaps	8,300,454	1,887,424
	$ 4,614,752	$ 1,053,030

11. Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2012 and 2011:

Cash and cash equivalents – The carrying amounts approximate fair value because of the short maturity of those instruments.

Mortgage-backed securities – These debt instruments are carried at fair value.

11. Fair Value of Financial Instruments (Continued)

Loans receivable – The fair value of loans receivable is based on current lending rates for loans with similar terms and maturities.

The fair value of impaired loans is estimated using a combination of the liquidation value and/or discounted cash flows. When an estimated liquidation value is not available or management determines the fair value of the collateral and/or discounted cash flows is further impaired below the appraised value and there is no observable market price, the Ventures Fund records the impaired loan measured at fair value on a nonrecurring basis as a Level 3 asset.

Other real estate owned - The fair value of other real estate owned is estimated based upon values provided by an outside valuation specialist that provides values for other real estate owned. In order to reflect current distress in real estate markets, management reduces the third-party value by an additional discount to more accurately estimate the value of the property. If there is a current sales contract on the property, the carrying value reflects that contract. Both sales contract values and third-party values are reduced by estimated selling costs to determine the fair value.

Accrued interest receivable and accrued interest payable – The carrying amounts approximate fair value because of the short maturity of those instruments.

Recourse fee receivable – This instrument is carried at fair value.

Secondary capital in affiliates – The fair value these instruments approximates carrying value based on the redemption provisions within the secondary capital agreements.

Membership capital and other cost-basis investments – The carrying amount approximates fair value, as described in Note 2, and is included in other assets on the statement of financial position.

Liability for contingent losses – The carrying amount approximates fair value.

Notes payable – Notes payable consists of loans from various entities with the intent to further the mission of the Ventures Fund and repurchase agreements. The loans from various entities with the intent to further the mission of the Ventures Fund generally have below market interest rates. Since these are not marketable financial instruments, fair value is based on the interest rates that these lenders would have offered at December 31, 2012 and 2011 if the same loans were made to the Ventures Fund on those dates for purposes other than to further the charitable mission of the Ventures Fund.

Interest rate swaps – These instruments are carried at fair value. The fair value of interest rate swaps is determined based on the net present value of the future expected net cash flows, based on current market interest rates, and is included in other liabilities on the statement of financial position.

11. Fair Value of Financial Instruments (Continued)

The fair value for these financial instruments is presented in the following tables for the years ending December 31:

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Cash and due from banks	$ 84,790,168	$ 84,790,168	$ 100,598,137	$ 100,598,137
Fannie Mae mortgage-backed securities	261,523,981	261,523,981	315,873,920	315,873,920
Loans receivable, net of allowance	185,256,457	194,853,537	203,408,301	213,796,286
Accrued interest receivable	1,941,556	1,941,556	2,263,959	2,263,959
Recourse fee receivable	13,739,261	13,739,261	17,971,662	17,971,662
Secondary capital investments in affiliate credit unions	77,000,000	77,000,000	77,000,000	77,000,000
Membership capital and other cost-basis investments	2,694,300	2,694,300	3,612,700	3,612,700
Accrued interest payable	412,071	412,071	1,779,845	1,779,845
Liability for contingent losses	23,178,710	23,178,710	55,277,460	55,277,460
Notes payable	337,714,797	342,869,592	384,612,247	387,963,694
Interest rate swaps, gross	15,744,126	15,744,126	24,044,580	24,044,580

12. Fair Value Measurement

The accounting standards for fair value measurements establish a framework for measuring fair value and they expand disclosures about fair value measurements. The standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards also create a three-level hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 fair values are based on observable, active market prices for identical instruments. Level 2 fair values are determined are based on observable market inputs for instruments with similar characteristics and/or prices that are not actively traded. Level 3 fair values are calculated using pricing models, using discounted cash flows and other assumptions.

Recurring Basis Measurements

The Ventures Fund reports its mortgage-backed securities, recourse fee receivable and interest rate swaps at fair value on a recurring basis. The fair value for these instruments is presented in the following tables, as of December 31, 2012 and 2011:

	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
2012			
Mortgage-backed securities	$ -	$ 261,523,981	$ -
Recourse fee receivable	-	-	13,739,261
Interest rate swaps, gross	-	(15,744,126)	-

12. Fair Value measurement (Continued)

	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
2011			
Mortgage-backed securities	$ -	$ 315,873,920	$ -
Recourse fee receivable	-	-	17,971,662
Interest rate swaps, gross	-	(24,044,580)	-

Mortgage-backed securities

Fair value is determined by reference to transactions in the open market for debt securities with similar credit, coupon rate, and prepayment characteristics.

Recourse fee receivable

The fair value of the recourse fee receivable is estimated based upon the outstanding balance of the loans and mortgage-backed securities upon which the Ventures Fund receives recourse fees, the weighted-average recourse fee and the effective duration of those loans. The following is a summary of the recourse fee receivable for the years ending December 31:

	2012	2011
Beginning balance	$ 17,971,662	$ 25,328,005
Recourse fees received, applied against recourse fee receivable	(6,700,819)	(7,095,330)
Valuation adjustments, included in other income	2,468,418	(261,013)
Ending balance	$ 13,739,261	$ 17,971,662

For the Level 3 assets measured at fair value on a recurring basis as of December 31, 2012, the significant unobservable inputs used in the fair value measurement were as follows

Level 3 Assets with Significant Unobservable Inputs	Fair Value	Valuation Technique	Unobservable Inputs	Unobservable Input Value
Recourse Fee Receivable	$13,739,261	Expected cash flows	Effective Duration	2.53

Interest rate swaps, gross

The fair value of interest rate swaps is determined based on the net present values of the future expected net cash flows, based on current market interest rates.

12. Fair Value measurement (Continued)

Non-Recurring basis measurements

The fair value information for items measured at fair value on a non-recurring basis is presented in the following tables, as of December 31, 2012 and 2011:

	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
2012			
Impaired loans	$ -	$ -	$ 12,263,665
Other real estate owned	-	-	3,428,388

	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
2011			
Impaired loans	$ -	$ -	$ 16,488,690
Other real estate owned	-	-	8,589,733

Impaired loans

The fair value of impaired loans is the recorded investment as disclosed in Note 3. The recorded investment is the contractual unpaid principal balance less the related allowance. The related allowance is estimated using liquidation value and/or discounted cash flows.

Other real estate owned

The fair value of other real estate owned is estimated based upon values provided by an outside valuation specialist that provides values for other real estate owned, less the estimated costs to dispose of the property. Using historical trends and subsequent sales data, the Ventures Fund may take an additional discount off of the value of the property provided by the valuation specialist. When there is no observable market price or value, the fair value of the property is based upon the unpaid principal balance less the average total loss based on the history of the Ventures Fund's foreclosed real estate.

Level 3 Assets with Significant Unobservable Inputs	Fair Value	Valuation Technique	Unobservable Inputs	Unobservable Input Value
Impaired Loans	$12,263,665	Property appraisals (1)	Management discounts (2)	10% to 65%
		Probability of default	Cash flow adjustments	32%
OREO	$ 3,428,388	Property appraisals (1)	Management discounts (2)	17% to 21%

(1) Fair value is generally based on valuations of the underlying collateral but is also based on discounted cash flows for some loans.

(2) Appraisals and valuations may be adjusted by management for customized discounting criteria, estimated sales costs, and proprietary qualitative adjustments.

13. Analysis of Expenses

The following is an analysis of expenses by program area for the years ended December 31:

	2012	2011
Community development mortgage loans	$ 22,087,248	$ 36,760,415
Community development real estate projects	7,827,765	7,641,597
Community development lending	3,393,939	7,316,256
Management and general	1,450,007	1,320,698
Contribution to affiliates	2,035,180	280,000
Total expenses	$ 36,794,139	$ 53,318,966

14. Noncontrolling Interests

The Ventures Fund participates in various limited liability partnerships and corporations for the purpose of promoting lending and real estate investment in areas served by the Ventures Fund. These entities invest in commercial loans and real estate properties. In most cases, the Ventures Fund serves as the manager of investment entities. The Ventures Fund's involvement includes active management and participation in the financing and acquisition of loans and real property, frequently involving assets originally acquired by the Ventures Fund. Based on these factors, the Ventures Fund has determined that these entities should be consolidated, and the interests of the third party investors recorded as noncontrolling interests.

The operating agreements governing the Ventures Fund's partnerships in various consolidated entities provide the Ventures Fund with the opportunity to purchase the noncontrolling interests in each subsidiary after the passage of time and the completion of other conditions. The operating agreements establish a price of the option, which varies according to the terms of each specific operating agreement. During 2012, the Ventures Fund purchased the noncontrolling interests in two subsidiaries. The carrying value of the noncontrolling interests was $23,250,000, which the Ventures Fund purchased for $6,597,257, resulting in a $16,652,743 increase in net assets attributable to the controlling interest to the Ventures Fund. During 2011, the Ventures Fund purchased the noncontrolling interests in one subsidiary. The carrying value of the noncontrolling interest was $6,004,000, which the Ventures Fund purchased for $1,350,000, resulting in a $4,654,000 increase in net assets attributable to the controlling interest to the Ventures Fund. These transactions are reported as a purchase of noncontrolling interests in the following schedule of changes in controlling and noncontrolling interests.

14. Noncontrolling Interests (Continued)

A summary of changes in controlling and noncontrolling interests during the years ended December 31, 2012 and 2011 is as follows:

	Total	Controlling Interests	Noncontrolling Interests
Balance January 1, 2011	$ 340,362,735	$ 272,283,975	$ 68,078,760
Income (loss) from continuing operations	1,184,544	3,574,169	(2,389,625)
Purchase of noncontrolling interest	(1,350,000)	4,654,000	(6,004,000)
Change in net assets before unrealized gain		8,228,169	
Change in net unrealized gains	2,311,448	2,311,448	-
Capital contributions by noncontrolling investors	3,826,000	-	3,826,000
Capital distributions to noncontrolling investors	(796,715)	-	(796,715)
Disposition of investment in noncontrolling interest	(188,550)	-	(188,550)
Change in net assets	4,986,727	10,539,617	(5,552,890)
Balance December 31, 2011	345,349,462	282,823,592	62,525,870
Income (loss) from continuing operations	5,868,930	6,403,203	(534,273)
Purchase of noncontrolling interest	(6,597,257)	16,652,743	(23,250,000)
Change in net assets before unrealized gain		23,055,946	
Change in net unrealized gains	3,561,722	3,561,722	-
Capital contributions by noncontrolling investors	3,008,429	-	3,008,429
Capital distributions to noncontrolling investors	(233,717)	-	(233,717)
Disposition of investment in noncontrolling interest	(145,048)	-	(145,048)
Change in net assets	5,463,059	26,617,668	(21,154,609)
Balance December 31, 2012	$ 350,812,521	$ 309,441,260	$ 41,371,261

The Ventures Fund owns a noncontrolling interest in BCCDC – Wicker LLC ("Wicker"). The Ventures Fund's interest in Wicker was acquired on August 31, 2005. Wicker's principal asset is a 30,000 square foot historic school building that the Ventures Fund and an unrelated partner, Brick Capital Community Development Corporation, renovated and leased to multiple tenants serving the community. As of December 31, 2012, the Ventures Fund had a maximum exposure of $331,747 from guarantees made to a third party investor member of Wicker.

15. Interest Rate Swaps

The Ventures Fund's swap portfolio consists of pay fixed/receive floating swaps, which effectively convert floating-rate obligations (repurchase agreements and other floating-rate notes payable) into fixed-rate instruments. As of December 31, 2012, the Ventures Fund had swap agreements in place to convert $115,000,000 of notional principal from floating-rate to fixed-rate instruments. The interest rates paid on swaps range from 4.574% to 5.710%. The notional principal of the swap agreements mature as follows:

2013	$ -
2014	40,000,000
2015	-
2016	60,000,000
2017	15,000,000
	$ 115,000,000

15. Interest Rate Swaps (Continued)

The Ventures Fund treats its interest rate swaps as cash flow hedges of the variability of forecasted interest payments of the hedged repurchase agreements. Changes in the fair values of the hedge instruments offset interest expense as cash settlements are made, thereby resulting in adjustments to interest expense. Interest rate swaps used as hedges must be effective at reducing the risks associated with the underlying exposure and must be designated as a hedge at the inception of the contract. The Ventures Fund has determined that the ineffectiveness of these hedge instruments is immaterial. Cash collateral value of $1,921,067 for both December 31, 2012 and 2011 is recorded as an offset to the interest rate swap values in the statement of financial position. Certain swaps are collateralized by mortgage-backed securities, which are held by the counterparty or in safekeeping by third parties (Note 5).

The fair value and notional amounts of the Ventures Fund's swaps is summarized as follows:

	December 31, 2012		December 31, 2011	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Cash Flow Hedges	$ (15,744,126)	$ 115,000,000	$ (24,044,580)	$ 207,000,000

The amounts reclassified from unrestricted unrealized losses into interest expense is summarized as follows for the years ended December 31:

	Reclassified from Unrestricted Unrealized Loss to Interest Expense	
	2012	2011
Cash Flow Hedges	$ 9,074,409	$ 10,736,524

There was no gain or loss recognized in the income statement due to any ineffective portion of any cash flow hedges. During 2012, interest rate swaps with a notional value of $32,000,000 were terminated prior to expiration for $2,153,500. The Ventures Fund determined the hedged cash flow obligation, a floating rate liability, was no longer probable of occurring over the remaining maturity of the interest rate swap. Therefore the $2,153,500 termination cost was recognized in the statement of activities as an other expense.

16. Recent Accounting Pronouncements

Troubled Debt Restructurings

In April 2011, the FASB issued amended accounting guidance on the determination of whether a restructuring is a troubled debt restructuring. The objective of this amendment is to provide greater clarity and guidance to assist creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amended guidance also states that as a result of applying these amendments, an entity may identify receivables that are newly considered impaired. An entity should disclose the total amount of receivables and the allowance for loan losses as of the end of the period of adoption related to those receivables that are newly considered impaired for which impairment was previously not measured. All disclosures will be required in annual reporting periods ending on or after December 15, 2011. The Ventures Fund adopted the provisions of this amendment in 2011.

Fair Value Measurement

In May 2011, the FASB issued amended accounting guidance to provide enhanced disclosures on the valuation techniques and inputs used to measure fair value and the extent to which a reporting entity measures assets and liabilities at fair value. The disclosure requirements vary depending on whether the asset or liability is measured on a recurring or nonrecurring basis, the classification of the fair value measurement within the fair value hierarchy, and whether the reporting entity is public or nonpublic. The Ventures Fund adopted the provisions of this amendment in 2012 as reflected in Note 11 and 12.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Ventures Fund's financial position, results of operations and cash flows.

From time to time the FASB issues exposure drafts for proposed statements of financial accounting standards. Such exposure drafts are subject to comment from the public, to revisions by the FASB and to final issuance by the FASB as statements of financial accounting standards. Management considers the effect of the proposed statements on the consolidated financial statements of the Ventures Fund and monitors the status of changes to and proposed effective dates of exposure drafts.

