JEREMIAH PROGRAM

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

JEREMIAH PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jeremiah Program
Minneapolis, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jeremiah Program, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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 Consolidated 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 did not audit the financial statements of Jeremiah St. Paul Limited Partnership, which statements reflect total assets of $8,644,226 and $8,849,157 as of December 31, 2017 and 2016, respectively, and total revenues of $163,216 and $143,258, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. The financial statements of Jeremiah St. Paul Limited Partnership were not audited in accordance with *Government Auditing Standards.*

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.

Auditors' Responsibility (continued)

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, 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 consolidated financial positions of Jeremiah Program as of December 31, 2017 and 2016, and the consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018, on our consideration of Jeremiah Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jeremiah Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jeremiah Program's internal control over financial reporting and compliance. The financial statements of Jeremiah St. Paul Limited Partnership were not audited in accordance with *Government Auditing Standards*.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
June 4, 2018

JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 1,749,773	$ 1,160,154
Restricted Cash	1,661,069	707,805
Accounts Receivable, Net	337,594	245,825
Current Portion of Pledges Receivable, Net	1,978,581	959,499
Prepaid Expenses	144,129	291,081
Total Current Assets	5,871,146	3,364,364
PROPERTY AND EQUIPMENT		
Land and Improvements	1,672,786	1,672,786
Buildings and Improvements	16,161,990	16,056,933
Office Furniture and Equipment	535,442	677,089
Residential Furniture and Equipment	859,304	682,947
Capital Projects in Progress	3,933,621	105,320
Total	23,163,143	19,195,075
Less: Accumulated Depreciation	6,891,417	6,552,349
Net Property and Equipment	16,271,726	12,642,726
OTHER ASSETS		
Investments	8,764,718	9,010,488
Investment in Campus Building Partnerships	4,894,697	4,935,000
Assets Held in Trust	394,969	363,002
Restricted Reserves and Escrows	419,561	400,432
Long-Term Portion of Pledges Receivable, Net	1,079,980	549,346
Intangible Assets, Net	167	1,201
Total Other Assets	15,554,092	15,259,469
Total Assets	$ 37,696,964	$ 31,266,559

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2017	2016
CURRENT LIABILITIES		
Accounts Payable	$ 514,906	$ 197,980
Accrued Payroll and Related Benefits	159,268	258,774
Accrued Real Estate Taxes	63,732	58,896
Deferred Revenue	49,444	232,778
Other Current Liabilities	15,697	16,358
Capital Lease Payable, Current	3,255	4,788
Total Current Liabilities	806,302	769,574
OTHER LIABILITIES		
Mortgages Payable, Net of Discount	5,929,533	2,963,736
Less: Unamortized Financing Fees	(106,673)	(112,082)
Capital Lease Payable, Less Current Portion	10,649	8,293
Total Other Liabilities	5,833,509	2,859,947
Total Liabilities	6,639,811	3,629,521
NET ASSETS		
Unrestricted	3,152,896	1,281,102
Board Designated Reserves	16,550,584	15,549,025
Limited Partnership – Noncontrolling Interest	2,939,115	3,436,061
Total Unrestricted Net Assets	22,642,595	20,266,188
Temporarily Restricted	6,940,879	5,949,138
Permanently Restricted	1,473,679	1,421,712
Total Net Assets	31,057,153	27,637,038
Total Liabilities and Net Assets	$ 37,696,964	$ 31,266,559

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants and Contributions	$ 4,206,431	$ 1,077,503	$ 20,000	$ 5,303,934
Special Event Income (Net of Direct Benefits of $173,606)	939,849	-	-	939,849
Interest and Dividend Income	121,126	26,001	-	147,127
Rental Income	278,959	-	-	278,959
Child Care Income (Net of Subsidies of $13,567)	986,965	-	-	986,965
In-Kind Contributions	219,252	-	-	219,252
Other Support	1,881	-	-	1,881
Released from Restrictions	1,591,007	(1,580,096)	(10,911)	-
Total Revenues and Support	8,345,470	(476,592)	9,089	7,877,967
EXPENSE				
Program	5,636,137	-	-	5,636,137
Support Services:				
General and Administrative	865,772	-	-	865,772
Fundraising	1,621,150	-	-	1,621,150
Total Support Services	2,486,922	-	-	2,486,922
Total Expense	8,123,059	-	-	8,123,059
CHANGE IN NET ASSETS FROM OPERATIONS	222,411	(476,592)	9,089	(245,092)
NONOPERATING INCOME				
Gain on Investments	751,981	192,772	-	944,753
Change in Assets Held in Trust	-	-	42,878	42,878
Contributions for Future Capital Projects	-	2,677,576	-	2,677,576
Released from Restrictions: Capital Projects	1,402,015	(1,402,015)	-	-
Total Nonoperating Income	2,153,996	1,468,333	42,878	3,665,207
CHANGE IN NET ASSETS	2,376,407	991,741	51,967	3,420,115
Change in Net Assets Attributable to the Noncontrolling Interest	496,946	-	-	496,946
CHANGE IN NET ASSETS – CONTROLLING INTEREST	$ 2,873,353	$ 991,741	$ 51,967	$ 3,917,061

See accompanying Notes to Consolidated Financial Statements.

