JEREMIAH PROGRAM

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

JEREMIAH PROGRAM
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jeremiah Program
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Jeremiah Program, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of activities, net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Jeremiah St. Paul Limited Partnership, which statements reflect total assets of $8,849,157 and $9,093,556 as of December 31, 2016 and 2015, respectively, and total revenues of $143,258 and $171,172, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jeremiah St. Paul Limited Partnership, is based solely on the report of the other auditors. 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 audits 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 auditor's 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Partnership adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of Jeremiah Program as of December 31, 2016 and 2015, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 15, 2017

JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,160,154	$ 529,767
Restricted Cash	707,805	2,165,813
Accounts Receivable, Net	245,825	60,418
Current Portion of Pledges Receivable, Net	959,499	4,454,806
Prepaid Expenses	291,081	114,806
Total Current Assets	3,364,364	7,325,610
PROPERTY AND EQUIPMENT		
Land and Improvements	1,672,786	1,672,786
Buildings and Improvements	16,056,933	15,990,782
Office Furniture and Equipment	677,089	444,129
Residential Furniture and Equipment	682,947	682,947
Capital Projects in Progress	105,320	78,596
Total	19,195,075	18,869,240
Less: Accumulated Depreciation	6,552,349	6,037,725
Net Property and Equipment	12,642,726	12,831,515
OTHER ASSETS		
Investments	9,010,488	8,358,493
Investment in Campus Building Partnerships	4,935,000	-
Assets Held in Trust	363,002	356,827
Restricted Reserves and Escrows	400,432	383,722
Long-Term Portion of Pledges Receivable, Net	549,346	539,896
Intangible Assets, Net	1,201	2,626
Total Other Assets	15,259,469	9,641,564
Total Assets	$ 31,266,559	$ 29,798,689

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2016	2015
CURRENT LIABILITIES		
Accounts Payable	$ 197,980	$ 71,438
Accrued Payroll and Related Benefits	258,774	233,075
Accrued Real Estate Taxes	58,896	57,644
Deferred Revenue	232,778	-
Other Current Liabilities	16,358	17,788
Capital Lease Payable, Current	4,788	7,760
Total Current Liabilities	769,574	387,705
OTHER LIABILITIES		
Mortgages Payable, Net of Discount	2,963,736	2,799,665
Less: Unamortized Financing Fees	(112,082)	(117,491)
Capital Lease Payable, Less Current Portion	8,293	2,695
Total Other Liabilities	2,859,947	2,684,869
Total Liabilities	3,629,521	3,072,574
NET ASSETS		
Unrestricted	1,281,102	1,289,753
Board Designated Reserves	15,549,025	10,368,261
Limited Partnership – Noncontrolling Interest	3,436,061	3,968,541
Total Unrestricted Net Assets	20,266,188	15,626,555
Temporarily Restricted	5,949,138	9,684,488
Permanently Restricted	1,421,712	1,415,072
Total Net Assets	27,637,038	26,726,115
Total Liabilities and Net Assets	$ 31,266,559	$ 29,798,689

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants and Contributions	$ 1,911,219	$ 2,041,016	$ 465	$ 3,952,700
Special Event Income (Net of Direct Benefits of $145,686)	540,502	-	-	540,502
Interest and Dividend Income	107,815	23,966	-	131,781
Rental Income	271,462	-	-	271,462
Child Care Income (Net of Subsidies of $7,206)	956,393	-	-	956,393
In-Kind Contributions	248,537	-	-	248,537
Other Support	4,916	-	-	4,916
Released from Restrictions	2,358,624	(2,338,446)	(20,178)	-
Total Revenues and Support	6,399,468	(273,464)	(19,713)	6,106,291
EXPENSE				
Program	4,698,192	-	-	4,698,192
Support Services:				
General and Administrative	835,407	-	-	835,407
Fundraising	1,378,525	-	-	1,378,525
Total Support Services	2,213,932	-	-	2,213,932
Total Expense	6,912,124	-	-	6,912,124
CHANGE IN NET ASSETS FROM OPERATIONS	(512,656)	(273,464)	(19,713)	(805,833)
NONOPERATING INCOME (EXPENSE)				
Gain on Investments	288,311	69,580	-	357,891
Change in Assets Held in Trust	-	-	26,353	26,353
Contributions for Future Capital Projects	-	1,332,512	-	1,332,512
Release from Restrictions: Capital Projects	4,863,978	(4,863,978)	-	-
Total Nonoperating Income (Expense)	5,152,289	(3,461,886)	26,353	1,716,756
CHANGE IN NET ASSETS	4,639,633	(3,735,350)	6,640	910,923
Change in Net Assets Attributable to the Noncontrolling Interest	532,480	-	-	532,480
CHANGE IN NET ASSETS – CONTROLLING INTEREST	$ 5,172,113	$ (3,735,350)	$ 6,640	$ 1,443,403

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants and Contributions	$ 1,873,053	$ 1,825,274	$ 25,800	$ 3,724,127
Special Event Income (Net of Direct Benefits of $121,778)	542,424	-	-	542,424
Interest and Dividend Income	95,863	24,120	-	119,983
Rental Income	285,657	-	-	285,657
Child Care Income (Net of Subsidies of $61,291)	983,337	-	-	983,337
In-Kind Contributions	203,637	-	-	203,637
Other Support	13,030	-	-	13,030
Released from Restrictions	1,568,602	(1,545,376)	(23,226)	-
Total Revenue and Support	5,565,603	304,018	2,574	5,872,195
EXPENSE				
Program	4,208,768	-	-	4,208,768
Support Services:				
General and Administrative	615,382	-	-	615,382
Fundraising	1,336,784	-	-	1,336,784
Total Support Services	1,952,166	-	-	1,952,166
Total Expense	6,160,934	-	-	6,160,934
CHANGE IN NET ASSETS FROM OPERATIONS	(595,331)	304,018	2,574	(288,739)
NONOPERATING INCOME (EXPENSE)				
Loss on Investments	(54,455)	(15,942)	-	(70,397)
Change in Assets Held in Trust	-	-	(17,630)	(17,630)
Contributions for Future Capital Projects	-	115,000	-	115,000
Total Nonoperating Income	(54,455)	99,058	(17,630)	26,973
CHANGE IN NET ASSETS	(649,786)	403,076	(15,056)	(261,766)
Change in Net Assets Attributable to the Noncontrolling Interest	518,307	-	-	518,307
CHANGE IN NET ASSETS – CONTROLLING INTEREST	$ (131,479)	$ 403,076	$ (15,056)	$ 256,541