17. Subsequent Event

On January 31, 2013, the Ventures Fund invested an additional $15,000,000 of secondary capital in Self-Help Federal, using the funds provided by the MacArthur Foundation (Note 10). The investment was on identical terms as the secondary capital described in Note 7.

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors on Supplemental Information

To the Board of Directors of
Self-Help Ventures Fund
Durham, North Carolina

We have audited the consolidated financial statements of Self-Help Ventures Fund as of and for the year ended December 31, 2012, and have issued our report thereon dated May 23, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The condensed consolidating information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

May 23, 2013

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Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Self-Help Ventures Fund
Condensed Consolidating Statement of Financial Position
December 31, 2012

	Self-Help Ventures Fund	Building Subsidiaries	New Markets Subsidiaries	Eliminations	Consolidated
Assets					
Cash and due from banks	$ 49,266,067	$ 6,938,996	$ 28,585,105	$ -	$ 84,790,168
Fannie Mae mortgage-backed securities	261,523,981	-	-	-	261,523,981
Loans receivable, net of allowance for loan losses	135,065,221	-	124,319,767	(74,128,531)	185,256,457
Accrued interest receivable	2,215,077	-	555,311	(828,832)	1,941,556
Other real estate owned	3,428,388	-	-	-	3,428,388
Recourse fee receivable	13,739,261	-	-	-	13,739,261
Premises and equipment, net	52,343,885	60,741,021	-	(31,090,670)	81,994,236
Secondary capital investments in affiliate credit unions	77,000,000	-	-	-	77,000,000
Other assets	22,513,312	2,194,225	112,875	(898,926)	23,921,486
Total assets	$ 617,095,192	$ 69,874,242	$ 153,573,058	$ (106,946,959)	$ 733,595,533
Liabilities and Net Assets					
Accrued interest payable	$ 335,364	$ 43,644	$ 861,895	$ (828,832)	$ 412,071
Liability for contingent losses	23,178,710	-	-	-	23,178,710
Notes payable	269,388,628	37,611,956	104,842,744	(74,128,531)	337,714,797
Fair value of interest rate swaps	12,353,407	-	1,469,652	-	13,823,059
Other liabilities	2,397,825	6,049,385	106,091	(898,926)	7,654,375
Total liabilities	307,653,934	43,704,985	107,280,382	(75,856,289)	382,783,012
Net assets	309,441,258	26,169,257	46,292,676	(31,090,670)	350,812,521
Total liabilities and net assets	$ 617,095,192	$ 69,874,242	$ 153,573,058	$ (106,946,959)	$ 733,595,533

Self-Help Ventures Fund
Condensed Consolidating Statement of Activities
December 31, 2012

	Self-Help Ventures Fund	Building Subsidiaries	New Markets Subsidiaries	Eliminations	Consolidated
Revenues					
Interest on loans	$ 6,404,055	$ -	$ 7,478,386	$ (4,457,854)	$ 9,424,587
Interest on mortgage-backed securities	15,026,482	-	-	-	15,026,482
Income on investments and deposits	3,349,174	(4,879)	(63,846)	(2,405,596)	874,853
Rental income	3,254,696	6,095,450	-	-	9,350,146
Grants	4,857,557	-	-	-	4,857,557
Other	6,152,325	397,064	(2,746,447)	(673,498)	3,129,444
Total	39,044,289	6,487,635	4,668,093	(7,536,948)	42,663,069
Expenses					
Interest expense	14,008,616	1,342,630	4,984,370	(4,457,854)	15,877,762
Salaries and employee benefits	8,333,755	-	-	-	8,333,755
Provision for credit losses	-	-	(2,691,968)	-	(2,691,968)
Property management	1,388,796	2,925,294	-	(21,339)	4,292,751
Depreciation and amortization	499,613	1,345,553	-	-	1,845,166
Contribution to affiliates	2,035,180	-	-	-	2,035,180
Professional and supervisory	523,870	65,781	135,343	-	724,994
Loan administration	4,052,338	23,040	16,315	-	4,091,693
Other	1,798,917	(10,386)	1,148,434	(652,159)	2,284,806
Total	32,641,085	5,691,912	3,592,494	(5,131,352)	36,794,139
Income (loss) from operations	$ 6,403,204	$ 795,723	$ 1,075,599	$ (2,405,596)	$ 5,868,930

Self-Help Federal Credit Union

Financial Statements

December 31, 2011 and 2010

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

To the Audit Committee of
Self-Help Federal Credit Union
Durham, North Carolina

We have audited the accompanying balance sheets of Self-Help Federal Credit Union as of December 31, 2011 and 2010, and the related statements of operations, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Self-Help Federal Credit Union as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

May 24, 2012

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Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Self-Help Federal Credit Union
Balance Sheets
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and due from banks (including interest-bearing deposit accounts of $128,080,281 and $24,973,808, respectively)	$ 133,480,760	$ 29,407,006
Time deposits in other financial institutions	3,465,431	7,923,790
Mortgage-backed securities, available for sale	21,633	24,283
Mortgage-backed securities, held to maturity	18,153,759	21,863,286
Loans to members, net of allowance for loan losses and deferred fees	220,262,151	138,692,155
Federal Home Loan Bank of Atlanta stock, at cost	479,900	710,500
Deposit with NCUSIF	3,173,615	1,450,655
Accrued interest receivable	851,918	424,382
Property and equipment, net of accumulated depreciation	7,903,121	5,799,778
Goodwill	5,454,069	110,736
Other assets	6,579,080	3,429,251
Total assets	$ 399,825,437	$ 209,835,822
Liabilities and Equity		
Share and deposit accounts	$ 337,173,489	$ 164,207,219
Notes payable	-	181,646
Accrued expenses and other liabilities	4,138,958	1,770,972
Total liabilities	341,312,447	166,159,837
Secondary capital	52,000,000	39,500,000
Retained earnings	6,512,990	4,175,985
Total equity	58,512,990	43,675,985
Total liabilities and equity	$ 399,825,437	$ 209,835,822

The accompanying notes are an integral part of these financial statements.

Self-Help Federal Credit Union
Statements of Operations
Years Ended December 31, 2011 and 2010

	2011	2010
Interest income		
Loans	$ 14,785,334	$ 6,145,522
Mortgage-backed securities	743,999	780,793
Interest-bearing deposit accounts and time deposits	290,227	238,334
Total interest income	15,819,560	7,164,649
Interest and dividend expense		
Members' money market shares	126,893	120,182
Members' shares and share drafts	127,972	62,517
Members' shares certificates, IRA and economic development deposits	1,855,277	1,228,014
Notes payable	2,400	17,753
Total interest and dividend expense	2,112,542	1,428,466
Net interest income	13,707,018	5,736,183
Provision for loan losses	987,140	301,186
Net interest income after provision for loan losses	12,719,878	5,434,997
Non-interest income		
Loan-related fees	563,609	372,779
Deposit-related fees	2,218,182	1,406,476
Grant income	367,928	1,438,732
Other income	668,024	162,886
Total non-interest income	3,817,743	3,380,873
Non-interest expense		
Personnel	6,759,073	3,544,683
Interchange fees	126,301	345,302
Occupancy	595,755	292,735
Depreciation and amortization	752,367	546,008
Repairs and maintenance	705,132	208,021
Loan servicing cost	343,328	148,479
Telecommunications	392,543	155,665
Travel and training	119,556	75,615
Postage and mailings	352,051	219,988
Insurance	891,427	384,488
Professional and supervisory	613,725	321,316
ATM expense	470,745	177,248
Other	1,871,799	1,379,558
Total non-interest expense	13,993,802	7,799,106
Net income	$ 2,543,819	$ 1,016,764

The accompanying notes are an integral part of these financial statements.

Self-Help Federal Credit Union
Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

			Retained Earnings			
			Appropriated			
	Secondary Capital	Acquired in Merger	Statutory	Other	Undivided	Total
Balance, December 31, 2009	$ 39,500,000	$ -	$ 268,987	$ 2,632,724	$ 99,306	$ 42,501,017
Net income	-	-	-	-	1,016,764	1,016,764
Cash dividends on secondary capital	-	-	-	-	(491,403)	(491,403)
Equity acquired in merger	-	649,607	-	-	-	649,607
Reserve allocation	-	-	-	(2,632,724)	2,632,724	-
Balance, December 31, 2010	39,500,000	649,607	268,987	-	3,257,391	43,675,985
Net income	-	-	-	-	2,543,819	2,543,819
Cash dividends on secondary capital	-	-	-	-	(493,220)	(493,220)
Equity acquired in merger	-	286,406	-	-	-	286,406
Secondary capital issuance	12,500,000	-	-	-	-	12,500,000
Balance, December 31, 2011	$ 52,000,000	$ 936,013	$ 268,987	$ -	$ 5,307,990	$ 58,512,990

The accompanying notes are an integral part of these financial statements.

Self-Help Federal Credit Union
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net income	$ 2,543,819	$ 1,016,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	987,140	301,186
Depreciation and amortization	752,367	546,008
Loss on disposal of fixed assets	197,801	17,613
Loss on disposal of real estate owned	93,580	-
Change in assets and liabilities:		
Accrued interest receivable	(427,536)	(23,699)
Deposit with NCUSIF	(1,722,960)	(346,306)
Other assets	3,162,821	5,858,395
Other liabilities	1,297,576	479,836
Net cash provided by operating activities	6,884,608	7,849,797
Cash flows from investing activities		
Decrease in time deposits in other financial institutions	18,406,910	3,795,838
Sale (purchase) of FHLB stock	230,600	(567,100)
Purchases of mortgage-backed securities	-	(18,626,959)
Principal payments on mortgage-backed securities	3,712,177	2,259,116
Loans purchased	-	(84,816,107)
Loan originations, net of principal repayments	13,007,458	14,523,935
Sale (purchases) of property and equipment	281,140	(300,536)
Proceeds from sale of real estate owned	809,979	-
Cash acquired in mergers	33,598,040	9,067,291
Net cash provided (used) by investing activities	70,046,304	(74,664,522)
Cash flows from financing activities		
Net increase in share accounts	15,317,708	33,755,577
Cash dividend paid on secondary capital	(493,220)	(491,403)
Net proceeds from notes payable	(181,646)	131,646
Secondary capital	12,500,000	-
Net cash provided by financing activities	27,142,842	33,395,820
Net increase (decrease) in cash and cash equivalents	104,073,754	(33,418,905)
Cash and cash equivalents at beginning of year	29,407,006	62,825,911
Cash and cash equivalents at end of year	$ 133,480,760	$ 29,407,006
Supplemental disclosure of cash flow information and non-cash investing activities:		
Transfer from loans to other real estate owned	$ 1,653,015	$ 54,907
Interest and dividends paid during the year	$ 2,117,976	$ 1,444,311

The accompanying notes are an integral part of these financial statements.

1. Organization

Self-Help Federal Credit Union ("Self-Help Federal") was chartered by the National Credit Union Administration ("NCUA") on July 15, 2008. It commenced operations the following month. Self-Help Federal provides loans to support economic development for minority, female-headed, rural, low-income and disadvantaged families. Self-Help Federal conducts its business throughout the State of North Carolina, from its office in Durham, North Carolina and in northern California and the Central Valley of California. Self-Help Federal is subject to the regulations of NCUA and undergoes periodic examinations by NCUA. Its deposits are insured by NCUA up to certain specified limits.

Self-Help Federal merged with the following California-based credit unions:

Credit Union	Location	Merger Date
People's Community Partnership Federal CU ("People's")	Oakland	September 3, 2008
Community Trust CU ("Community Trust")	Modesto	June 1, 2009
El Futuro CU ("El Futuro")	Porterville	January 4, 2010
United Savings Federal CU ("United Savings")	Antioch	June 1, 2010
1st Pacific CU ("1st Pacific")	Vallejo	January 1, 2011

No compensation was paid to any individual, group or corporation in association with these mergers.

On January 8, 2010, the National Credit Union Administration ("NCUA") liquidated Kern Central Credit Union ("Kern Central") in Bakersfield, California, and transferred most of the assets and liabilities to Self-Help Federal. On April 8, 2011, NCUA liquidated Mission San Francisco Federal Credit Union ("Mission SF") and transferred most of the assets and liabilities to Self-Help Federal. Self-Help Federal paid no consideration to any individual, group or corporation in association with these acquisitions.

The merger with People's was accounted for under the pooling of interests method of accounting. All other mergers and acquisitions were accounted for under the acquisition method of accounting (Note 2).

2. Summary of Significant Accounting Policies

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation. The reclassification had no effect on equity or net income as previously reported.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements (Continued)

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of real estate owned, management obtains independent appraisals for significant properties.

Cash Equivalents

Cash equivalents consist of deposits in other financial institutions with initial maturities of three months or less.

Securities

Debt securities acquired with both the intent and ability to hold to maturity are classified as held to maturity. Securities held to maturity are carried at cost less amortization of premiums plus accretion of discounts. Securities which may be used to meet liquidity needs arising from unanticipated deposit and loan fluctuations, changes in regulatory capital and investment requirements, or unforeseen changes in market conditions, including interest rates, market values or inflation rates, are classified as available for sale. Securities available for sale are carried at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, a separate component of equity.

Declines in the fair value of held to maturity securities and available for sale securities below their cost that are other than temporary would result in write-downs of the individual securities to their fair value. Such write-downs would be included in earnings as realized losses. Securities purchases and sales are accounted for on a trade date basis. The cost of securities sold is determined by the specific identification method.

Loans to Members

Loans are generally stated at their outstanding unpaid principal balances net of any deferred fees or costs. Loan origination fees, net of certain direct loan origination costs, are deferred and amortized as a yield adjustment over the contractual life of the related loans using the declining balance method.

Interest on loans is recorded based on the principal amounts outstanding. Self-Help Federal ceases accruing interest on loans when, in management's judgment, the collection of interest income appears doubtful or the loan is past due 60 days or more. Management may return a loan classified as nonaccrual to accrual status when the obligation has been brought current, has performed in accordance with its contractual terms over an extended period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

When the ultimate collectability of a loan's principal is doubtful, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that any interest has been foregone.

2. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses ("ALL") is established through provisions for losses charged against income. Loan amounts deemed to be uncollectible are charged against the ALL, and subsequent recoveries, if any, are credited to the ALL. The ALL represents management's estimate of the amount necessary to absorb probable losses existing in the loan portfolio.

Management's periodic evaluation of the adequacy of the ALL is based on individual loan reviews, past loan loss experience, economic conditions in Self-Help Federal's market areas, the fair value and adequacy of underlying collateral, and the growth and risk composition of the loan portfolio. This evaluation is inherently subjective as it requires material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Thus, future additions to the ALL may be necessary based on the impact of changes in economic conditions. In addition, NCUA, as an integral part of its examination process, periodically reviews Self-Help Federal's ALL.

The ALL related to loans that are identified as impaired is based on discounted cash flows using the loan's initial effective interest rate, the loan's observable market price, or the fair value of the collateral for collateral dependent loans. Management considers a loan to be impaired when based on current information or events, it is probable that a borrower will be unable to pay all amounts due in accordance with the contractual terms of the loan agreement.