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
Released 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 STATEMENTS OF NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Change in Net Assets	2,376,407	991,741	51,967	3,420,115
BALANCE - DECEMBER 31, 2017	$ 22,642,595	$ 6,940,879	$ 1,473,679	$ 31,057,153

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program	General and Administrative	Fundraising	Total
Salaries	$ 2,505,450	$ 503,487	$ 942,270	$ 3,951,207
Benefits	274,748	32,394	81,610	388,752
Payroll Taxes	214,836	40,624	76,312	331,772
Total Personnel Costs	2,995,034	576,505	1,100,192	4,671,731
Campaign Consultants	-	-	23,334	23,334
Accounting and Payroll Services	-	15,968	-	15,968
Professional Fees	113,936	37,947	208	152,091
Contract Services	177,330	33,925	42,962	254,217
Education Expenses	25,607	-	-	25,607
Childcare Expenses	122,384	-	-	122,384
Other Program Expenses	234,802	14,748	53,300	302,850
Occupancy	916,613	51,305	28,985	996,903
Telephone	31,040	24,204	10,689	65,933
Printing	10,755	3,593	17,534	31,882
Postage	4,656	970	8,950	14,576
Meetings	14,751	5,193	6,867	26,811
Bank Service Charges	-	4,540	-	4,540
Office Supplies	41,796	11,318	15,183	68,297
Dues and Subscriptions	4,939	2,215	4,614	11,768
Advertising	8,689	356	34,427	43,472
Equipment Rental	28,598	8,634	22,385	59,617
Insurance	8,323	7,364	3,268	18,955
Staff Development	9,680	2,230	4,712	16,622
Travel	33,903	4,806	6,482	45,191
Volunteer Recognition	11,295	722	2,394	14,411
Special Event and Promotional Expense	8,175	-	160,056	168,231
Bad Debt Expense	2,158	-	27,645	29,803
Depreciation and Amortization	557,468	47,502	19,233	624,203
Interest	78,915	998	1,772	81,685
Miscellaneous	8,668	443	3,614	12,725
Subtotal	5,449,515	855,486	1,598,806	7,903,807
In-Kind Expenses	186,622	10,286	22,344	219,252
Total Expenses	$ 5,636,137	$ 865,772	$ 1,621,150	$ 8,123,059

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
Subtotal	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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,420,115	$ 910,923
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	624,203	521,459
Unrealized Gains	(611,758)	(357,501)
Realized Gains	(332,995)	(390)
Change in Value of Assets Held in Trust	(42,878)	(26,353)
Contributions Restricted for Financing Activities	(2,677,576)	(1,332,512)
Noncash Interest	80,946	77,860
(Increase) Decrease in Current Assets:		
Accounts Receivable	(91,769)	(185,407)
Pledges Receivable	(435,116)	37,427
Prepaid Expenses	146,952	(176,275)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	102,761	126,542
Accrued Payroll and Related Benefits	(99,506)	25,699
Accrued Real Estate Taxes	4,836	1,252
Deferred Revenue	(183,334)	232,778
Other Liabilities	(661)	(1,430)
Net Cash Used by Operating Activities	(95,780)	(145,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(2,646,881)	(1,597,104)
Investment in Campus Building Partnerships	40,303	(4,935,000)
Proceeds from Sale of Investments	3,848,315	1,323,178
Purchase of Property and Equipment	(4,026,314)	(314,766)
Change in Restricted Reserves and Escrows	(19,129)	(16,710)
Net Cash Used by Investing Activities	(2,803,706)	(5,540,402)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for:		
Capital Expansion	1,562,976	4,780,942
Proceeds from Debt Issuance	2,884,850	86,211
Payments on Capital Lease Liability	(5,457)	(8,444)
Net Cash Provided by Financing Activities	4,442,369	4,858,709
NET INCREASE (DECREASE) IN CASH	1,542,883	(827,621)
Cash – Beginning of Year	1,867,959	2,695,580
CASH – END OF YEAR	$ 3,410,842	$ 1,867,959
CASH CONSISTS OF:		
Cash	$ 1,749,773	$ 1,160,154
Restricted Cash	1,661,069	707,805
Total Cash	$ 3,410,842	$ 1,867,959

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Equipment Acquired through Capital Lease	$ 6,280	$ -
Property and Equipment Included in Accounts Payable	$ 214,165	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

The mission of Jeremiah Program is to transform families from poverty to prosperity. The program prepares determined single mothers to excel in the workforce, readies their children to succeed in school, and reduces generational dependence on public assistance. Five core pillars, supported by personalized coaching, from Jeremiah's holistic model: support for career-track college education; empowerment and life skills training; quality early childhood education; safe affordable housing; and a supportive community. With this support, families find stability and a path out of poverty.