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
BALANCE - DECEMBER 31, 2014	$ 16,276,341	$ 9,281,412	$ 1,430,128	$ 26,987,881
Change in Net Assets	(649,786)	403,076	(15,056)	(261,766)
BALANCE - DECEMBER 31, 2015	15,626,555	9,684,488	1,415,072	26,726,115
Change in Net Assets	4,639,633	(3,735,350)	6,640	910,923
BALANCE - DECEMBER 31, 2016	$ 20,266,188	$ 5,949,138	$ 1,421,712	$ 27,637,038

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program	General and Administrative	Fundraising	Total
Salaries	$ 2,044,138	$ 541,156	$ 848,151	$ 3,433,445
Benefits	233,650	33,401	73,170	340,221
Payroll Taxes	175,158	41,973	68,451	285,582
Total Personnel Costs	2,452,946	616,530	989,772	4,059,248
Accounting and Payroll Services	-	17,266	-	17,266
Professional Fees	167,436	32,581	35,545	235,562
Contract Services	43,794	32,198	39,157	115,149
Education Expenses	20,070	-	-	20,070
Childcare Expenses	110,842	-	-	110,842
Other Program Expenses	158,891	-	-	158,891
Occupancy	745,568	11,988	15,286	772,842
Telephone	15,783	20,914	9,488	46,185
Printing	10,005	5,634	33,649	49,288
Postage	807	3,285	6,515	10,607
Meetings	13,549	6,516	8,332	28,397
Bank Service Charges	-	4,908	-	4,908
Office Supplies	25,430	16,863	12,943	55,236
Dues and Subscriptions	4,397	3,489	5,714	13,600
Advertising	4,669	422	52,652	57,743
Equipment Rental	10,957	17,617	26,371	54,945
Insurance	4,290	9,037	3,016	16,343
Staff Development	11,207	5,909	2,862	19,978
Travel	28,194	6,599	13,059	47,852
Volunteer Recognition	10,429	691	2,224	13,344
Special Event and Promotional Expense	8,027	-	80,597	88,624
Bad Debt Expense	6,584	-	20,884	27,468
Depreciation and Amortization	501,411	4,880	9,759	516,050
Interest	75,974	856	1,575	78,405
Miscellaneous	41,997	1,687	1,060	44,744
	4,473,257	819,870	1,370,460	6,663,587
In-Kind Expenses	224,935	15,537	8,065	248,537
Total Expenses	$ 4,698,192	$ 835,407	$ 1,378,525	$ 6,912,124

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program	General and Administrative	Fundraising	Total
Salaries	$ 1,849,310	$ 395,088	$ 724,093	$ 2,968,491
Benefits	173,648	24,791	58,725	257,164
Payroll Taxes	160,088	29,052	57,165	246,305
Total Personnel Costs	2,183,046	448,931	839,983	3,471,960
Campaign Consultants	-	-	60,200	60,200
Accounting and Payroll Services	-	13,961	-	13,961
Professional Fees	36,361	39,020	176,889	252,270
Contract Services	109,244	19,660	19,219	148,123
Education Expenses	41,872	-	-	41,872
Childcare Expenses	114,628	-	-	114,628
Other Program Expenses	138,820	3,440	-	142,260
Occupancy	679,940	6,958	13,916	700,814
Telephone	15,550	13,404	4,985	33,939
Printing	6,168	3,872	28,867	38,907
Postage	2,309	2,176	6,522	11,007
Meetings	9,177	3,333	6,142	18,652
Bank Service Charges	1,019	1,955	357	3,331
Office Supplies	41,021	19,500	10,207	70,728
Dues and Subscriptions	2,601	1,011	4,163	7,775
Advertising	8,865	146	37,688	46,699
Equipment Rental	8,249	12,332	15,398	35,979
Insurance	4,368	2,722	1,475	8,565
Staff Development	12,996	121	1,895	15,012
Travel	20,280	5,598	8,404	34,282
Volunteer Recognition	7,487	534	2,336	10,357
Special Event and Promotional Expense	13,734	-	61,392	75,126
Bad Debt Expense	519	-	18,222	18,741
Depreciation and Amortization	477,487	4,803	9,605	491,895
Interest	73,531	749	1,498	75,778
Miscellaneous	9,680	1,716	3,040	14,436
	4,018,952	605,942	1,332,403	5,957,297
In-Kind Expenses	189,816	9,440	4,381	203,637
Total Expenses	$ 4,208,768	$ 615,382	$ 1,336,784	$ 6,160,934