Investment in Federal Home Loan Bank of Atlanta Stock

As a requirement for membership in the Federal Home Loan Bank of Atlanta ("FHLB"), Self-Help Federal invests in stock of the FHLB in the amount of 0.15% of total assets plus 4.5% of total advances to Self-Help Federal. At December 31, 2011 and 2010, Self-Help Federal owned 4,799 and 7,105 shares of the FHLB's $100 par value capital stock, respectively. This investment is carried at cost. Due to the redemption provisions of the FHLB, Self-Help Federal estimated that fair value equals cost and that this investment was not impaired at December 31, 2011 and 2010.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, generally 39 years for buildings, three years for software and computer hardware, five years for furniture and fixtures and life of the lease for leasehold improvements.

2. Summary of Significant Accounting Policies (Continued)

Grants

Self-Help Federal periodically receives federal grants and other contributions to support its efforts to provide financing to low-income members and members in low-income communities. Grants, including unconditional promises to give, are recognized as revenues in the period received.

Other Real Estate Owned

Other real estate owned is recorded initially at estimated fair value of the property less estimated selling cost at the date of foreclosure. The initial recorded value may be subsequently reduced by additional allowances, which are charged to earnings, if the estimated fair value of the property declines below the initial recorded value. Costs related to the improvement of the property are capitalized. Such properties are held for sale, and, accordingly, no depreciation or amortization expense is recognized. As of December 31, 2011 and 2010, Self-Help Federal had $1,425,988 and $54,907, respectively, of other real estate owned, which is included in other assets.

Goodwill

Goodwill of $5,454,069 and $110,736 at both December 31, 2011 and 2010, arises from the excess of the fair value of 1st Pacific and Community Trust's liabilities less the fair value of 1st Pacific and Community Trust's assets. Goodwill is assessed periodically for impairment. The assessment includes the evaluation of and determination of a "reporting unit's" fair value and comparing that fair value to the reporting unit's carrying value. During the assessment, management considers discounted cash flow values, regulatory ratings, and the underlying business fundamentals of the Federal Credit Union. As of December 31, 2011 and 2010, Self-Help Federal has determined that the goodwill is not impaired.

Intangibles

At December 31, 2011 and 2010, Self-Help Federal's intangible assets consist of a core deposit intangible of $958,529 and $643,763, net of accumulated amortization of $500,173 and $211,322. Amortization expense for 2011 and 2010 was $288,851 and $211,322, respectively.

These assets arise from the mergers with Community Trust, El Futuro, United Savings and 1st Pacific and the acquisitions of Kern Central and Mission SF. The value of the core deposit intangible is based on the economic benefit and length of depositor relationships at the credit unions. The core deposit intangible is amortized on a straight-line method over a period of five years, which is the estimated length of the average future depositor relationship. This asset is subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Self-Help Federal's projected amortization expense for the core deposit intangible is:

2012	$ 291,740
2013	291,740
2014	243,126
2015	129,034
2016	2,889

2. Summary of Significant Accounting Policies (Continued)

Interest and Dividends

Interest and dividends on all share accounts are paid monthly. Dividend rates are the responsibility of the Board of Directors and established based on an evaluation of current and future market conditions.

Income Taxes

Self-Help Federal is exempt from federal and state income taxes. Federal credit unions are not subject to unrelated business income tax. Self-Help Federal has determined that all tax positions taken for the current year ended December 31, 2011 and all years open under the statute of limitation are highly certain. Therefore, Self-Help Federal has determined that no unrecognized tax liability exists.

Business Combinations

Self-Help Federal accounts for all business combinations after January 1, 2009 by the acquisition method of accounting whereby acquired assets and liabilities are recorded at fair value on the date of acquisition. Fair values are preliminary and subject to refinement for up to one year after the closing date of the merger as information relative to closing date fair value becomes available. Assets that are particularly susceptible to change principally relate to loans. Self-Help Federal accounts for performing loans acquired in business combinations using the expected cash flows method of recognizing interest income based on the acquired loans' expected cash flows.

Acquired performing loans are recorded at fair value, including a credit discount. This discount is based on factors including actual loss history, current and estimated economic conditions, and the uncertainty of future loan performance. The credit discount is non-accretable, and therefore will not be accreted as income unless and until the projected losses on the acquired loans is determined to be less than the credit discount. If projected losses are determined to be less than the credit discount, the portion of the non-accretable discount that is in excess of the remaining projected losses is reclassified to accretable discount and accreted as an adjustment to yield over the remaining estimated lives of the loans.

Any additional fair value discount (premium) related to the acquired loans at acquisition is accreted (amortized) as an adjustment to yield over the estimated lives of the loans.

There is no allowance for loan losses established at the acquisition date for acquired loans. A provision for loan losses is recorded for any further deterioration in acquired loans subsequent to the merger.

<u>Community Trust</u>
Community Trust served employees of various select employer groups in-and-around the communities served by its branch offices. The merger expanded Self-Help Federal's field of membership in California and helped serve the many disadvantaged agricultural workers and other people living and working in California's Central Valley region. The merger was accounted for under the acquisition method of accounting.

Self-Help Federal acquired all of Community Trust's assets, both tangible and intangible, and assumed all of its liabilities at their fair values on June 1, 2009.

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

The following tables presents information regarding the acquired loans as of December 31, 2011 and 2010, all of which were performing loans, at the acquisition date of June 1, 2009. The amounts include principal only and do not reflect accrued interest as of the date of the acquisition or beyond.

	December 31, 2011	December 31, 2010
Contractual loan principal payments receivable	$ 13,092,284	$ 18,322,938
Non-accretable difference - credit discount	(866,824)	(1,652,584)
Net cash flows expected to be collected	12,225,460	16,670,354
Accretable difference - additional fair value difference	(1,299,845)	(844,737)
Carrying amount of acquired loans	$ 10,925,615	$ 15,825,617

For the year ending December 31, 2011 and 2010, the changes in the accretable difference were:

	2011	2010
Beginning balance	$ (844,737)	$ 267,688
Accretion	187,892	(1,390)
Reclassification from non-accretable difference	(643,000)	(1,111,035)
Ending balance	$ (1,299,845)	$ (844,737)

The following table presents changes in the non-accretable difference for the years ending December 31, 2011 and 2010, respectively:

	2011	2010
Beginning balance	$ (1,652,584)	$ (3,340,903)
Loan amounts deemed uncollectible	142,760	577,284
Reclassification to accretable difference	643,000	1,111,035
Ending balance	$ (866,824)	$ (1,652,584)

No provision for loan loss has been recorded on the loans acquired from Community Trust.

Kern Central and El Futuro
In January 2010, Self-Help Federal acquired Kern Central and merged with El Futuro. Both credit unions were chartered by the State of California and insured by NCUA. These transactions further expanded Self-Help Federal's field of membership in California's Central Valley region. Self-Help Federal accounted for the transactions under the acquisition method of accounting. NCUA liquidated Kern Central and transferred most of the assets and liabilities of Kern Central to Self-Help Federal. NCUA provided Self-Help Federal with $5,611,537 of assistance to cover the excess of the fair value of assumed liabilities over the fair value of purchased assets, which is included in other assets at the acquisition date.

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

A summary of the balance sheets of Kern Central and El Futuro, as of the effective dates and adjusted for fair value, is as follows:

	Kern Central	El Futuro
Assets:		
Cash	$ 4,077,004	$ 2,505,985
Loans	19,149,133	3,048,782
Property and equipment	3,137,607	304,104
Other assets	7,092,795	1,004,299
Total assets	$ 33,456,539	$ 6,863,170
Liabilities		
Shares:		
Interest-bearing	$ 33,253,004	$ 6,395,444
Non-interest bearing	-	176,112
Total shares	33,253,004	6,571,556
Other liabilities	(6,305)	184,474
Secondary capital	-	50,000
Total liabilities	33,246,699	6,806,030
Equity acquired in merger	$ 209,840	$ 57,140

Self-Help Federal has chosen to combine the loan portfolios of Kern Central and El Futuro for applying the recognition, measurement, and disclosure provisions of the method for accounting for loans acquired in business combinations as the mergers occurred in the same calendar quarter.

The following table presents information regarding the loans acquired, all of which were performing loans, at the acquisition month of January 2010 and changes from that date until December 31, 2011. The amounts include principal only and do not reflect accrued interest as of the date of the acquisition or beyond.

	January 1, 2010	December 31, 2010	December 31, 2011
Contractual loan principal payments receivable	$ 27,855,795	$ 17,019,902	$ 10,368,110
Nonaccretable difference - credit discount	(6,224,706)	(4,495,895)	(1,659,785)
Net cash flows expected to be collected	21,631,089	12,524,007	8,708,325
Accretable difference - additional fair value difference	566,826	(453,971)	(2,443,792)
Carrying amount of acquired loans	$ 22,197,915	$ 12,070,036	$ 6,264,533

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

For the year ending December 31, 2011 and 2010, the changes in the accretable difference were:

	2011	2010
Beginning balance	$ (453,971)	$ 566,826
Accretion	262,179	(139,142)
Reclassification from non-accretable difference	(2,252,000)	(881,655)
Ending balance	$ (2,443,792)	$ (453,971)

For the year ending December 31, 2011 and 2010, the changes in the non-accretable difference were:

	2011	2010
Beginning balance	$ (4,495,895)	$ (6,224,706)
Loan amounts deemed uncollectible	584,110	847,156
Reclassification to accretable difference	2,252,000	881,655
Ending balance	$ (1,659,785)	$ (4,495,895)

No provision for loan loss was taken during 2010 and 2011 on the loans acquired from Kern Central and El Futuro.

United Savings
The merger with United Savings expanded Self-Help Federal's membership in northern California. The merger was accounted for under the acquisition method of accounting.

Self-Help Federal acquired all of United Savings' assets, tangible and intangible, and assumed all of its liabilities at their fair values on June 1, 2010. At the time of merger, the adjusted fair values of United Savings' assets and liabilities were:

	Amount
Assets:	
Cash and equivalents	$ 2,484,302
Loans	8,596,828
Land and building	790,000
Other assets	10,873,027
Total assets	$ 22,744,157
Liabilities:	
Shares:	
Interest-bearing	$ 2,873,999
Non-interest bearing	19,421,554
Total shares	22,295,553
Other liabilities	65,977
Total liabilities	22,361,530
Equity acquired in merger	$ 382,627

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

The following table presents information regarding the loans acquired, all of which were performing loans, at the acquisition date of June 1, 2010 and changes from that date until December 31, 2011. The amounts include principal only and do not reflect accrued interest as of the date of the acquisition or beyond.

	January 1, 2010	December 31, 2010	December 31, 2011
Contractual loan principal payments receivable	$ 10,479,324	$ 8,357,068	$ 6,482,302
Nonaccretable difference - credit discount	(1,984,001)	(1,923,366)	(1,749,263)
Net cash flows expected to be collected	8,495,323	6,433,702	4,733,039
Accretable difference - additional fair value difference	101,505	98,408	31,208
Carrying amount of acquired loans	$ 8,596,828	$ 6,532,110	$ 4,764,247

For the year ending December 31, 2011 and 2010, the changes in the accretable difference were:

	2011	2010
Beginning balance	$ 98,408	$ 101,505
Accretion	23,800	(3,097)
Reclassification from non-accretable	(91,000)	-
Ending balance	$ 31,208	$ 98,408

For the year ending December 31, 2011 and 2010, the changes in the non-accretable discount were:

	2011	2010
Beginning balance	$ (1,923,366)	$ (1,984,001)
Loan amounts deemed uncollectible	83,103	60,635
Reclassification to accretable	91,000	-
Ending balance	$ (1,749,263)	$ (1,923,366)

No provision for loan loss was taken during 2010 or 2011 on the loans acquired from United Savings.

1st Pacific

The merger with 1st Pacific expanded Self-Help Federal's membership in northern California. The merger was accounted for under the acquisition method of accounting.

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

Self-Help Federal acquired all of 1st Pacific's assets, tangible and intangible, and assumed all of its liabilities at their fair values on January 1, 2011. At the time of merger, the adjusted fair values of 1st Pacific's assets and liabilities were:

	Amount
Assets:	
Cash and equivalents	$ 33,427,468
Investments	13,935,478
Loans	92,923,843
Land and building	3,045,800
Other assets	4,091,147
Total assets	$ 147,423,736
Liabilities:	
Shares:	
Interest-bearing	$ 130,352,561
Non-interest bearing	21,516,790
Total shares	151,869,351
Other liabilities	897,718
Total liabilities	152,767,069
Goodwill	$ 5,343,333

The following table presents information regarding the loans acquired in the merger with 1st Pacific, all of which were performing loans, at the acquisition date of January 1, 2011 and changes from that date until December 31, 2011. The amounts include principal only and do not reflect accrued interest as of the date of the acquisition or beyond.

	January 1, 2011	December 31, 2011
Contractual loan principal payments receivable	$ 115,765,547	$ 88,128,120
Nonaccretable difference - credit discount	(22,425,146)	(18,526,114)
Net cash flows expected to be collected	93,340,401	69,602,006
Accretable difference - additional fair value difference	(416,558)	(459,140)
Carrying amount of acquired loans	$ 92,923,843	$ 69,142,866

For the year ending December 31, 2011, the changes in the accretable difference were:

Beginning balance	$ (416,558)
Net accretion of loan discounts and premiums	(42,582)
Accretable discount at December 31, 2011	$ (459,140)

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

For the year ending December 31, 2011, the changes in the non-accretable discount were:

Beginning balance	$ (22,425,146)
Loan amounts deemed uncollectible	3,899,032
Non-accretable difference at December 31, 2011	$ (18,526,114)

No provision for loan loss was taken during 2011 on the loans acquired from 1st Pacific.

Mission SF

The acquisition of Mission SF expanded Self-Help Federal's membership in San Francisco, California. The merger was accounted for under the acquisition method of accounting. NCUA liquidated Mission SF and transferred most of the assets and liabilities of Mission SF to Self-Help Federal. NCUA provided Self-Help Federal with $1,250,000 of assistance to cover the excess of the fair value of assumed liabilities over the fair value of purchased assets, which is included in other assets at the acquisition date.

A summary of the balance sheet of Mission SF, as of the effective date and adjusted for fair value, is as follows:

	Amount
Assets:	
Cash and equivalents	$ 170,572
Time Deposits in other credit unions	13,073
Loans	4,293,766
Other assets	1,760,898
Total assets	$ 6,238,309
Liabilities:	
Shares:	
Interest-bearing	$ 1,336,116
Non-interest bearing	4,443,095
Total shares	5,779,211
Other liabilities	172,692
Total liabilities	5,951,903
Equity acquired in merger	$ 286,406

The following table presents information regarding the loans acquired from Mission SF, all of which were performing loans, at the acquisition date and changes from that date until December 31, 2011. The amounts include principal only and do not reflect accrued interest as of the date of the acquisition or beyond.

	April 8, 2011	December 31, 2011
Contractual loan principal payments receivable	$ 5,508,973	$ 4,638,017
Nonaccretable difference - credit discount	(1,678,336)	(1,312,173)
Net cash flows expected to be collected	3,830,637	3,325,844
Accretable difference - additional fair value difference	463,129	424,342
Carrying amount of acquired loans	$ 4,293,766	$ 3,750,186

2. Summary of Significant Accounting Policies (Continued)

Business Combinations (Continued)

For the year ending December 31, 2011, the changes in the accretable difference were:

Beginning balance	$	463,129
Accretion of loan premium		(38,789)
Accretable discount at December 31, 2011	$	424,342

For the year ending December 31, 2011, the changes in the non-accretable discount were:

Beginning balance	$	(1,678,336)
Loan amounts deemed uncollectible		366,163
Non-accretable difference at December 31, 2011	$	(1,312,173)

No provision for loan loss was taken during 2011 on the loans acquired from Mission SF.

Subsequent Events

Self-Help Federal has evaluated the effect subsequent events would have on the financial statements through May 24, 2012, which is the date the financial statements were available to be issued.

3. Interest Bearing Deposit Accounts

Interest bearing deposit accounts held at various financial institutions are unrestricted as to withdrawals and bear interest at rates ranging from 0.005% to 0.25% at December 31, 2011 and from 0.004% to 0.25% at December 31, 2010.

4. Time Deposits in Other Financial Institutions

Time deposits in other financial institutions, all with maturities of 12 months or less, amounted to $3,465,431 and $7,923,790 at December 31, 2011 and 2010. The interest rates ranged from 1.60% to 4.75% at December 31, 2011 and from 1.40% to 4.79% at December 31, 2010.

5. Mortgage-Backed Securities

Mortgage-backed securities at December 31, 2011 and 2010 are carried at cost and summarized as follows:

Fixed Rate Mortgage-backed Securities	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
2011				
Held to Maturity	$ 18,153,759	$ 368,429	$ (19,868)	$ 18,502,320
Available for Sale	21,633	-	-	21,633
Total	$ 18,175,392	$ 368,429	$ (19,868)	$ 18,523,953

5. Mortgage-Backed Securities (Continued)

Fixed Rate Mortgage-backed Securities	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
2010				
Held to Maturity	$ 21,863,286	$ 327,656	$ (11,385)	$ 22,179,557
Available for Sale	24,283	-	-	24,283
Total	$ 21,887,569	$ 327,656	$ (11,385)	$ 22,203,840

Mortgage-backed securities classified as held-to-maturity are fully guaranteed by Fannie Mae. Mortgage-backed securities classified as available-for-sale are fully guaranteed by either Fannie Mae or Ginnie Mae.

Mortgage-backed securities carried as held to maturity at December 31, 2011, are projected to mature as follows:

	Amortized cost	Estimated fair value
Due less than one year	$ 1,649,832	$ 1,681,504
Due after one year through five years	5,685,923	5,795,100
Due after five years through ten years	9,876,292	10,065,923
Due after ten years	941,712	959,793
	$ 18,153,759	$ 18,502,320

Mortgage-backed securities carried as available for sale at December 31, 2011, are projected to mature as follows:

	Amortized cost	Estimated fair value
Due after ten years	$ 21,633	$ 21,633

All held-to-maturity mortgage-backed securities are pledged as collateral to the FHLB.

6. Loans to Members

As discussed in Note 17, in 2011 Self Help Federal adopted a new accounting principle to provide additional disclosures around the credit quality of loans receivable for the year ending December 31, 2011. The disclosures are intended to provide two levels of disaggregation of a loan portfolio, portfolio segments and classes. Portfolio classes are a subset of portfolio segments. Management has identified commercial loans, home loans, and consumer loans as the portfolio segments. Within the commercial loan segment, management has identified commercial real estate, business, and charter school loans as the classes. Within the consumer loan segment, management has identified home equity and non-real estate as the classes. Home loans are considered both a segment and a class.

6. Loans to Members (Continued)

The following is a summary of the components of loans to members at December 31, 2011:

	2011
Commercial loans:	
Commercial real estate	$ 18,752,627
Business	7,576,480
Charter school	4,627,681
Home loans	133,889,843
Consumer loans:	
Home equity	13,638,533
Non-real estate	43,444,366
Total loans	221,929,530
Less:	
Allowance for loan losses	(1,434,871)
Deferred origination fees	(232,508)
	$ 220,262,151

	2010
Residential mortgage	$ 99,153,246
Consumer	35,048,354
Commercial	4,795,853
Other	330,388
Total loans	139,327,841
Less allowance for loan losses	(635,686)
	$ 138,692,155

At December 31, 2011 and 2010, Self-Help Federal had no commitments to sell loans.

Self-Help Federal contracts with Self-Help Credit Union, a related party (see Note 13) to underwrite, process, and service a portion of its mortgage portfolio totaling $22,174,959 and $10,838,471 at December 31, 2011 and 2010, respectively.

The following is a summary of loans in non-accrual status at December 31, 2011:

	2011 Non-accrual loans
Commercial loans:	
Commercial real estate	$ 1,620,773
Business	-
Charter school	-
Home loans	6,833,306
Consumer loans:	
Home equity	545,383
Non-real estate	902,276
Total loans	$ 9,901,738

6. Loans to Members (Continued)

Loans on which the accrual of interest has been discontinued amounted to $3,474,838 at December 31, 2010. Interest income foregone on such loans amounted to $358,714 and $89,614 for 2011 and 2010, respectively.

The following summarizes the changes in the allowance for loan losses for the years ended December 31:

	2011			
	Commercial Loans	Home Loans	Consumer Loans	Total
Beginning balance	$ -	$ 473,560	$ 162,126	$ 635,686
Add: provision for loan losses	113,916	631,482	241,742	987,140
Add: recoveries	-	-	13,697	13,697
Less: charge-offs	-	(18,765)	(182,887)	(201,652)
Ending balance	$ 113,916	$ 1,086,277	$ 234,678	$ 1,434,871

	2010
Balance at beginning of year	$ 414,142
Provision for loan losses	301,189
Recoveries	
Consumer	10,311
Total recoveries	10,311
Less: Charge-offs	
Residential mortgage	(45,908)
Consumer	(44,048)
Total charge-offs	(89,956)
Balance at end of year	$ 635,686

At December 31, 2011 and 2010, respectively, Self-Help Federal had $1,574,242 and $878,481 of impaired loans, all of which were home loans that qualify as troubled debt restructurings ("TDRs") and were individually evaluated for impairment, of which $234,699 and $121,934 of the ALL was related to these loans.

The following summarizes the loans modified as TDRs during 2011:

Number of loans	Pre-Modification Recorded Investment (In thousands)	Post-Modification Recorded Investment
9	$ 904,416	$ 792,565

6. Loans to Members (Continued)

The following summarizes the TDRs which have subsequently defaulted as of December 31, 2011:

Number of loans	Pre-Modification Recorded Investment (In thousands)	Post-Modification Recorded Investment
1	$ 127,901	$ 122,169

The following is an aging schedule of loans as of December 31, 2011:

	Current	30 Days	31-179 Days	180-365 Days	>365 Days	Fair Value Adjustments	Total
Commercial Loans:							
Real Estate	$ 17,816,913	$ 727,533	$ 62,931	$ -	$ 1,557,842	$ (1,412,592)	$ 18,752,627
Business	6,137,757	1,525,051	-	-	-	(86,328)	7,576,480
Charter School	4,691,844	-	-	-	-	(64,163)	4,627,681
Home Loans	142,011,320	3,128,274	1,565,145	955,671	2,753,646	(16,524,213)	133,889,843
Consumer Loans:							
Home Equity	18,352,262	645,514	293,848	105,260	146,274	(5,904,625)	13,638,533
Non-Real Estate	42,343,437	4,092,095	824,073	78,203	-	(3,893,442)	43,444,366
Total							$ 221,929,530

As part of the process of evaluating the credit quality of the loan portfolio, management continually monitors consumer and home loans using the delinquency status of the loan, historical loan losses, incidence rates and severity rates as the primary indicators of credit quality.

In the normal course of business, Self-Help Federal enters into off-balance sheet commitments to extend credit. Self-Help Federal maintains the same credit policies in making off-balance sheet commitments as it does for its on-balance sheet instruments. Commitments to extend credit are agreements to lend which generally have fixed expiration dates or other termination clauses and which may require a fee.

Off-balance sheet commitments to extend credit amounted to $10,081,875 and $10,418,111 at December 31, 2011 and 2010, respectively. As commitments may expire unused, the total commitment amount does not necessarily represent future cash requirements.

Self-Help Federal, by board policy, does not extend credit to directors or executive officers, and as such, had no such loans outstanding at December 31, 2011 and 2010.

7. Property and Equipment

The following is a summary of property and equipment at December 31:

	2011	2010
Land	$ 2,546,270	$ 1,962,230
Buildings	4,478,757	2,845,816
Furniture and fixtures	1,574,625	1,049,857
Leasehold improvements	394,850	394,851
Construction in progress	820	184,940
	8,995,322	6,437,694
Accumulated depreciation	(1,092,201)	(637,916)
	$ 7,903,121	$ 5,799,778

Depreciation expense was $463,516 and $334,686 for the years ending December 31, 2011 and 2010, respectively.

8. Share and Deposit Accounts

The following is a summary of members' share and deposit accounts at December 31:

	2011	Rate	2010	Rate
Members' shares and share drafts	$ 161,633,962	0.15-0.50%	$ 60,946,376	0.10-0.51%
Members' share certificates and IRAs	149,041,392	0.75-1.75%	84,236,653	0.59-2.50%
Members' money market shares	22,787,250	0.37-0.97%	15,597,208	0.10-1.10%
Members' economic development deposits	3,710,885	0.00-0.50%	3,426,982	0.00-0.50%
	$ 337,173,489		$ 164,207,219	

Economic development deposits are share certificates earning lower than market interest rates. The deposits represent a vehicle to provide support to Self-Help Federal from various individuals and organizations.

Included in total shares and deposits are non-member deposits of $963,497 and $2,044,172 at December 31, 2011 and 2010, respectively.

Time deposits, which include share certificates, term IRAs certificates, and economic development deposits, are summarized at face value, by maturity as follows:

	2011	2010
1 year or less	$ 18,166,098	$ 61,949,209
Over 1 year through 2 years	78,601,483	12,154,814
Over 2 years through 3 years	25,341,116	5,459,057
Over 3 years through 4 years	12,387,507	50,564
Over 4 years through 5 years	1,810,602	5,719,627
5 years or greater	11,150,393	-
Total	$ 147,457,199	$ 85,333,271

9. Deposit with NCUSIF

Eligible share accounts are insured up to $250,000 by the National Credit Union Share Insurance Fund ("NCUSIF"), which is administered by NCUA. For such insurance, the NCUSIF requires the maintenance of a deposit equal to 1% of outstanding share accounts with balances up to $250,000, adjusted annually. The deposit is subject to use by the NCUSIF to cover losses if needed for such purpose.

On May 20, 2009, the Helping Families Save Their Homes Act and the Fraud Enforcement and Recovery Act were signed into federal law. This act authorized the creation of the Corporate Credit Union Stabilization Fund ("Stabilization Fund"), to be capitalized by a loan from the U.S. Treasury and managed by NCUA. NCUA has the authority to transfer losses incurred by corporate credit unions from NCUSIF to the Stabilization Fund. NCUA must repay the loan from the U.S. Treasury over seven years by periodically assessing premiums on insured credit unions based on the insured shares of those credit unions. The act also granted NCUA the authority to return the NCUSIF to its required 1.3% equity ratio by assessing premiums on insured credit unions over eight years.

During 2010, NCUA assessed credit unions 0.134% of insured shares as of March 31, 2010 to repay a portion of the loan from the U.S. Treasury to the Stabilization Fund, and assessed credit unions 0.1242% of insured shares as of June 30, 2010. The Credit Union recorded these assessments as NCUSIF insurance premiums of $331,965, which were paid during 2010. During 2011, NCUA assessed credit unions 0.25% of insured shares as of June 30, 2011. The Credit Union recorded this assessment as NCUSIF insurance premium of $793,404, which was paid in 2011.

10. Line of Credit

Self-Help Federal has a line of credit with Western Bridge Corporate Federal Credit Union ("Western Bridge") for $10,000,000. The balance drawn at December 31, 2011 on the line of credit was $0. Interest rate and payment terms are to be determined at the time draws are taken against the line of credit. Self-Help Federal borrowed $131,646 on this line of credit in 2010.

At December 31, 2011, Self-Help Federal had approximately $74,836,428 of available borrowing capacity from the FHLB. Interest rate and payment terms are to be determined at the time draws are taken against the line of credit. All advances are secured by assignment of specific mortgage-backed securities and residential mortgages to the FHLB. At December 31, 2011, all held-to-maturity mortgage-backed securities and $70,974,038 of residential mortgages were pledged to the FHLB.

11. Capital Requirements

Self-Help Federal is subject to regulatory net worth ratio requirements administered by NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possible discretionary, regulatory actions by NCUA. If undertaken, these regulatory actions could have a direct material effect on Self-Help Federal's financial position.

Under NCUA regulations, Self-Help Federal must meet specific net worth to total assets requirements, as defined by regulation. Self-Help Federal is not defined as a "complex" credit union under NCUA regulation, which means it does not need to meet specific risk based net worth requirements, based on NCUA's risk weighting of specific balance sheet items and off-balance sheet commitments.

11. Capital Requirements (Continued)

NCUA categorized Self-Help Federal as "well capitalized", the highest net worth classification, under the regulatory framework for prompt corrective action as of December 31, 2011. To be categorized as "well capitalized", Self-Help Federal must maintain a net worth ratio of at least 7%.

Regulatory net worth includes all retained earnings and secondary capital accounts with a remaining maturity greater than five years. For secondary capital accounts with less than five years remaining until maturity, one-fifth of the account is excluded from regulatory net worth each year prior to maturity. As such, four-fifths of the secondary capital acquired in the El Futuro merger was excluded from regulatory net worth at December 31, 2010 (note 14).

	Actual Net Worth		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2011	$58,512,990	14.63%	$23,989,526	6.00%	$27,987,781	7.00%
December 31, 2010	$43,675,985	20.82%	$12,592,188	6.00%	$14,690,886	7.00%

12. Leases

Self-Help Federal currently leases some of its office facilities. It is anticipated that all leases will be renewed under similar terms. Lease expense for the year ended December 31, 2011 and 2010 was $437,270 and $179,930.

Annual future minimum lease payments on all leases are as follows:

2012	$ 476,399
2013	366,045
2014	277,541
2015	271,433
2016	182,109
Thereafter	185,834
Total	$ 1,759,361

13. Related Party Transactions

Self-Help Federal is related to Self-Help Credit Union. Self-Help Federal has an agreement with Self-Help Credit Union to provide management, accounting, loan servicing and operations services for Self-Help Federal. Self-Help Credit Union charges Self-Help Federal 1% of certain revenues for these services. For 2011 and 2010, this service fee amounted to $55,230 and $31,800, respectively.

Self-Help Federal is also related to the Center for Community Self-Help ("Center") and affiliates, including Self-Help Ventures Fund ("Ventures Fund") and affiliates, and the Self-Help Services Corporation ("Services Corporation"), through having a common CEO. The Center is a not-for-profit organization that was established in 1980 to create and stabilize jobs and housing in rural and urban communities by providing management skills through consultation with businesses, prospective homeowners and community development organizations.