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 910,923	$ (261,766)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	521,459	491,895
Unrealized (Gains) Losses	(357,501)	268,461
Realized Gains	(390)	(198,064)
Change in Value of Assets Held in Trust	(26,353)	17,630
Contributions Restricted for Financing Activities	(1,332,512)	(115,000)
Noncash Interest	77,860	74,890
(Increase) Decrease in Current Assets:		
Accounts Receivable	(185,407)	(9,334)
Pledges Receivable	37,427	42,115
Prepaid Expenses	(176,275)	(41,400)
Other Receivables	-	3,559
Increase (Decrease) in Current Liabilities:		
Accounts Payable	126,542	16,542
Accrued Payroll and Related Benefits	25,699	(79,989)
Accrued Real Estate Taxes	1,252	6,124
Deferred Revenue	232,778	(25,800)
Other Liabilities	(1,430)	(3,726)
Net Cash Provided (Used) by Operating Activities	(145,928)	186,137
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,597,104)	(2,583,613)
Investment in Campus Building Partnerships	(4,935,000)	-
Proceeds from Sale of Investments	1,323,178	2,436,226
Purchase of Property and Equipment	(314,766)	(162,344)
Change in Restricted Reserves and Escrows	(16,710)	(27,009)
Net Cash Used by Investing Activities	(5,540,402)	(336,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Contributions Restricted for:		
Capital Expansion	4,780,942	105,001
Proceeds from Debt Issuance	86,211	-
Payments on Capital Lease Liability	(8,444)	(7,300)
Net Cash Provided by Financing Activities	4,858,709	97,701
NET DECREASE IN CASH	(827,621)	(52,902)
Cash – Beginning of Year	2,695,580	2,748,482
CASH – END OF YEAR	$ 1,867,959	$ 2,695,580
CASH CONSISTS OF:		
Cash	$ 1,160,154	$ 529,767
Restricted Cash	707,805	2,165,813
Total Cash	$ 1,867,959	$ 2,695,580

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Jeremiah Program (the Organization), a nonprofit corporation headquartered in Minneapolis, Minnesota, provides a transformational experience for low-income single mothers and their children. Jeremiah Program's mission is to transform families from poverty to prosperity two generations at a time. The program's vision is to advance the two-generation approach to ending poverty by accelerating impact and reach through innovative program delivery and a national Jeremiah platform. Core services include support for a career-track college education, quality early childhood education for the children, safe and affordable housing, empowerment and life skills training, and a supportive community.

The model combines a unique set of services delivered by qualified staff with support from professional volunteers and community alliances. The first Jeremiah Program campus opened in Minneapolis, Minnesota, in 1998 and currently has capacity for 39 families. The second campus opened in 2007 in Saint Paul, Minnesota, with capacity for 38 families. Phase one of a campus with four units of housing opened in Austin, Texas, in fall 2013, and Jeremiah completed construction on a permanent campus in 2016 that will serve 35 additional families. Programming is underway in Fargo, North Dakota, and Moorhead, Minnesota, and Jeremiah Program expects to break ground on a campus in Fargo in summer 2017. In Boston, Jeremiah has introduced an innovative model, working with leading organizations to serve mothers and children. In 2016, Jeremiah provided technical assistance to partners in 18 cities who are evaluating the potential of bringing Jeremiah to their communities.

Jeremiah Program's target population is low-income single mothers who have a high school diploma or GED equivalent; their children must be age five or younger at the time of application. Participants are required to be enrolled in a post-secondary school or vocational training program, and must commit to work at least part-time and engage in life skills education and coaching while in residence.

In 2016, Jeremiah Program served 455 women and children in five cities across the United States. Graduates who moved out in 2016 and were employed were earning an average wage of $18.36, up 68% since when they started at Jeremiah. The average annual income of graduates from the past five years is $47,609. Seventy-seven percent (77%) of alumnae surveyed report a decrease in dependence on public assistance. Seventy percent (70%) of mothers across all Jeremiah campuses were academic all-stars, earning a GPA of 3.0 or above and 100% of graduates said they were living in safe housing, with 85% rating their housing as "very safe".

The goals for these determined young women are to complete a post-secondary education within three years of admission and obtain full-time employment at a livable wage with benefits upon graduation. The goal for children is to prepare them socially, emotionally, and cognitively for school success. In 2016, 88% of our children were performing above developmental benchmarks for age-appropriate skills, based on the national Ages and Stages Questionnaire (ASQ). Additionally, 81% of alumnae children who attended Jeremiah's child development centers are performing at or above grade level.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organizational Purpose (Continued)

Jeremiah's mission and work was supported by 1,426 volunteers across the country, donating more than 19,200 hours of time.

Families often enter Jeremiah Program after traumatic, isolating experiences in poverty. Most lack stable housing and any type of a support network. The desired lasting impact is for families to achieve economic self-reliance and become contributing citizens. An investment in these families at this critical time in their lives provides a meaningful return on investment. A study by Wilder Research showed that a $1 investment in these families can return up to $4 to society through decreased dependence upon public assistance, increased taxable earnings, and reduced costs associated with crime and special education.

Principles of Consolidation

The consolidated financial statements include the accounts of Jeremiah Program and Jeremiah St. Paul Limited Partnership (the Partnership). The General Partner of the Partnership is TJP St. Paul LLC, whose sole member is Jeremiah Program, a nonprofit corporation.

All intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted

Resources over which the board of trustees (board) has discretionary control. The board-designated amounts represent those unrestricted amounts the board has set aside for a particular purpose. See Note 9 for further detail.

Temporarily Restricted

Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted

Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

All three categories of net assets were held at December 31, 2016 and 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating activities represent activities associated with gains and losses on investments, changes in assets held in trust, contributions for future campus development projects and new campus operating reserves, and other nonrecurring nonoperating income/expense.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reserves and Escrows

Reserves and escrows represent funds held and restricted by the Organization for various purposes. See Note 12 for further detail.

Reclassifications

Certain amounts appearing in the 2015 consolidated financial statements have been reclassified to conform with the 2016 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Investments

Investments are valued at market value, in accordance with generally accepted accounting principles. Accordingly, unrealized gains and losses are recognized in the statements of activities.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the reserve method using management's judgment considering historical information. Services are sold on an unsecured basis. Payment is required 30 days after receipt of the invoice. Accounts past due for more than 120 days are individually analyzed for collectability. An allowance is provided for accounts between 30 and 120 days when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written-off against the related allowance. At both December 31, 2016 and 2015, the allowance was $3,700.

Pledges Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received.

Conditional promises to give are recognized as revenue when the conditions are substantially met. Two conditional promises to give totaling $1,000,000 were outstanding at December 31, 2016. One conditional promise to give, totaling $200,000 was outstanding at December 31, 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation for those items over $5,000. If donors stipulate how long assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. The Organization uses the straight-line method of depreciation over a useful life of three to ten years for furniture and equipment and over a useful life of 35 to 40 years for the buildings. Included in Property and Equipment is Capital Projects in Progress which relates to new campus development activity.

Intangible Assets

Intangible assets include tax credit fees which are being amortized over ten years using the straight line method.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor as to time period or use. Unconditional promises to give are recorded as revenue when the Organization receives the promise. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. The Organization shows all temporarily restricted contributions whose restrictions are met in the same year as restricted contributions and a reclassification through releases from restriction.

Deferred Revenue

Deferred revenue consists of payments received from grantors in advance of services being performed, as well as payments received from sponsors for which the Organization has not yet fulfilled its obligations under the sponsorship. Such amounts are recorded as revenues when the related services are performed, or obligations are satisfied.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis. The vast majority of staff costs and other expenses are recorded directly to cost center by function. For staff that devote time to multiple functions, their salaries and related expenses are allocated to program and supporting services based on time spent by function. Indirect costs are allocated based on square footage or full-time equivalents by function.

Functional breakout of expansion expense varies by location based on stage in their development. Raising the funds to build a campus drives higher fundraising expenses until the campus is complete and programming is fully operational. Therefore, fundraising expenses as a percentage of total expense is slightly higher for total Jeremiah Program. The percentage of program expenses was 68% for both 2016 and 2015. For fully operational campuses in Minneapolis/St. Paul the percentage of program expense was 78% for 2016 and 79% for 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy

Occupancy expense includes maintenance, custodial, utilities, property insurance, property taxes, and on-site property manager salaries relating to the rental operations of fully operational Jeremiah Program campuses and other noncampus building occupancy expenses.

Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding state tax codes, and therefore, the financial statements do not include a provision for income taxes. Contributions to the Organization qualify as a charitable tax deduction by the contributor. The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service.

The Partnership is not a tax paying entity, thus, no provision for income taxes has been recorded in the consolidated financial statements. All tax effects of the Partnership are passed through to the partners.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Change in Accounting Principle

The Partnership has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard reduced assets and long-term debt at December 31, 2015, by $117,491. The adoption of the standard had no effect on previously reported equity. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied. The Partnership has elected to adopt this change in accounting principle as of January 1, 2015.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 15, 2017, the date the consolidated financial statements were available to be issued.

Results of Operations

The unrestricted change in net assets from operations for the year ended December 31, 2016 was ($512,656) and includes $599,319 in non-cash depreciation, amortization, and interest expense. The total change in net assets from operations for the year ended December 31, 2016 was ($805,833). Therefore, the total change in net assets from operations excluding non-cash depreciation, amortization, and interest expense was ($206,514) and the remaining loss is largely related to start-up expenses in new communities that was funded by expansion reserves.

NOTE 2 CASH AND RESTRICTED CASH

	2016	2015
Checking	$ 830,943	$ 877,674
Savings	1,037,016	1,817,906
Total Cash and Restricted Cash	$ 1,867,959	$ 2,695,580

Restricted cash balances include amounts earmarked for campus development capital projects. For the year ending December 31, 2016, $707,805 is for Fargo-Moorhead campus development, and the balance of $2,165,813 for the year ending December 31, 2015 was for Austin campus development. Also, a significant portion of fundraising is done in the last quarter of each year resulting in higher year-end cash balances which are used to support seasonal cash flow needs in the new year. Refer to Note 8 on Seasonal Cash Reserves.

The Organization maintains bank accounts which at times may exceed federally insured limits.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts Receivable balance for the year ending December 31, 2016 includes $186,014 due back from the Guadalupe Jeremiah Austin Ltd Partnership for contributions in excess of what is needed for Jeremiah share of campus development project costs. The remaining balance of $59,774 represents largely program receivables net of $3,700 allowance for doubtful accounts. The balance for the year ending December 31, 2016, net of $3,700 allowance for doubtful accounts, was $60,418.

NOTE 4 PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

Year Ending December 31,	Operating	Capital	Total
2017	$ 797,316	$ 178,183	$ 975,499
2018	120,700	103,333	224,033
2019	62,700	103,000	165,700
2020	10,625	78,000	88,625
2021	10,000	50,000	60,000
2022	10,000	-	10,000
Thereafter	30,000	-	30,000
Total Pledge Receivable	1,041,341	512,516	1,553,857
Less: Discount	(12,827)	(16,185)	(29,012)
Allowance for Doubtful Accounts	(16,000)	-	(16,000)
Total	$ 1,012,514	$ 496,331	$ 1,508,845

The interest rate utilized for computing the discount for long-term pledges was the Organization’s three-year average interest rate obtained on investments which was approximately 1.6% for both the years ended December 31, 2016 and 2015.

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

Receivables from one contributor, specifically for building capital represented 16% of pledge receivables for the year ended December 31, 2016. Receivables from one contributor, specifically for building capital, represented 68% of pledge receivables for the year ended December 31, 2015. If large pledges are not received, it might have a significant effect on the Organization's programs and activities.