13. Related Party Transactions (continued)

During 2011, Self-Help Federal purchased $5,137,812 of mortgage loan participations from Self-Help Credit Union, at par.

During 2010, Self-Help Federal bought $18,626,959 of mortgage-backed securities from Self-Help Credit Union.

During 2010, Self-Help Federal purchased $84,816,107 of adjustable-rate mortgage loans at par from Self-Help Credit Union that Self-Help Credit Union had purchased from another North Carolina-based credit union.

Ventures Fund invested $12,500,000 in 2011 of uninsured secondary capital in Self-Help Federal which is classified as net worth under federal statute. Self-Help Federal pays dividends to Ventures Fund on the secondary capital (Note 14).

Services Corporation provides certain employees to Self-Help Federal. Self-Help Federal reimburses Services Corporation for the salaries and benefits of those employees based on time devoted to their respective activities.

Share accounts of $286,476 and $588,470 are held by Self-Help Federal for Ventures Fund at December 31, 2011 and 2010, respectively.

14. Uninsured Secondary Capital

In August 2008, Ventures Fund invested $2,500,000 as uninsured secondary capital in Self-Help Federal. The interest rate on the account is indexed to 30-day LIBOR (0.23% at December 31, 2009) plus a spread determined by Self-Help Federal. The term of the investment is a rolling five-year maturity. The Ventures Fund has the right at any time to convert the term structure from a rolling five-year term to a fixed five-year term. Due to the investment having no set maturity date, the investment is classified as equity. If the Ventures Fund decides to convert the investment to the fixed five-year term, the investment would be re-classified as a liability.

In June 2009, Ventures Fund invested an additional $5,000,000 as uninsured secondary capital in Self-Help Federal on the same terms as the August 2008 investment. In June 2011, Ventures Fund invested an additional $12,500,000 as uninsured secondary capital in Self-Help Federal on the same terms as the August 2008 investment.

In December 2009, Ventures Fund received a $2,000,000 grant and a $30,000,000 program-related investment from the Ford Foundation. Ventures Fund invested the entire $32,000,000 as secondary capital in Self-Help Federal on the same terms as the August 2008 investment.

Self-Help Federal acquired $50,000 of uninsured secondary capital in the merger with El Futuro that had been invested by the National Federation of Community Development Credit Unions. The investment was scheduled to mature in October 2012, and paid 5.00%. Due to the fixed maturity date, the maturity is classified as a liability. Under NCUA regulations, a portion of the account is included in regulatory net worth as of December 31, 2010 (note 11). Self-Help Federal paid-off the investment in full during 2011.

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2011 and 2010:

Cash and Due from Banks and Time Deposits in Other Financial Institutions – The carrying amounts approximate fair value because of the short maturity of those instruments.

Mortgage-backed Securities – Mortgage-backed securities fair values are based on current market prices for similar debt securities with similar terms and maturities.

Loans to Members – The fair value of loans to members is based on current lending rates for loans with similar terms and maturities.

The fair value of impaired loans is estimated using a combination of the liquidation value and/or discounted cash flows. When an appraised value is not available or management determines the fair value of the collateral and/or discounted cash flows is further impaired below the appraised value and there is no observable market price, Self Help Federal records the impaired loan measured at fair value on a nonrecurring basis as a Level 3 asset.

FHLB Stock – The carrying value of FHLB stock approximates the fair value.

Other real estate owned – The fair value of other real estate owned is estimated based upon values provided by an outside valuation specialist that provides values for other real estate owned. In order to reflect current distress in real estate markets, management reduces the third-party value by an additional discount to more accurately estimate the value of the property. If there is a current sales contract on the property, the carrying value reflects that contract. Both sales contract values and third-party values are reduced by estimated selling costs to determine the fair value.

Deposit with NCUSIF and Accrued Interest Receivable – The carrying values of these financial instruments approximate fair values.

Share Accounts – The fair value of fixed-maturity share certificates and other term deposits is estimated using the rates currently offered for deposits of similar remaining maturities. The fair value of all other share accounts is the amount payable on demand at the reporting date.

	2011		2010	
	Book Value	Fair Value	Book Value	Fair Value
Cash and due from banks	$133,480,760	$133,480,760	$ 29,407,006	$ 29,407,006
Time deposits in other financial institutions	3,465,431	3,465,431	7,923,790	7,923,790
Mortgage-backed securities	18,175,392	18,523,953	21,887,569	22,203,840
Loans to members, net	220,262,151	229,171,911	138,692,155	139,503,684
FHLB stock	479,900	479,900	710,500	710,500
Deposit with NCUSIF	3,173,615	3,173,615	1,450,655	1,450,655
Accrued interest receivable	851,918	851,918	424,382	424,382
Notes payable	-	-	181,646	181,646
Share accounts	337,173,489	334,003,691	164,207,219	161,667,957

15. Fair Value of Financial Instruments (Continued)

As defined in the accounting guidance related to fair value measurement and disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further, this guidance creates a three-level hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 fair values are based on observable, active market prices for identical instruments. Level 2 fair values are based on observable market inputs for instruments with similar characteristics and/or prices that are not actively traded. Level 3 fair values are calculated using pricing models, using discounted cash flows and other assumptions. The fair value information for items measured at fair value on a non-recurring basis is presented in the following tables, as of December 31, 2011 and 2010:

	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
2011			
Impaired loans	$ -	$ -	$ 1,574,242
Other real estate owned	-	-	1,425,988
2010			
Impaired loans	$ -	$ -	$ 878,481
Other real estate owned	-	-	54,907

16. Other Non-Operating Expenses

Other non-operating expenses for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Education and promotional	$ 152,989	$ 144,029
Loan collection	212,495	117,583
Software maintenance	181,753	182,650
Utilities and maintenance expense	214,380	326,013
Office and computer supplies	158,516	218,448
Miscellaneous	951,666	390,835
Total	$ 1,871,799	$ 1,379,558

17. Recent Accounting Pronouncements and Guidance

Credit Quality

In July 2010, the FASB amended accounting guidance on disclosures of the credit quality of receivables, including loans receivable. The amendments are intended to provide disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for loan losses, and the changes and reasons for those changes in the allowance for loan losses. The disclosures about activity that occurs during a reporting period and as of the end of a reporting period are effective for interim and annual periods beginning on or after December 15, 2010 for nonpublic entities. Self-Help Federal adopted this amendment in 2011, and has provided these disclosures in Note 6.

17. Recent Accounting Pronouncements and Guidance (Continued)

Troubled Debt Restructurings

In April 2011, the FASB issued amended accounting guidance on the determination of whether a restructuring is a troubled debt restructuring. The objective of this amendment is to provide greater clarity and guidance to assist creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amended guidance also states that as a result of applying these amendments, an entity may identify receivables that are newly considered impaired. An entity should disclose the total amount of receivables and the allowance for loan losses as of the end of the period of adoption related to those receivables that are newly considered impaired for which impairment was previously not measured. Self-Help Federal will adopt the provisions of this amendment in 2012.

Goodwill

In September 2011, the FASB issued amended accounting guidance on testing goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Self-Help Federal early adopted the provisions of the amendment. Adoption of this update did not have a material impact on Self Help Federal's financial position or results of operations.

Self-Help Ventures Fund

Consolidated Financial Statements
December 31, 2010 and 2009

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

To the Board of Directors of
Self-Help Ventures Fund
Durham, North Carolina

We have audited the accompanying consolidated statements of financial position of Self-Help Ventures Fund and subsidiaries (the Ventures Fund) as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Ventures Fund as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

June 7, 2011

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Self-Help Ventures Fund
Consolidated Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and due from banks	$ 92,002,282	$ 107,120,678
Fannie Mae mortgage-backed securities	369,025,289	510,840,236
Loans receivable, net of allowance for loan losses	205,758,424	180,659,359
Accrued interest receivable	2,400,613	3,181,528
Other real estate owned	7,532,399	4,896,836
Recourse fee receivable	25,328,005	31,393,667
Premises and equipment, net of accumulated depreciation	70,142,438	69,991,737
Secondary capital invested in affiliate credit unions	64,500,000	54,500,000
Other assets	16,314,687	9,333,666
Total assets	$ 853,004,137	$ 971,917,707
Liabilities, Minority Interests and Net Assets		
Accrued interest payable	$ 1,829,537	$ 3,407,670
Liability for contingent losses	71,225,279	78,654,599
Notes payable	407,475,977	503,917,322
Interest rate swaps	24,010,935	25,310,074
Other liabilities	8,099,674	2,754,011
Total liabilities	512,641,402	614,043,676
Minority interests	68,078,760	67,752,574
Net assets		
Unrestricted	249,825,180	267,744,650
Unrestricted unrealized losses, net	(1,258,418)	(1,900,201)
Total unrestricted net assets	248,566,762	265,844,449
Temporarily restricted	23,717,213	24,277,008
Total net assets	272,283,975	290,121,457
Total liabilities, minority interests and net assets	$ 853,004,137	$ 971,917,707

The accompanying notes are an integral part of these consolidated financial statements.

Self-Help Ventures Fund
Consolidated Statements of Activities
Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support						
Interest on loans	$ 8,918,034	$ -	$ 8,918,034	$ 8,291,004	$ -	$ 8,291,004
Interest on mortgage-backed securities	22,652,131	-	22,652,131	30,620,440	-	30,620,440
Income on investments and deposits	1,459,389	-	1,459,389	742,672	-	742,672
Rental income	9,474,489	-	9,474,489	8,856,353	-	8,856,353
Grants	3,463,304	750,000	4,213,304	1,800,721	19,238,974	21,039,695
Other	2,609,406	-	2,609,406	17,374,253	-	17,374,253
Total revenues	48,576,753	750,000	49,326,753	67,685,443	19,238,974	86,924,417
Expenses						
Interest expense	17,664,021	-	17,664,021	20,971,027	-	20,971,027
Salaries and employee benefits	7,819,489	-	7,819,489	8,852,641	-	8,852,641
Provision for credit losses	20,479,833	-	20,479,833	41,705,263	-	41,705,263
Property management	4,166,158	-	4,166,158	4,086,772	-	4,086,772
Depreciation	1,736,078	-	1,736,078	1,692,919	-	1,692,919
Contribution to affiliates	5,750,000	-	5,750,000	828,750	-	828,750
Other	10,566,073	-	10,566,073	7,408,457	-	7,408,457
Total expenses	68,181,652	-	68,181,652	85,545,829	-	85,545,829
Loss (gain) of consolidated subsidiaries allocated to minority interests	375,634	-	375,634	(288,905)	-	(288,905)
Income (loss) from operations	(19,229,265)	750,000	(18,479,265)	(18,149,291)	19,238,974	1,089,683
Other changes in net assets						
Net assets released from restriction	1,309,795	(1,309,795)	-	21,267,408	(21,267,408)	-
Net unrealized gains on mortgage-backed securities	1,329,312	-	1,329,312	8,214,468	-	8,214,468
Net unrealized gains (losses) on derivatives	(577,755)	-	(577,755)	18,828,701	-	18,828,701
Other net unrealized losses	(109,774)	-	(109,774)	(104,321)	-	(104,321)
Total change in net assets	(17,277,687)	(559,795)	(17,837,482)	30,056,965	(2,028,434)	28,028,531
Net assets at beginning of year	265,844,449	24,277,008	290,121,457	235,787,484	26,305,442	262,092,926
Net assets at end of year	$ 248,566,762	$ 23,717,213	$ 272,283,975	$ 265,844,449	$ 24,277,008	$ 290,121,457

The accompanying notes are an integral part of these consolidated financial statements.

Self-Help Ventures Fund
Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ (17,837,482)	$ 28,028,531
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,783,042	1,816,469
(Losses) gains allocated to minority interests	(375,634)	288,905
Impairment of First Carolina membership capital shares on deposit	-	480,982
Loss (gain) on disposal of other real estate owned	(179,514)	237,571
Unrealized gain on mortgage-backed securities	(1,329,312)	(8,214,468)
Net unrealized derivative loss (gain)	577,755	(18,828,701)
Other net unrealized losses	109,774	104,321
Provision for credit losses	20,479,833	41,705,263
Recourse fee receivable valuation adjustment	(1,566,945)	(12,385,509)
Changes in operating assets and liabilities:		
Accrued interest receivable	780,915	674,059
Accrued interest payable	(1,578,133)	325,714
Cash provided to collateralize interest rate swaps	1,034,697	47,368,396
Other assets	(6,981,022)	26,179,888
Other liabilities	2,434,073	(25,277,720)
Net cash provided by (used in) operating activities	(2,647,953)	82,503,701
Cash flows from investing activities		
Principal payments on mortgage-backed securities	68,005,730	69,014,028
Net loan originations and repurchases	(91,338,428)	(27,075,042)
Proceeds from sales of mortgage-backed securities	74,981,791	43,410,781
Proceeds from sales of loans	6,834,372	-
Net loan and mortgage-backed security purchases	-	(152,374)
Purchase of premises and equipment	(2,464,390)	(964,819)
Sale of premises and equipment	577,611	1,152,784
Proceeds from recourse fee receivable	7,653,124	8,361,166
Proceeds from sale of other real estate owned	29,019,272	11,473,182
Secondary capital investments in affiliated credit unions	(10,000,000)	(47,000,000)
Noncontrolling interest in limited liability corporations	701,820	9,230,243
Net cash provided by investing activities	83,970,902	67,449,949
Cash flows from financing activities		
Proceeds from issuance of notes payable	239,686,037	370,173,636
Repayment of notes payable	(336,127,382)	(490,196,336)
Net cash used in financing activities	(96,441,345)	(120,022,700)
Net increase (decrease) in cash and cash equivalents	(15,118,396)	29,930,951
Cash and cash equivalents at beginning of year	107,120,678	77,189,727
Cash and cash equivalents at end of year	$ 92,002,282	$ 107,120,678
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 17,537,299	$ 19,801,555
Non-cash investing and financing activities:		
Transfers of loans to other real estate owned	31,475,321	8,769,371
Transfer of reserves from liability for contingent losses to allowance for loan losses	25,722,726	16,462,211

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

The Self-Help Ventures Fund (the "Ventures Fund") is a not-for-profit organization established in 1984. The Ventures Fund is a community development loan fund that provides financing, real estate development and other forms of assistance to disadvantaged communities.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements of the Ventures Fund have been prepared on the accrual basis of accounting. All significant intercompany transactions and balances have been eliminated in consolidation. Significant wholly-owned subsidiaries include Self-Help Manager, LLC; Barr Building, LLC; Self-Help Ventures Fund Properties, LLC; and Self-Help Historic Properties. Ventures Fund also consolidates other entities as discussed in Note 13.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ventures Fund and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Ventures Fund and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, which is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income (Loss) from Operations

The "Income (Loss) from Operations" performance measure reported in the Consolidated Statements of Activities is the functional equivalent of "income (loss) from continuing operations" reported by for-profit enterprises. This performance measure excludes net assets released from restriction, unrealized gains and losses on debt securities and derivatives accounted for as cash flow hedges.

2. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 presentation. The reclassification had no effect on net assets or income (loss) from operations as previously reported.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of mortgaged-backed securities, the determination of the allowance for loan losses and liability for contingent losses, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the recourse fee receivable and the valuation of derivatives. In connection with the determination of the allowance for loan losses and the valuation of real estate owned, management obtains independent appraisals for significant properties.

Cash and Due from Banks

Cash and due from banks include cash on hand and various interest-bearing demand deposits. Interest-bearing demand deposits in financial institutions bear interest of 0.51% and 0.74% at December 31, 2010 and 2009 respectively. Eligible accounts are insured up to $250,000 by the National Credit Union Share Insurance Fund or the Federal Deposit Insurance Corporation.

Loans Receivable

Loans receivable are stated at the amount advanced less principal payments collected, reduced by an allowance for loan losses, unearned discounts and net deferred loan origination fees and costs. The interest rates and maturities of the loans range from 0.00% to 12.48% and 3 months to 40 years, respectively. Interest income is computed using the simple interest method and is recognized over the term of the loan. Accrual of interest on a loan is discontinued when the loan is 60 days past due.

Management may return a loan classified as nonaccrual to accrual status when the obligation has been brought current, has performed in accordance with its contractual terms over an extended period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

When the ultimate collectability of a loan's principal is doubtful, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent that any interest has been foregone.

2. Summary of Significant Accounting Policies (Continued)

Mortgage-Backed Securities

In accordance with accounting standards for certain investments held by not-for-profit organizations, mortgage-backed securities are recorded at fair value. Fair value is determined by reference to transactions in the open market for debt securities with similar credit, coupon rate, and prepayment characteristics. Unrealized gains and losses are reflected as a component of unrestricted net assets. Accreted discounts and amortized premiums are included in interest income on an effective yield basis. The Ventures Fund guarantees a substantial amount of the credit risk associated with these pools of loans which have been securitized by Fannie Mae. The Ventures Fund calculates the fair value of the credit risk and provides for this in the liability for contingent losses.

Fannie Mae guarantees payment of both principal and interest on all mortgage-backed securities.

Recourse Fee Receivable and Liability for Contingent Losses

During 2010 and 2009, the Ventures Fund purchased $777,467 and $6,452,529, respectively, of mortgage loans that were immediately sold to Fannie Mae. Consequently, these loans are not reported as loans receivable on the statements of financial position nor were they securitized as part of the Fannie Mae mortgage-backed securities reported on the statements of financial position. The remaining outstanding balance on all mortgage loans purchased and sold ever to date under this arrangement for which the Ventures Fund retains recourse at December 31, 2010 and 2009, was $587,586,892 and $610,623,135, respectively. In return for the Ventures Fund retaining credit risk for any borrower defaults, the Ventures Fund is entitled to a portion of the interest paid by the borrower.

At the time of these pass-through transactions, the Ventures Fund records a retained interest in accordance with the guidelines of accounting for transfers and servicing of financial assets and extinguishment of liabilities. The retained interest is for the fair value of the expected cash flows from the borrower interest payments, which is reported as recourse fee receivable. In accordance with accounting standards for certain hybrid financial instruments, the recourse fee receivable is valued in subsequent periods as a derivative, with changes in fair value presented in the statement of activities, based upon the outstanding balance of the loans upon which the Ventures Fund receives recourse fees, the weighted-average recourse fee and the effective duration of those loans (Note 11).

The total outstanding balance of loans for which the Ventures Fund is receiving recourse fees is $1,205,532,367 and $1,361,036,063 as of December 31, 2010 and 2009, respectively. These totals include loans for which the Ventures Fund previously held recourse upon their sale to Fannie Mae, for which Fannie Mae has subsequently assumed recourse based on the performance of the loans sold and the passage of time, as well as the loans for which the Ventures Fund retains recourse at December 31, 2010 and 2009, respectively.

2. Summary of Significant Accounting Policies (Continued)

Recourse Fee Receivable and Liability for Contingent Losses (Continued)

In accordance with accounting standards for guarantor's accounting and disclosure requirements for guarantees, the liability relating to credit risk retained by Ventures Fund is recorded at inception at its fair value. In subsequent periods, the liability is amortized to income in proportion to and over the period of the estimated losses. The total outstanding balance of loans and mortgage-backed securities for which the Ventures Fund guarantees credit risk was $893,863,605 and $1,028,517,179 as of December 31, 2010 and 2009, respectively, including the loans that are not reported as receivable on the statements of financial position.

The following is a summary of the liability for contingent losses at December 31:

	2010	2009
Liability for loans sold to Fannie Mae	$ 48,447,480	$ 47,805,424
Liability for loans converted to mortgage-backed securities and held	22,777,799	30,849,175
	$ 71,225,279	$ 78,654,599

Allowance for Loan Losses

The allowance for loan losses ("ALL") is established through provisions for losses included in the statement of activities. Loan amounts deemed to be uncollectible are charged against the ALL, and subsequent recoveries, if any, are credited to the ALL. The ALL represents management's estimate of the amount necessary to absorb probable losses existing in the loan portfolio. Management believes that the ALL is adequate. Management's periodic evaluation of the adequacy of the ALL is based on individual loan reviews, past loan loss experience, economic conditions in the Venture Fund's market areas, the fair value and adequacy of underlying collateral, and the growth and risk composition of the loan portfolio.

This evaluation is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on loans which may be susceptible to significant change. Thus, future additions to the ALL may be necessary based on the impact of changes in economic conditions.

The ALL related to loans that are identified as impaired is based on discounted cash flows using the loans' initial effective interest rates, the loans' observable market prices, or the fair values of the collateral for collateral dependent loans. Management considers loans to be impaired when, based on current information or events, it is probable that a borrowers will be unable to pay all amounts due according to the contractual terms of the loan agreements.

The provision for credit losses includes $18,272,889 and $40,730,879 associated with the liability for contingent losses and $2,206,944 and $974,384 related to loans receivable for the years ended December 31, 2010 and 2009, respectively.

2. Summary of Significant Accounting Policies (Continued)

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of buildings and furniture and fixtures is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	31–39 years
Furniture and fixtures	2–5 years

As described in Note 7, the Ventures Fund has numerous transactions with related parties. These transactions include rental income for use of facilities owned by the Ventures Fund. Many of the premises owned by the Ventures Fund are shared with one or more related parties that make rental payments to the Ventures Fund.

Secondary Capital

The Ventures Fund periodically invests certain amounts in uninsured secondary capital of related parties (Note 7). The term of these investments is a rolling five-year maturity. The Ventures Fund has the right at any time to convert the term structure from a rolling five-year term to a fixed five-year term. At December 31, 2010 and 2009, the carrying value approximated fair value.

Membership Capital and Other Cost-Basis Investments

The following financial instruments are included in other assets:

Membership Capital Share Deposit with First Carolina Corporate Credit Union
The Ventures Fund owns membership capital shares on deposit ("MCSD") with First Carolina Corporate Credit Union ("First Carolina") with a carrying value of $1,569,872 at both December 31, 2010, and 2009, which is included in other assets. MCSD is a form of regulatory capital with substantially restricted withdrawal terms that is available to absorb all losses at First Carolina after First Carolina's retained earnings and members' paid-in capital, which is equivalent to non-cumulative preferred shares. The MCSD is carried at cost and evaluated for impairment. As of December 31, 2009, the Ventures Fund determined that this investment is impaired by $480,982 based on losses First Carolina has sustained in its own capital account investments at other corporate credit unions and its securities portfolio, which exceed First Carolina's retained earnings and members' paid-in capital. No additional impairment expense was taken during 2010.

Federal Home Loan Bank of Atlanta Stock
The Ventures Fund owns stock in Federal Home Loan Bank of Atlanta ("FHLB") as a requirement of membership, in the amount of 0.2% of total assets plus 4.5% of total advances to the Ventures Fund, if any. At December 31, 2010 and 2009, the Ventures Fund owns 13,515 and 0 shares of the FHLB's $100 par value capital stock, respectively. Due to the FHLB's redemption provisions, the Ventures Fund estimated that fair value equals the cost of $1,351,000 and that the stock was not impaired at December 31, 2010.

2. Summary of Significant Accounting Policies (Continued)

Membership Capital and Other Cost-Basis Investments (Continued)

Urban Partnership Bank
During 2010, the MacArthur Foundation contributed $1,500,000 of stock in Urban Partnership Bank to the Ventures Fund, which is included in grant revenue. The Ventures Fund estimated that fair value equals cost and that this investment was not impaired at December 31, 2010.

Income Taxes

The Ventures Fund is exempt from the payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income. The date of the latest determination letter for the Ventures Fund is August 17, 1984. During the years ended December 31, 2010 and 2009, the Ventures Fund did not have any income subject to taxation as unrelated business income. The Ventures Fund has determined that all tax positions taken for the current year ended December 31, 2010 and all years open under the statute of limitation are highly certain. In accordance with the accounting guidance for uncertainty in income taxes, the Ventures Fund has determined that no unrecognized tax liability exists.

Minority Interests

Minority interests represent amounts invested by third parties in certain limited liability corporations ("LLC's"). The LLC's have been created to take advantage of certain tax credits. The Ventures Fund has consolidated these entities in recognition that the Ventures Fund retains principally all risk and rewards of the operations and ownership.

Interest Rate Swaps

The Ventures Fund uses interest rate swap agreements from time to time to manage the impact of interest rate changes on underlying floating-rate debt. The Ventures Fund does not enter into derivative financial instruments for speculative or trading purposes.

The primary objective of the Ventures Fund's interest rate risk management program is to limit the sensitivity of the Ventures Fund net economic value of equity and net income to changes in interest rates. No less than quarterly, the Ventures Fund simulates the net economic value and net income of various interest rate scenarios. The simulations estimate the impact of changes in market interest rates on the values and levels of all assets and liabilities. Based upon the outcome of the simulation, the Ventures Fund may enter into new swap transactions as a means of reducing the sensitivity of net economic value and/or net income.

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the statement of financial position as either a freestanding asset or liability, with a corresponding offset recorded in accumulated other comprehensive income (loss) within net assets. Amounts are reclassified from accumulated other comprehensive income (loss) to the statement of activities in the period or periods the hedged transaction affects net income. Derivative gains and losses not effective in hedging the change in fair value or expected cash flows of the hedged item are recognized immediately in the statement of activities.

2. Summary of Significant Accounting Policies (Continued)

Interest Rate Swaps (Continued)

Any adjustment to a hedged asset or liability is included in the basis of the hedged item, while the fair value of all swaps is reported as a freestanding asset or liability.

The Ventures Fund is exposed to potential credit-related losses in the event of nonperformance by the counterparties to its various swap agreements. The Ventures Fund controls the credit risk of its financial contracts through credit approvals, exposure limits and monitoring procedures and agreements. These agreements specify collateral levels to be maintained by the Ventures Fund and the counterparties. These collateral levels are based on the credit quality of the counterparties.

Subsequent Events

Subsequent events have been evaluated through June 7, 2011, which is the date the financial statements were available to be issued.

3. Loans Receivable

The following is a summary of loans receivable at December 31:

	2010	2009
Mortgage loans	$ 27,381,736	$ 23,349,983
Commercial loans	189,745,698	164,622,211
Total loans	217,127,434	187,972,194
Less:		
Allowance for loan losses	(10,659,743)	(6,843,144)
Deferred origination fees	(709,267)	(469,691)
	$ 205,758,424	$ 180,659,359

The Ventures Fund periodically purchases affordable residential mortgage loans originated by several financial institutions. The purpose of the purchases is to help establish a future permanent secondary market for these types of loans. Upon purchase by the Ventures Fund, the purchase price is set at a level that provides compensation to the Ventures Fund for the associated default risk. In certain instances, the Ventures Fund has recourse against the originating institutions for a contractually specified period of time such that if a loan defaults during that period the originating institution would be required to repurchase, substitute the loan or pay for the losses on the loan following foreclosure. Recoveries from originating lenders under this limited recourse obligation are credited to the allowance for loan losses. After the contractually specified recourse period, the Ventures Fund has all risk of loss on the loans. At December 31, 2010 and 2009, there were $6,096,201 and $9,942,169, respectively, of loans for which the Ventures Fund still had recourse against the originating institution. None of these amounts were included in loans receivable at December 31, 2010 and 2009, respectively.

Loans on which the accrual of interest has been discontinued amounted to $19,637,136 and $16,194,356 at December 31, 2010 and 2009, respectively. Interest income forgone on such loans amounted to approximately $1,964,677 and $1,380,442 for 2010 and 2009, respectively. At December 31, 2010, and 2009, included in the investment in loans that are considered to be impaired are $7,993,621 and $566,995 of loans that qualify as troubled debt restructurings, respectively.

3. Loans Receivable (continued)

The following is a summary of the changes in the allowance for losses for the years ended December 31:

	2010	2009
Balance at beginning of year	$ 6,843,144	$ 4,961,837
Provision for loan losses	2,206,944	974,384
Transfer of reserves from liability for contingent losses	25,722,726	16,462,211
Charge-offs	(24,402,778)	(15,856,890)
Recoveries	289,707	301,602
	$ 10,659,743	$ 6,843,144

The allowance related to loans that are identified as impaired is based on discounted cash flows using the loan's initial effective interest rate, the loan's observable market price, or the fair value of the collateral for collateral dependent loans. At December 31, 2010 and 2009, respectively, there were $12,724,026 and $1,331,786 of impaired loans and $2,042,105 and $106,461 of the allowance was related to these loans.

4. Mortgage-Backed Securities

The aggregate fair values of the Venture Fund's mortgaged-backed securities, all of which are fully-guaranteed by Fannie Mae, as of December 31 are as follows:

Mortgage-backed Securities	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated market value
2010	$344,118,057	$ 25,294,137	$ (386,905)	$ 369,025,289
2009	$487,262,316	$ 24,251,863	$ (673,943)	$ 510,840,236

Mortgage-backed securities at December 31, 2010, are projected to mature as follows:

	Amortized cost	Estimated fair value
Due less than one year	$ 69,175,983	$ 74,182,951
Due after one year through five years	168,060,432	180,224,617
Due after five years through ten years	95,998,411	102,946,763
Due after ten years	10,883,231	11,670,958
	$ 344,118,057	$ 369,025,289

The Ventures Fund estimates that at December 31, 2010, the fair value of the mortgage-backed securities would increase by approximately $14,900,000 with a 1% decline in interest rates. Conversely, the fair value of these securities would decrease by approximately $16,657,000 with a 1% rise in interest rates.

4. Mortgage-Backed Securities (Continued)

Fannie Mae has recourse against the Ventures Fund on $279,502,240 and $393,194,536 of the loans underlying the mortgage-backed securities owned by the Ventures Fund at December 31, 2010 and 2009, respectively. The nature of these credit risk guarantees are reflected as liabilities for contingent losses of $22,777,799 and $30,849,175, respectively, at December 31, 2010 and 2009, as described in Note 2.