NOTE 5 ASSETS HELD IN TRUST

In 2009, the Organization was named a 6.67% beneficiary in a perpetual trust. Under the terms of the trust agreement, the trustee will disburse earnings, up to 5% per year, to the Organization. The trust distributed $20,178 and $23,226 of earnings to Jeremiah Program during the years ended December 31, 2016 and 2015, respectively. See Note 14 for further detail.

NOTE 6 INVESTMENTS

Investments consist of the following:

	2016	2015
Securities	$ 4,742,040	$ 4,286,878
Bonds	1,190,417	1,165,470
Money Market and Short-Term Instruments	3,078,031	2,906,145
Total	$ 9,010,488	$ 8,358,493

Investment income consists of the following:

	2016	2015
Interest and Dividend Income	$ 131,781	$ 119,983
Realized Gains	390	198,064
Unrealized Gains (Losses)	357,501	(268,461)
Total	$ 489,672	$ 49,586

NOTE 7 MORTGAGES PAYABLE

The balances as of December 31 were as follows:

Description	2016	2015
0% Mortgage payable to Minnesota Housing Finance Agency. Loan matures on November 1, 2032. Secured by all assets of Minneapolis campus.	$ 200,000	$ 200,000
0% Mortgage payable to Family Housing Fund. Loan matures on November 1, 2032. Secured by all assets of Minneapolis campus.	250,000	250,000
1% per annum simple interest, mortgage payable to Minneapolis Community Development Agency. Loan matures on November 1, 2032. Secured by all assets of Minneapolis campus.	456,000	452,000
0% mortgage payable to Minneapolis Community Development Agency NRP loan. The loan will be forgiven if no event of default occurs before November 1, 2032. Secured by all assets of Minneapolis campus.	1,000,000	1,000,000
0% mortgage payable to Minnesota Housing Finance Agency Minnesota Families Affordable Rental Investment Fund Program. The loan will be forgiven if no event of default occurs before November 1, 2032. Secured by all assets of Minneapolis campus.	1,795,800	1,795,800
0% mortgage payable to Family Housing Fund. Loan matures on December 18, 2037. Secured by assets of St. Paul campus.	300,000	300,000
0% mortgage payable to the Minnesota Housing Finance Agency (MHFA). Loan matures March 4, 2038. Secured by assets of St. Paul Campus.	550,000	550,000
0% mortgage payable to North Dakota Housing Finance Agency, up to $2.2M. The loan will be forgiven if no event of default occurs before December 30, 2035. Secured by assets of Fargo-Moorhead Campus.	86,211	-
Total	4,638,011	4,547,800
Less: Current Portion of Mortgage Payable	-	-
Less: Discount on Below-Market Interest	1,674,275	1,748,135
Total	$ 2,963,736	$ 2,799,665

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

Maturities on the debt are as follows:

Year Ending December 31,	Amount
2017	$ -
2018	-
2019	-
2020	-
2021	-
Thereafter	4,638,011
Total Debt Before Discount	4,638,011
Less: Present Value Discount for Low Interest Loans	(1,674,275)
Total Debt	$ 2,963,736

The Organization has received mortgages payable that are interest free or have below market interest rates. In accordance with nonprofit accounting standards, at the inception of these mortgages, interest was imputed using the market rate at that date and the corresponding discount and temporarily restricted contributions were recorded for the difference between the fair value of the loans at the market rates and the value of the loans at their stated rate. As the loans amortize, interest expense is recognized by reducing the recorded discount, and a corresponding amount is recorded as released from the temporarily restricted net asset category. A present value discount of 3%-4% is applied to below market rate loans.

NOTE 8 CAPITAL AND OPERATING LEASES

The Organization has entered into capital leases for office equipment. At December 31, 2016, the gross cost of equipment under the capital leases is $46,238 and the corresponding accumulated depreciation is $33,561. Depreciation of the office equipment under capital lease is included in depreciation expense.

Description	Amount
Capital Leases Payable - Office Equipment; Monthly Installments through August, 2021	$ 13,081
Less: Current Maturities of Capital Leases Payable	(4,788)
Capital Leases Payable Net of Current Maturities	$ 8,293

Future capital lease payments, including interest, are as follows:

Year Ending December 31,	Amount
2017	$ 5,133
2018	2,404
2019	2,404
2020	2,404
2021	1,603
Total	13,948
Less: Amount Representing Interest on Capital Leases Payable	(867)
Net Minimum Capital Lease Payments	$ 13,081

The Organization has entered into two operating leases for office space.

Future operating lease payments are as follows:

Year Ending December 31,	Amount
2017	$ 92,891
2018	94,058
2019	42,133
Total	229,082

The Organization is additionally liable for annual taxes and operating expenses associated with one of the leases.

NOTE 9 NET ASSETS

Temporarily Restricted Net Assets

Net assets temporarily restricted consist of the following donor restrictions:

	2016	2015
Purpose and Time Restricted:		
Austin - Start-Up Activity	$ 2,119,638	$ 6,494,519
Fargo-Moorhead - Start-up Activity	1,219,652	633,615
National Office Activity	268,794	295,762
Boston Activity	62,260	-
MSP - Jeremiah Works!	13,628	40,000
MSP - Scholarships	7,237	2,937
MSP - Enhanced Fieldtrips	1,858	4,081
MSP - Endowment Earnings	186,369	136,698
MSP - Mental Health	69,228	-
MSP - Nursery Way	15,899	-
MSP - Time Restricted	310,300	328,741
Total Purpose and Time Restricted Donations	4,274,863	7,936,353
Restricted for Future Period Loan Amortization	1,674,275	1,748,135
Total Temporarily Restricted	$ 5,949,138	$ 9,684,488