The following table shows gross unrealized losses and fair value for mortgage-backed securities aggregated by length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2010 and 2009:

	Less Than 12 Months		12 Months or More		Total	
Mortgage-backed Securities	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
2010	$ -	$ -	$ 8,073,940	$ (386,905)	$ 8,073,940	$ (386,905)
2009	$ -	$ -	$ 19,386,105	$ (673,943)	$ 19,386,105	$ (673,943)

All 13 mortgage-backed securities with unrealized losses at December 31, 2010 had continuous unrealized losses for more than twelve months. The unrealized losses relate to mortgage-backed securities that have incurred fair value reductions due to higher market interest rates since the securities were purchased. The unrealized losses are not likely to reverse unless and until market interest rates decline to the levels that existed when the securities were purchased. Since none of the unrealized losses relate to the marketability of the securities or the issuer's ability to honor redemption obligations, none of the securities are deemed to be other than temporarily impaired. The Ventures Fund does not intend to sell these securities. Further, it is more likely than not that the Ventures Fund will not have to sell these securities before maturity.

Mortgage-backed securities having a value of $7,183,425 and $17,529,660 at December 31, 2010 and 2009, respectively, were pledged as collateral for the Ventures Fund's recourse obligation to Fannie Mae. Mortgage-backed securities having a value of $28,871,348 and $33,223,465 were pledged as collateral to the Ventures Fund's swap counterparties as of December 31, 2010 and 2009, respectively.

Mortgage-backed securities having a value of $91,396,199 were pledged as collateral to the FHLB at December 31, 2010.

5. Premises and Equipment

Premises and equipment includes the following as of December 31:

	2010	2009
Land and land improvements	$ 14,467,393	$ 14,423,364
Buildings	67,595,660	65,815,296
Furniture and fixtures	850,680	837,881
Construction-in-progress	144,310	144,092
	83,058,043	81,220,633
Accumulated depreciation	(12,915,605)	(11,228,896)
	$ 70,142,438	$ 69,991,737

Depreciation expense for the years ended December 31, 2010 and 2009 was $1,736,078 and $1,692,919, respectively. Many of the premises owned by the Ventures Fund are shared with one or more related parties that make rental payments to the Ventures Fund (Note 7).

6. Notes Payable

Notes payable including the following at December 31:

	2010	2009
Repurchase agreement with financial institutions at variable rates tied principally to 30-day LIBOR (0.26% at December 31, 2010) due through January 31, 2011	$ 220,290,656	$ 341,607,910
Notes payable to various financial institutions, not-for-profit entities and government agencies at rates ranging from 0.00% to 5.518%, due through August 27, 2034	117,463,624	97,859,412
Notes payable to various financial institutions and not-for-profit entities at variable rates tied to 30-day LIBOR, 90-day LIBOR, Prime, 5-year Treasury and 7-year Treasury at rates ranging from 0.00% to 1.75% due through March 29, 2016	69,721,697	64,450,000
	$ 407,475,977	$ 503,917,322

The Ventures Fund periodically receives commitments from federal agencies for additional borrowings to be used for funding loans to qualifying individuals. The Ventures Fund had no undrawn funds from those commitments at December 31, 2010 and 2009, respectively.

6. Notes Payable (continued)

Under the Ventures Fund's various loan agreements, there are restrictive covenants related to, among other things, uses of the loan proceeds, timely reporting requirements, minimum cash flow requirements, repayment of indebtedness and the creation of additional indebtedness. The Ventures Fund is in compliance with these covenants at December 31, 2010.

Included in notes payable are repurchase agreements with various counterparties accounted for as secured borrowings, listed above. The Ventures Fund sold mortgage-backed securities with fair values of $241,574,317 and $365,672,152 at December 31, 2010 and 2009, respectively, with obligations to repurchase the same securities by January 31, 2011 and 2010, respectively.

Management actively monitors the counterparty risk associated with having short-term wholesale creditors funding its repurchase agreements. Management also monitors liquidity by actively reviewing credit capacity approved by each repurchase agreement counterparty, seeks additional repurchase agreement counterparties, and identifies alternative liquidity options available for its mortgage-backed securities portfolios. In the event that one or more counterparties does not renew a repurchase agreement, the Ventures Fund can increase its repurchase agreement activity with other counterparties, enter into agreements with new counterparties and/or sell a portion of its mortgage-backed securities portfolio.

The Ventures Fund periodically receives funds from lenders at interest rates below current market rates. Based on the accounting guidelines for contributions, grant revenue must be recognized for the difference between the fair value of the loans at market rates and the fair value of loans at their stated rates with a corresponding adjustment to the carrying value of the debt. The carrying value of the debt is then adjusted over the life of the loan by imputing interest expense for the difference between the stated interest rate and the market rate. The Ventures Fund recognized $17,238,974 of grant revenue, all of which is temporarily restricted (Note 10), during the year ending December 31, 2009. The Ventures Fund recognized imputed interest expense of $1,704,855 and $843,758 during the years ending December 31, 2010 and 2009, respectively, related to below-market rate loans.

The following is a schedule of future principal payments on notes payable during the years ending December 31:

2011	$ 229,562,112
2012	29,927,021
2013	10,603,874
2014	10,564,025
2015	54,936,753
Thereafter	95,695,717
	431,289,502
Less unamortized discount on below market rate loans	(23,813,525)
	$ 407,475,977

The Ventures Fund has the authority to borrow from the FHLB, secured by assignment of specific Ventures Fund mortgage-backed securities to the FHLB.

7. Related Party Transactions

Related to the Ventures Fund are Self-Help Credit Union ("Credit Union"), Self-Help Federal Credit Union ("Federal"), the Center for Community Self-Help (the "Center") and the Center's affiliates: the Self-Help Services Corporation (the "Services Corporation"), the Self-Help Community Development Corporation ("CDC") and the Center for Responsible Lending ("CRL"). All of these entities have a common CEO. The Services Corporation provides employees to the Ventures Fund and the Ventures Fund reimburses the Service Corporation for the salaries and benefits of those employees based on the time devoted to Ventures Fund activities. Such personnel costs were $7,819,489 in 2010 and $8,852,641 in 2009.

At December 31, 2010 and 2009, interest-bearing deposits of $86,872,403 and $102,294,286, respectively, are held by the Credit Union. At December 31, 2010 and 2009 the Ventures Fund had deposits with the Credit Union in excess of the amount insured by the National Credit Union Share Insurance Fund in the amount of $81,177,665 and $98,461,055, respectively.

Interest-bearing deposits of $588,470 and $82,133 are held by Federal at December 31, 2010 and 2009, respectively. At December 31, 2010, the Ventures Fund had deposits with Federal in excess of the amount insured by the National Credit Union Share Insurance Fund of $338,470.

The Credit Union services loans for the Ventures Fund in the amount of $199,528,340 and $175,221,198 at December 31, 2010 and 2009, respectively. The Credit Union is paid a fee for servicing $9,782,641 and $10,598,987 of these loans at December 31, 2010 and 2009, respectively, which have been sold by the Ventures Fund with servicing and recourse retained.

Included in notes payable at December 31, 2010 and 2009 are $8,515,699 and $8,599,554, respectively, due to the Credit Union that are fully collateralized by an equivalent amount of the Ventures Fund's interest-bearing deposits in the Credit Union. The Center is the guarantor of notes payable of the Ventures Fund totaling $7,000,000 at both December 31, 2010 and 2009.

During 2010, the Ventures Fund contributed $5,200,000 and $550,000 to the Credit Union and Federal, respectively. These contributions further the collective mission of the Ventures Fund, Credit Union, and Federal of extending responsible, affordable financial services to low-income people and distressed communities. During 2009, the Ventures Fund contributed $500,000 to the Center and $315,000 to CDC to further their respective activities.

During 2010, the Ventures Fund reimbursed the Center $1,266,757 for expenses incurred by the Ventures Fund that the Center had previously paid during 2010. These expenses totaled: $243,984 for travel, $239,228 for phone, $125,302 for supplies, $85,916 for consulting, $98,110 for printing and copying, and $474,217 for other general and administrative expenses. These amounts are recorded in the Ventures Fund financial statements based on their respective expense classifications.

During 2009, the Ventures Fund reimbursed the Center $1,355,640 for expenses incurred by the Ventures Fund that the Center had previously paid during 2009. These expenses totaled: $269,503 for travel, $217,775 for phone, $142,202 for supplies, $106,455 for consulting, $95,659 for printing and copying, and $524,046 for other general and administrative expenses. These amounts are recorded in the Ventures Fund financial statements based on their respective expense classifications.

7. Related Party Transactions (Continued)

Certain portions of the Ventures Fund's premises and equipment are leased to the Center and its affiliates and to the Credit Union. During 2010 and 2009, rental income of approximately $1,028,560 and $1,149,913, respectively, was received from these related parties.

During 2004, the Credit Union purchased $10,799,757 of loans from the Ventures Fund for which the Credit Union has recourse against the Ventures Fund. At December 31, 2010 and 2009, $1,461,173 and $1,746,749 of the loans remain outstanding, respectively.

During 2009, the Credit Union purchased mortgage-backed securities from the Ventures Fund for $44,988,854 at fair value. In addition, the Credit Union purchased $163,300 of residential mortgage loans from Federal at par during 2009. The loans were immediately re-sold to the Ventures Fund which re-sold the loans to Fannie Mae, at par.

During 2010, the Credit Union purchased $80,001,790 of mortgage-backed securities from the Ventures Fund at fair value and $6,834,372 of loans at cost, with recourse retained by the Ventures Fund. The Credit Union also purchased two interest rate swaps from the Ventures Fund with a combined notional amount of $50,000,000 at a fair value of ($5,090,206), for which the Ventures Fund paid the Credit Union. The Ventures Fund provided recourse to the swap counterparty.

Included in loans receivable at December 31, 2010 and 2009 is $1,937,440 and $1,419,751, respectively, of loans due from CDC.

In April 2005, the Ventures Fund invested $5,000,000 as uninsured secondary capital in the Credit Union. In June 2009, the Ventures Fund invested $10,000,000 as uninsured secondary capital in the Credit Union. In February 2010, the Ventures Fund invested $10,000 as uninsured secondary capital in the Credit Union. The interest rate on the account is tied to 30-day LIBOR (.23% at December 31, 2010) and the Ventures Fund recognized dividend income of $297,158 and $124,788 during 2010 and 2009, respectively.

In August 2008, the Ventures Fund made a $2,500,000 restricted grant to Federal to provide initial capital for Federal and invested $2,500,000 as uninsured secondary capital in Federal. In June 2009, the Ventures Fund invested an additional $5,000,000 as uninsured secondary capital in Self-Help Federal. In December 2009, the Ventures Fund received a $2,000,000 grant and a $30,000,000 program-related investment from the Ford Foundation (Note 10). The Ventures Fund invested the entire $32,000,000 as secondary capital in Self-Help Federal. The interest rate on the secondary capital account is tied to 30-day LIBOR (0.23% at December 31, 2010) and the Ventures Fund recognized dividend income of $93,304 and $62,394 during 2010 and 2009, respectively.

At December 31, 2009, other current liabilities includes $5,728 due to CRL.

8. Commitments and Contingencies

The Ventures Fund is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the statement of financial position. Commitments to extend credit amounted to approximately $18,149,700 and $12,321,000 at December 31, 2010 and 2009, respectively.

8. Commitments and Contingencies (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Ventures Fund evaluates each customer's creditworthiness on a case-by-case basis.

The amount of collateral obtained, if deemed necessary by the Ventures Fund upon the extension of credit, is based on management's credit evaluation of the customer. Collateral obtained varies, but may include residential properties, accounts receivable, inventory, fixed assets, and income-producing commercial properties.

Management believes that the Ventures Fund had no undue concentrations of credit to borrowers in any market in which operations are conducted.

The Ventures Fund has received capital grants and below-market loans from various private organizations. The terms of these grants and investments impose certain requirements on the Ventures Fund, including using the funds for designated purposes and meeting certain reporting requirements.

The Ventures Fund receives federal and state grants and contracts for specific purposes that are subject to annual audit and other periodic review by the grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs which may be disallowed as appropriate expenditures under grant terms. Management believes disallowances, if any, will not be material to the accompanying consolidated financial statements.

9. Rental Income

The Ventures Fund leases certain office space in fourteen buildings to various tenants. The leases are classified as operating leases and they expire during the next five years.

The following is a schedule of minimum future rental income on non-cancellable operating leases as of December 31, 2010:

2011	$	8,138,510
2012		5,460,128
2013		3,927,267
2014		2,267,407
2015		1,670,888
	$	21,464,200

10. Net Assets

The Ventures Fund received three grants from the Ford Foundation in the amounts of $20,800,000, $7,000,000 and $24,000,000 on August 18, 1999, July 1, 1998 and November 1, 1998, respectively. Under the terms of these grants the Ventures Fund is required to leverage the funds to purchase "non-conforming" mortgage loans, and therefore, these grants were classified as temporarily restricted net assets. The leveraging ratio required by the grantor is 40:1 with a 10 year term, meaning that the Ventures Fund had to purchase $832,000,000, $280,000,000 and $960,000,000 in qualifying mortgage loans by August 17, 2009, June 30, 2008 and October 31, 2008, respectively. As of December 31, 2003, the Ventures Fund met these purchase requirements. $31,000,000 of these grants were released from restriction during 2008. The remaining $20,800,000 were released from restriction on August 17, 2009.

During 2008, the Ventures Fund received a $15,000,000, 15-year loan commitment from the MacArthur Foundation at an interest rate below current market rates to serve as loan loss reserves and funding for foreclosure prevention and mitigation. Per the accounting guidelines for contributions received and made, contribution revenue must be recognized for the difference between the fair value of the loan at market rate and the fair value of loan at its stated rate with a corresponding adjustment to the carrying value of the debt. The carrying value of the debt is then adjusted over the life of the loan by imputing interest expense for the difference between the stated interest rate and the market rate. The Ventures Fund recognized $5,502,756 in contribution income during 2008 related to this loan. The Ventures Fund recognized $448,533 and $467,408 of imputed interest expense in 2010 and 2009, respectively, which releases the net assets from restriction. The contribution income, plus any accrued interest income on the funds are classified as temporarily restricted net assets. The funds are released from restriction as the Ventures Fund recognizes eligible loan losses or after 15 years, whichever occurs first.

During 2009, the Ventures Fund received a $2,000,000 grant and a $30,000,000, 18-year loan from the Ford Foundation at an interest rate below current market rates to serve as funding for a $32,000,000 secondary capital investment in Self-Help Federal (Note 7). The Ventures Fund recognized $17,238,974 in contribution income for the difference between the fair value of the loan at market rates and the fair value of the loan at its stated rate. The Ventures Fund recognized $861,261 and $467,408 of imputed interest expense for the years ending December 31, 2010 and 2009, respectively, which releases the net assets from restriction. The contribution income and the $2,000,000 grant are classified as temporarily restricted net assets. The funds are released from restriction as the Ventures Fund recognizes losses on the secondary capital investment or after 18 years, whichever occurs first.

During 2010, the Ventures Fund received a $750,000 pass-through grant from the Center that had originally been received by the Center from the N.C. Health and Wellness Trust Fund in order to establish a revolving loan fund to provide financing to health care providers in certain economically distressed rural counties in North Carolina. The Ventures Fund must lend $750,000 for this purpose prior to June 30, 2015, at which point the net assets will be released from restriction.