Net Assets Released from Restrictions

	2016	2015
Campus Capital Projects	$ 4,863,978	$ 58,238
Child Development	80,837	98,367
Jeremiah Works!	56,373	30,000
Family Services	60,810	-
Empowerment	3,922	4,639
Affordable Housing	14,167	39,356
Scholarships	2,500	8,850
Advance Mission	-	100,000
Systems Technology	113,990	37,000
Father's Project	-	75,000
Charlottesville Exploration	49,175	
Rochester Exploration	105,838	
Executive Director Hire		75,600
Misc. Purpose	28,291	24,044
Program Evaluation	100,000	100,000
Leadership Summit	-	40,000
Endowment Distribution	43,875	132,251
Total Purpose Restrictions Released	5,523,756	823,345
Operating Restrictions Released	1,062,068	35,000
Time Restrictions Released	616,600	687,031
Total Net Assets Released from Restrictions	$ 7,202,424	$ 1,545,376

MSP = Minneapolis/St. Paul campuses.

NOTE 9 NET ASSETS (CONTINUED)

Board-Designated Net Assets

Board-designated net assets consists of the following:

	2016	2015
Board-Designated - Seasonal Cash Reserve	$ 900,000	$ 900,000
Board-Designated - Operating Reserve	900,000	900,000
Board-Designated - Capital Reserve	300,000	300,000
Board-Designated - Endowment	3,816,581	3,659,077
Board-Designated - Expansion Reserve	116,365	298,501
Board-Designated - St. Paul, MN Campus	4,581,079	4,310,683
Board-Designated - Austin, TX Campus	4,935,000	-
Total Board-Designated Net Assets	$ 15,549,025	$ 10,368,261

Seasonal Cash Reserve

The seasonal cash reserve was established to ensure sufficient cash is available to cover operating expenses during the first several months each year, as a significant portion of budgeted contribution and special event revenue does not occur until the latter part of the year.

Operating Reserve

As provided for in the Organization’s Financial Resource Use Policy implemented in 2009, the operating reserve exists to address budget shortfalls and is available for use with board approval. Any shortfall to the target balance should be replenished with future years’ excess revenue.

Capital Reserve

The capital reserve was established in anticipation of future capital replacements and improvements. Capital reserves are intended for large planned or emergency capital needs when current year funding is not available to cover expenditures. A separate capital reserve was established in 2009 and is increased periodically with board approval in anticipation of future capital replacements and improvements.

Endowment

The endowment reserve is designated for long-term investment and was established for the purpose of providing additional income to support Minneapolis/St. Paul campus operations. See Note 14 for further detail.

Expansion Reserve

Expansion reserves are intended to cover some of the costs associated with exploration and start-up in new communities.

NOTE 9 NET ASSETS (CONTINUED)

St. Paul, MN Campus

Funds designated for the St. Paul, MN campus represent the Organization's investment in property and equipment for that campus.

Austin, TX Campus

Funds designated for the Austin, TX campus represent the Organization's investment in the property for that campus.

Limited Partnership – Noncontrolling Interest

Limited Partnership - Noncontrolling Interest represents the limited partner's share of equity in the Jeremiah St. Paul Limited Partnership. The limited partner is NEF Community Investment Fund II, L.P.

Change in consolidated unrestricted net assets is as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance - December 31,2014	$ 16,276,341	$ 11,789,493	$ 4,486,848
Change in Unrestricted Net Assets	(649,786)	(131,479)	(518,307)
Balance - December 31, 2015	15,626,555	11,658,014	3,968,541
Change in Unrestricted Net Assets	4,639,633	5,172,113	(532,480)
Balance - December 31, 2016	$ 20,266,188	$ 16,830,127	$ 3,436,061

NOTE 10 DONATED GOODS AND SERVICES

The Organization may receive goods and services without payment or compensation. When the value of such goods and services meets recognition criteria, it is reflected in the accompanying consolidated financial statements as revenues and expenses in accordance with U.S. generally accepted accounting principles. For the years ended December 31, 2016 and 2015, the value of contributed goods and services recognized in the accompanying consolidated statements of activities was $248,537 and $203,637, respectively.

Other donated goods and services have not been recognized in these consolidated financial statements due to not meeting this criteria; however, a substantial number of individuals have donated significant amounts of time and/or goods to the Organization.

NOTE 11 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2016 and 2015:

December 31, 2016				
Assets:	Level 1	Level 2	Level 3	Total
Securities	$ 4,742,040	$ -	$ -	$ 4,742,040
Bonds	1,190,417	-	-	1,190,417
Money Market and Short-Term Instruments	3,078,031	-	-	3,078,031
Total	9,010,488	-	-	9,010,488
Assets Held in Trust	-	-	363,002	363,002
Total	$ 9,010,488	$ -	$ 363,002	$ 9,373,490

December 31, 2015				
Assets:	Level 1	Level 2	Level 3	Total
Securities	$ 4,286,878	$ -	$ -	$ 4,286,878
Bonds	1,165,470	-	-	1,165,470
Money Market and Short-Term Instruments	2,906,145	-	-	2,906,145
Total	8,358,493	-	-	8,358,493
Assets Held in Trust	-	-	356,827	356,827
Total	$ 8,358,493	$ -	$ 356,827	$ 8,715,320

Unrealized changes in fair value for investments and realized gains and losses from sales are recorded in nonoperating income (expense) in the consolidated statements of activities.

The changes in investment measured at fair value using Level 3 inputs are reflected below:

	2016	2015
Balance - Beginning of Year	$ 356,827	$ 397,683
Distributions	(20,178)	(23,226)
Change in Value	26,353	(17,630)
Balance - End of Year	$ 363,002	$ 356,827

NOTE 12 PARTNERSHIP AGREEMENT REQUIREMENTS

Jeremiah Program, through TJP St. Paul LLC, whose sole member is Jeremiah Program, is the general partner of the Jeremiah St. Paul Limited Partnership (the Partnership). The financial results are therefore consolidated in Jeremiah Program's audited financial statements. The following items are requirements of the general partner under the Jeremiah St. Paul Limited Partnership (the Partnership) agreement. Jeremiah Program is ultimately responsible for ensuring compliance with the agreement.

Escrows and Reserves

The mortgages and partnership agreement require the Partnership to fund the following:

Operating Reserve – An operating reserve of $215,000 was funded on the date of the fourth installment of the Limited Partners' capital contribution. To the extent funds are available from cash flow, a balance of at least $200,000 is to be maintained in the operating reserve account during the compliance period. The funds may be used to fund operating deficits and for other uses benefiting the Project. Withdrawals from the reserve require written approval of the General Partner and National Equity Fund, Inc. (NEF). Upon the end of the compliance period, any remaining reserve funds will be used to pay exit taxes and distributed according to the Partnership Agreement. The reserve was properly funded at December 31, 2016.

Replacement Reserve – A replacement reserve in the amount of $30,000 was funded on the date of the fourth installment of the Limited Partners' capital contribution, and thereafter in the amount of $364 per unit per year increasing 3% annually. This reserve may be used to make capital improvements and repairs to the Project. Withdrawals from the reserve in excess of $5,000 in any given month require the written approval of the General Partner and NEF. Any remaining funds at the end of the compliance period (December 31, 2022), subject to Lender consent, will be used to pay exit taxes and distributed according to the Partnership Agreement. The reserve was properly funded at December 31, 2016.

In addition, mortgages require that real estate taxes, special assessments, insurance premiums, and other charges will be escrowed monthly.

Annual General Partner Capital Contribution

The General Partner will make additional annual capital contributions on or before January 15th of each year during the term of the loans in an amount equal to the lesser of (1) $220,000, increasing at 3% per annum, or (2) subject to the Limited Partners' consent, an amount where the Partnership can maintain breakeven operations. The General Partner has contributed $274,997 and $260,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 12 PARTNERSHIP AGREEMENT REQUIREMENTS (CONTINUED)

Transactions with Affiliates

The Partnership Agreement provides for various obligations of the General Partner including construction completion and repairing latent defects that occur within one year of completion of construction. This obligation is limited to an amount equal to the lesser of (1) twenty-five percent of the final executed construction contract cost of the Project, or (2) forty percent of the Limited Partner's Capital Contribution. Additional obligations include providing funds for operating deficits and a guaranty of housing tax credits. The General Partner is obligated to provide any funds needed, after all funds in the operating deficit reserve account have been used to fund operating deficits, limited to $121,000. The guaranty will be in effect from the achievement of breakeven operations to the later of one year from breakeven operations or 12 consecutive calendar months of debt service coverage of 1.00 or better.

Commitments and Contingencies

The Partnership's sole asset is the Project. The Partnership's operations are concentrated in the Saint Paul, Minnesota multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to rules and regulations of federal, state, and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

The Partnership's housing tax credits are contingent on its ability to maintain compliance with applicable sections of IRC Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of the Limited Partner.

The Partnership is subject to an extended use agreement between the Partnership and the Housing and Redevelopment Authority of the city of Saint Paul on behalf of the Minneapolis/Saint Paul Housing Finance Board. The agreement was made in accordance with Section 42(h)(6) of the IRC and requires the Project to maintain low income occupancy (subject to tenant income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2037.

Property Purchase Option

The Partnership has granted Jeremiah Program an option to purchase partnership property or purchase the Limited Partners limited partnership interest at the end of the housing tax credit compliance period at a price which would facilitate the purchase while protecting the Limited Partner's tax benefits from the Project. Jeremiah Program has also been granted a right of first refusal to purchase Partnership property.

NOTE 13 OTHER RELATED PARTY TRANSACTIONS

A legal housing partnership has been formed with GNDC Saldaña GP, LLC (GNDC is sole member) and Jeremiah Program Austin, LLC (Jeremiah Program is the sole member) under the legal name of Guadalupe Jeremiah Limited Partnership (Ltd Partnership) which will provide safe affordable housing, early childhood education, life skills training, career track coaching, and a supportive community, serving 35 low income families in addition to the four families currently being served through other GNDC housing.

At December 31, 2016 the Organization was in the final stages of constructing a new campus in Austin, Texas. Campus development was completed in Q1 of 2017 and families began moving in at the start of April. The new campus has been built in partnership with Guadalupe Neighborhood Development Corporation (GNDC), a low income nonprofit housing developer and property management organization. GNDC provided the land for the Jeremiah Program site and is the developer for the project, working closely with Jeremiah Program Austin Building Committee.

The cost of the campus development project is estimated at $7,165,360, and as of December 31, 2016, $7,176,714 had been raised toward the campus development project. Of this amount, Jeremiah Program raised and contributed $4,935,000 and GNDC raised and contributed $2,241,714 toward the total development project, which includes $2,000,000 of HIF funding through the city of Austin in the form of a noninterest-bearing loan that is forgivable at the end of its term. Once all the final expenses are paid the project will be closed out and any excess funding will be returned to Jeremiah Program. Once this is complete, the final ownership percentages will be calculated on the amounts raised.

Furnishings for apartments, child development center, community space, and offices will be carried on Jeremiah Program books. As of December 31, 2016, down payments are reflected in prepaid expenses.

The financials for the Guadalupe Jeremiah Limited Partnership will be consolidated with GNDC financials. GNDC will serve as property manager and Jeremiah will make monthly operating contributions to the Ltd Partnership to cover operating expenses, net of building income. GNDC as general partner with controlling interest has overall accountability for the Ltd Partnership but partnership agreement provides for joint approval of annual operating budgets and other key decisions regarding the assets of the partnership.