During 2005, the Ventures Fund entered into forward commitments to purchase certain Fannie Mae mortgage-backed securities and interest rate swaps. Those forward commitments, with an unamortized net loss of $233,646 as of December 31, 2010, are included as a component of other net unrealized gains (losses) and are amortized into other income over the life of the mortgage-backed securities and swaps.

11. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2010 and 2009:

Cash and due from banks – The carrying amounts approximate fair value because of the short maturity of those instruments.

Mortgage-backed securities – These debt instruments are carried at fair value.

Loans receivable – The fair value of loans receivable is based on current lending rates for loans with similar terms and maturities.

The fair value of impaired loans is estimated using liquidation value and/or discounted cash flows. At December 31, 2010, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Ventures Fund records the impaired loan measured at fair value on a nonrecurring basis as a Level 3 asset.

Other real estate owned - The fair value of other real estate owned is estimated based upon values provided by an outside valuation specialist that provides values for other real estate owned.

Accrued interest receivable and accrued interest payable – The carrying amounts approximate fair value because of the short maturity of those instruments.

Recourse fee receivable – This instrument is carried at fair value.

Membership capital and other cost-basis investments – The carrying amount approximates fair value, as described in footnote 2, and is included in other assets on the statement of financial position.

Liability for contingent losses – The carrying amount approximates fair value.

Notes payable –Notes payable consists of loans from various entities with the intent to further the mission of the Ventures Fund and repurchase agreements. The loans from various entities with the intent to further the mission of the Ventures Fund generally have below market interest rates. Since these are not marketable financial instruments, fair value is based on the interest rates that these lenders would have offered at December 31, 2010 and 2009 if the same loans were made to the Ventures Fund on those dates for purposes other than to further the charitable mission of the Ventures Fund.

Interest rate swaps – these instruments are carried at fair value. The fair value of interest rate swaps is determined based on the net present value of the future expected net cash flows, based on current market interest rates.

11. Fair Value of Financial Instruments (Continued)

The fair value for these financial instruments is presented in the following tables for the years ending December 31:

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
Cash and due from banks	$ 92,002,282	$ 92,002,282	$ 107,120,678	$ 107,120,678
Fannie Mae mortgage-backed securities	369,025,289	369,025,289	510,840,236	510,840,236
Loans receivable, net of allowance	205,758,424	215,506,028	180,659,359	184,474,149
Accrued interest receivable	2,400,613	2,400,613	3,181,528	3,181,528
Recourse fee receivable	25,328,005	25,328,005	31,393,667	31,393,667
Secondary capital investments in affiliate credit unions	64,500,000	64,500,000	54,500,000	54,500,000
Membership capital and other cost-basis investments	4,421,312	4,421,312	1,569,812	1,569,812
Accrued interest payable	1,829,537	1,829,537	3,407,670	3,407,670
Liability for contingent losses	71,225,279	71,225,279	78,654,599	78,654,599
Notes payable	407,475,977	404,538,356	503,917,322	499,017,413
Interest rate swaps, gross	25,932,004	25,932,004	28,265,840	28,265,840

The Ventures Fund adopted the accounting standards for fair value measurements effective January 1, 2008. These standards establish a framework for measuring fair value, and they expand disclosures about fair value measurements. The standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards also create a three-level hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 fair values are based on observable, active market prices for identical instruments. Level 2 fair values are determined are based on observable market inputs for instruments with similar characteristics and/or prices that are not actively traded. Level 3 fair values are calculated using pricing models, using discounted cash flows and other assumptions.

11. Fair Value of Financial Instruments (Continued)

The Ventures Fund reports its mortgage-backed securities, recourse fee receivable and interest rate swaps at fair value on a recurring basis. The fair value for these instruments is presented in the following tables, as of December 31, 2010 and 2009:

2010	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
Mortgage-backed securities	$ -	$ 369,025,289	$ -
Recourse fee receivable	-	-	25,328,005
Interest rate swaps, gross	-	(25,932,004)	-

2009	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
Mortgage-backed securities	$ -	$ 510,840,236	$ -
Recourse fee receivable	-	-	31,393,677
Interest rate swaps, gross	-	(28,265,840)	-

The fair value information for items measured at fair value on a non-recurring basis is presented in the following tables, as of December 31, 2010 and 2009:

2010	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
Impaired loans	$ -	$ -	$ 10,681,981
Other real estate owned	-	-	7,532,399

2009	Level 1 Fair Values	Level 2 Fair Values	Level 3 Fair Values
Impaired loans	$ -	$ -	$ 1,225,325
Other real estate owned	-	-	4,896,836

11. Fair Value of Financial Instruments (Continued)

The fair value of the recourse fee receivable is estimated based upon the outstanding balance of the loans and mortgage-backed securities upon which the Ventures Fund receives recourse fees, the weighted-average recourse fee and the effective duration of those loans. The effective duration for the loans was 3.57 and 3.93 for the years ending December 31, 2010 and 2009, respectively. The following is a summary of the recourse fee receivable for the year ending December 31, 2010:

	2010	2009
Beginning balance	$ 31,393,667	$ 27,223,999
Additions to receivable for recourse transactions	20,517	145,324
Recourse fees received, applied against recourse fee receivable	(7,653,124)	(8,361,166)
Valuation adjustments, included in other income	1,566,945	12,385,510
Ending balance	$ 25,328,005	$ 31,393,667

12. Analysis of Expenses

The following is an analysis of expenses by program area for the years ended December 31:

	2010	2009
Community development mortgage loans	$ 48,818,765	$ 71,957,932
Community development real estate projects	7,846,056	9,268,670
Community development lending	4,852,716	2,492,522
Management and general	914,115	997,955
Contribution to affiliates	5,750,000	828,750
Total expenses	$ 68,181,652	$ 85,545,829

13. Minority Interests

The Ventures Fund participates in various limited liability partnerships and corporations for the purpose of promoting lending and real estate investment in areas served by the Ventures Fund. These entities invest in commercial loans and real estate properties. In most cases, the Ventures Fund serves as the manager of investment entities. The Ventures Fund's involvement can include active management and participation in the financing and acquisition of loans and real property, frequently involving assets originally acquired by the Ventures Fund. Based on these factors, the Ventures Fund has determined that these entities should be consolidated, and the interests of the third party investors recorded as minority interests. Summary information regarding these entities as of December 31, 2010 is as follows:

Real estate	$ 45,718,329
Commercial loans, net of allowance for loan losses	148,361,918
Total assets	228,729,256
Notes payable to Ventures Fund	$ 64,189,601
Notes payable to outside financial institutions	74,450,000
Minority interests	68,078,760

13. Minority Interests (continued)

The Ventures Fund owns a minority interest in BCCDC – Wicker LLC ("Wicker"). The Ventures Fund's interest in Wicker was acquired on August 31, 2005. Wicker's principal asset is a 30,000 square foot historic school building that the Ventures Fund and an unrelated partner, Brick Capital Community Development Corporation, renovated and leased to multiple tenants serving the community. As of year-end, the Ventures Fund had a maximum exposure of $411,482 from guarantees made to a third party investor member of Wicker.

A summary of changes in minority interests during the year ended December 31, 2010 is as follows:

Minority interests, at January 1, 2010	$ 67,752,574
Capital contributions by minority investors	1,107,000
Capital distributions to minority interests	(405,180)
Loss of consolidated subsidiaries allocated to minority investors	(375,634)
Minority interests, at December 31, 2010	$ 68,078,760

14. Interest Rate Swaps

The Ventures Fund's swap portfolio consists of pay fixed/receive floating swaps, which effectively convert floating-rate obligations (repurchase agreements) into fixed-rate instruments. As of December 31, 2010, the Ventures Fund had swap agreements in place to convert $227,000,000 of notional principal from floating-rate to fixed-rate instruments. The interest rates paid on swaps range from 4.574% to 5.710%. The notional principal of the swap agreements mature as follows:

2011	$ 20,000,000
2012	37,000,000
2013	5,000,000
2014	40,000,000
2015	25,000,000
2016	40,000,000
2017	60,000,000
	$ 227,000,000

The Ventures Fund treats its interest rate swaps as cash flow hedges of the variability of forecasted interest payments of the hedged repurchase agreements. Changes in the fair values of the hedge instruments offset interest expense as cash settlements are made, thereby resulting in adjustments to interest expense. Interest rate swaps used as hedges must be effective at reducing the risks associated with the underlying exposure and must be designated as a hedge at the inception of the contract. The Ventures Fund has determined that the ineffectiveness of these hedge instruments is immaterial. Cash collateral values of $1,921,069 for 2010 and $2,955,766 for 2009 are recorded as an offset to the interest rate swap values in the statement of financial position. Certain swaps are collateralized by mortgage-backed securities, which are held by the counterparty or in safekeeping by third parties.

14. Interest Rate Swaps (continued)

The fair value and notional amounts of the Ventures Fund's swaps is summarized as follows:

	December 31, 2010		December 31, 2009	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Cash Flow Hedges	$ (25,932,004)	$ 227,000,000	$ (28,265,840)	$ 327,000,000

The amounts reclassified from unrestricted unrealized losses into interest expense is summarized as follows for the years ending December 31:

	Reclassified from Unrestricted Unrealized Loss to Interest Expense	
	2010	2009
Cash Flow Hedges	$ 12,997,706	$ 16,038,208

There was no gain or loss recognized in the income statement due to any ineffective portion of any cash flow hedges.

15. Recent Accounting Pronouncements

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued accounting guidance on the accounting for transfers of financial assets. This guidance improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The guidance is effective for periods beginning after November 15, 2009. The Ventures Fund adopted these provisions on January 1, 2010 with no material impact on the financial statements.

Credit Quality

In July 2010, the FASB amended accounting guidance on disclosures of the credit quality of receivables, including loans receivable. The amendments are intended to provide disclosures that facilitate financial statement users' evaluation of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for loan losses, and the changes and reasons for those changes in the allowance for loan losses. The disclosures about activity that occurs during a reporting period and as of the end of a reporting period are effective for interim and annual periods beginning on or after December 15, 2010 for nonpublic entities. The Ventures Fund will adopt the provisions of this amendment in 2011.

15. Recent Accounting Pronouncements (continued)

Troubled Debt Restructurings

In April 2011, the FASB issued amended accounting guidance on the determination of whether a restructuring is a troubled debt restructuring. The objective of this amendment is to provide greater clarity and guidance to assist creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The amended guidance also states that as a result of applying these amendments, an entity may identify receivables that are newly considered impaired. An entity should disclose the total amount of receivables and the allowance for loan losses as of the end of the period of adoption related to those receivables that are newly considered impaired for which impairment was previously not measured. All disclosures will be required in annual reporting periods ending on or after December 15, 2011. The Ventures Fund will adopt the provisions of this amendment in 2011.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Ventures Fund's financial position, results of operations and cash flows.

From time to time the FASB issues exposure drafts for proposed statements of financial accounting standards. Such exposure drafts are subject to comment from the public, to revisions by the FASB and to final issuance by the FASB as statements of financial accounting standards. Management considers the effect of the proposed statements on the consolidated financial statements of the Ventures Fund and monitors the status of changes to and proposed effective dates of exposure drafts.

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors on Supplemental Information

To the Board of Directors of
Self-Help Ventures Fund
Durham, North Carolina

Our report on the audit of the consolidated financial statements of Self-Help Ventures Fund as of December 31, 2010 and for the year then ended appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The condensed consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. The condensed consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

June 7, 2011

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Self-Help Ventures Fund
Condensed Consolidating Statement of Financial Position
December 31, 2010

	Self-Help Ventures Fund	Building Subsidiaries	New Markets Subsidiaries	Eliminations	Consolidated
Assets					
Cash and due from banks	$ 59,561,484	$ 3,599,360	$ 28,841,438	$ -	$ 92,002,282
Fannie Mae mortgage-backed securities	369,025,289	-	-	-	369,025,289
Loans receivable, net of allowance for loan losses	121,586,107	-	148,361,918	(64,189,601)	205,758,424
Accrued interest receivable	2,604,177	-	648,366	(851,930)	2,400,613
Other real estate owned	7,532,399	-	-	-	7,532,399
Recourse fee receivable	25,328,005	-	-	-	25,328,005
Premises and equipment, net	39,619,875	45,718,329	-	(15,195,766)	70,142,438
Secondary capital investments in affiliate credit unions	64,500,000	-	-	-	64,500,000
Other assets	15,625,740	1,548,461	11,384	(870,898)	16,314,687
Total assets	$ 705,383,076	$ 50,866,150	$ 177,863,106	$ (81,108,195)	$ 853,004,137
Liabilities, Minority Interests, and Net Assets					
Accrued interest payable	$ 1,778,488	$ 38,979	$ 864,000	$ (851,930)	$ 1,829,537
Liability for contingent losses	71,225,279	-	-	-	71,225,279
Notes payable	333,025,978	35,002,825	103,636,775	(64,189,601)	407,475,977
Interest rate swaps	24,010,935	-	3,187,239	(3,187,239)	24,010,935
Other liabilities	3,058,421	5,798,639	113,512	(870,898)	8,099,674
Total liabilities	433,099,101	40,840,443	107,801,526	(69,099,668)	512,641,402
Minority interests	-	2,042,454	66,036,306	-	68,078,760
Net assets	272,283,975	7,983,253	4,025,274	(12,008,527)	272,283,975
Total liabilities, minority interests, and net assets	$ 705,383,076	$ 50,866,150	$ 177,863,106	$ (81,108,195)	$ 853,004,137

Self-Help Ventures Fund
Condensed Consolidating Statement of Activities
December 31, 2010

	Self-Help Ventures Fund	Building Subsidiaries	New Markets Subsidiaries	Eliminations	Consolidated
Revenues					
Interest on loans	$ 6,033,409	$ -	$ 8,020,489	$ (5,135,864)	$ 8,918,034
Interest on mortgage-backed securities	22,652,131	-	-	-	22,652,131
Income on investments and deposits	2,776,108	(19,332)	285,860	(1,583,247)	1,459,389
Rental income	3,820,156	5,654,333	-	-	9,474,489
Grants	4,204,247	9,057	-	-	4,213,304
Other	3,257,338	194,498	-	(842,430)	2,609,406
Total	42,743,389	5,838,556	8,306,349	(7,561,541)	49,326,753
Expenses					
Interest expense	15,556,938	1,619,657	5,623,290	(5,135,864)	17,664,021
Salaries and employee benefits	7,819,489	-	-	-	7,819,489
Provision for credit losses	19,949,745	-	530,088	-	20,479,833
Property management	1,313,713	2,873,132	-	(20,687)	4,166,158
Depreciation and amortization	493,180	1,242,898	-	-	1,736,078
Reimbursement of operating expenses to affiliate	5,750,000	-	-	-	5,750,000
Other	10,339,589	116,806	931,421	(821,743)	10,566,073
Total	61,222,654	5,852,493	7,084,799	(5,978,294)	68,181,652
Loss of consolidated subsidiaries allocated to minority interests	-	68,929	306,705	-	375,634
Income (loss) from operations	$ (18,479,265)	$ 54,992	$ 1,528,255	$ (1,583,247)	$ (18,479,265)