NOTE 14 ENDOWMENT

The Organization has a board-designated endowment fund established for the purpose of providing income to support operations. The Organization also is the beneficiary of a perpetual trust that is classified as a permanently restricted endowment fund. In addition during 2011, the Organization began receiving contributions for a permanent endowment. While future campus communities may establish endowment funds, currently the Organization's endowment consists of three individual funds established for providing income to support it Minneapolis/St. Paul campus operations.

NOTE 14 ENDOWMENT (CONTINUED)

As required by U.S. generally accepted accounting principles, net assets of the endowment fund, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As a result of this interpretation, the Organization classifies the board-designated endowment assets as unrestricted net assets.

The Organization's endowment policy allows for a 3-5% distribution from endowment funds annually that is based on rolling 12 quarter average of both unrestricted and permanently restricted endowment balances.

The Organization invests its endowment funds in a portfolio including a liquid money market account, mutual funds consisting of short-term treasury investments, inflation-protected securities, total bond market, and large cap stock, in addition to exchange traded funds, with the objective of preservation of capital and long-term capital appreciation. The portfolio investment return objective is to produce returns over time at a moderate level of risk to invested capital.

In 2010, the board-designated endowment fund was increased to $2.5 million to recognize certain legacy gifts, in conjunction with plans to grow a formal endowment over the next several years to further support Minneapolis/St. Paul campus operations.

Interpretation of Relevant Law

The board of directors of Jeremiah Program has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

NOTE 14 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment net asset composition by type and changes in endowment net assets for the years ended December 31, 2016 and 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2016				
Board-Designated Endowment Funds	$ 3,816,581	$ -	$ -	$ 3,816,581
Donor-Restricted Endowment Funds	-	186,369	1,058,710	1,245,079
Permanent Trusts	-	-	363,002	363,002
Total Funds	$ 3,816,581	$ 186,369	$ 1,421,712	$ 5,424,662

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2015				
Board-Designated Endowment Funds	$ 3,659,077	$ -	$ -	$ 3,659,077
Donor-Restricted Endowment Funds	-	136,698	1,058,245	1,194,943
Permanent Trusts	-	-	356,827	356,827
Total Funds	$ 3,659,077	$ 136,698	$ 1,415,072	$ 5,210,847

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, December 31, 2014	$ 3,680,845	$ 260,771	$ 1,430,128	$ 5,371,744
Contributions	100	-	25,800	25,900
Earnings:				
Interest and Dividends	70,433	24,120	-	94,553
Realized and Unrealized Gains and Losses	(46,551)	(15,942)	(17,630)	(80,123)
	23,882	8,178	(17,630)	14,430
Transfers to Endowment	-	-	-	-
Appropriations	(45,750)	(132,251)	(23,226)	(201,227)
Endowment Fund Balance, December 31, 2015	3,659,077	136,698	1,415,072	5,210,847
Contributions	-	-	465	465
Earnings:				
Interest and Dividends	75,994	23,966	-	99,960
Realized and Unrealized Gains and Losses	220,635	69,580	26,353	316,568
	296,629	93,546	26,353	416,528
Transfers to Endowment	-	-	-	-
Appropriations	(139,125)	(43,875)	(20,178)	(203,178)
Endowment Fund Balance, December 31, 2016	$ 3,816,581	$ 186,369	$ 1,421,712	$ 5,424,662

NOTE 15 EXPANSION

During the past few years, program related expenses as a percent of total expenses have declined. This change is due to the administrative and fundraising cost associated with new campus start-up and also national office investment in infrastructure to support multiple campuses. For 2016 and 2015, program expenses as a percentage of total expense was 68%. As each new campus community becomes fully operational the program expense ratios will improve; however, these improvements will be offset as other communities enter the pipeline and begin major fundraising for campus start-up.

NOTE 16 COMMITMENTS AND FUTURE EXPANSION

Jeremiah Program has been raising funds to develop a Jeremiah Program campus in Fargo, North Dakota that will provide safe affordable housing, early childhood education, life skills training, career track coaching, and a supportive community, serving 20 low income families in the Fargo-Moorhead area. The estimated cost of the project including operating reserves is $5,901,077, however no construction contract was yet signed as of December 31, 2016. As of December 31, 2016, there was $4,784,197 committed for this project that includes up to $2,200,000 in HIF funds through North Dakota Housing Finance Agency (NDHFA), $300,000 funding through Federal Home Loan Bank (FHLB), and $1,052,655 in NHTF (Northern Housing Trust Fund) through NDHFA. All of this funding is in the form of noninterest bearing loans forgivable at the end of the loan term. Loan documents have been completed for HIF and FHLB with draws against HIF funding in 2016 for architect fees and other development consulting. Loan documents for NHTF are expected to be completed during the second quarter of 2017. The remaining funds to be raised is being accomplished through two foundation matching grants. Plans are to break ground this summer with campus completed and becoming fully operational in 2018.

NOTE 17 INVESTMENT IN PARTNERSHIP AT EQUITY METHOD

Jeremiah Program, as the limited partner, has a 66.63% interest in Guadalupe Jeremiah Limited Partnership as of December 31, 2016. (see note 13 for additional detail).

The Organization follows accounting policies which include a presumption that a general partner controls the partnership no matter what the ownership interest is and requires the sole general partner in a limited partnership to consolidate the partnership unless that presumption of control is overcome.

The Organization evaluated its relationship with the limited partnership in which it is currently the limited partner and determined the presumption of control resides with the general partner. Therefore, the Organization accounts for the investment on an equity method.

The financial information for this entity is as follows for December 31, 2016:

Assets	$ 6,887,316
Liabilities	-
Equity	6,887,316
Net Income (Loss)	(1,627)