Headquartered in Minneapolis, MN, Jeremiah Program is expanding throughout the country to meet the growing demand for its model. The organization has campuses in Minneapolis and St. Paul, MN; Austin, TX; and Fargo, ND. In Boston, MA and the Brownsville neighborhood of Brooklyn, NY, Jeremiah Program has introduced an innovative partnership model, working with leading community organizations to serve mothers and children. In addition, community leaders in Rochester, MN are developing plans to bring Jeremiah Program to the area.

In 2017, Jeremiah Program served 494 mothers and children in five communities across the United States. Affordable housing and on-site early childhood education were offered to 108 families in residential programs in Minneapolis-St. Paul, MN, and Austin, TX. Core direct services, which included empowerment and life skills classes and family coaching, were offered to all families in the residential programs as well as 33 additional families in Boston, MA, New York, NY, and Fargo, ND. Core programmatic accomplishments included 25 women graduating from college with a career-track degree and 26 children graduating from preschool ready for kindergarten.

Additional program service accomplishments: opened a new campus in Austin, TX, expanding service capacity to 39 families; finished construction on a campus in Fargo, ND, with 20 family apartments and an on-site child development center; welcomed the first cohort of families in Brooklyn, NY; offered 2,270 one-to-one coaching sessions, 9 empowerment courses, and 252 life skills workshops; celebrated 54% of mothers across campuses earning a 3.0 GPA or higher in their post-secondary program; secured land and a lead gift to build a campus in Rochester, MN, slated to open in 2020; and 1,500 volunteers contributed more than 21,000 hours of service.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016.

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.

Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016, 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. There were no conditional promises to give outstanding at December 31, 2017. Two conditional promises to give totaling $1,000,000 were outstanding at December 31, 2016.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 69% and 68% for 2017 and 2016, respectively. For fully operational campuses in Minneapolis/St. Paul the percentage of program expense was 80% for 2017 and 78% for 2016.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

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.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 4, 2018, 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, 2017 was $222,411 and includes $705,888 in noncash depreciation, amortization, and interest expense. The total change in net assets from operations for the year ended December 31, 2017 was ($245,092). Therefore, the total change in net assets from operations excluding noncash depreciation, amortization, and interest expense was $460,796.

NOTE 2 CASH AND RESTRICTED CASH

	2017	2016
Checking	$ 3,332,163	$ 830,943
Savings	78,679	1,037,016
Total Cash and Restricted Cash	$ 3,410,842	$ 1,867,959

Restricted cash balances include amounts earmarked for campus development capital projects. For the year ending December 31, 2017, $1,161,069 is for Fargo-Moorhead campus development and $500,000 is for Rochester, MN campus development. For the year ending December 31, 2016, $707,805 was for Fargo-Moorhead campus development.

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.

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, 2017 and 2016 includes $215,098 and $186,014, respectively, 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 $122,496 and $59,811, respectively, represents largely program receivables net of a $3,700 allowance for doubtful accounts.

NOTE 4 PLEDGES RECEIVABLE

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

Year Ending December 31,	Operating	Capital	Total
2018	$ 1,579,998	$ 423,583	$ 2,003,581
2019	153,500	292,917	446,417
2020	83,125	248,000	331,125
2021	80,000	200,000	280,000
2022	60,000	-	60,000
Thereafter	16,196	-	16,196
Total Pledge Receivable	1,972,819	1,164,500	3,137,319
Less: Discount	(21,101)	(32,657)	(53,758)
Allowance for Doubtful Accounts	(25,000)	-	(25,000)
Total	$ 1,926,718	$ 1,131,843	$ 3,058,561

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

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, 2017 and 2016.

Receivables from two contributors, specifically for building capital represented 26% of pledge receivables for the year ended December 31, 2017. Receivables from one contributor, specifically for building capital, represented 16% of pledge receivables for the year ended December 31, 2016. 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 $10,911 and $20,178 of earnings to Jeremiah Program during the years ended December 31, 2017 and 2016, respectively. See Note 14 for further detail.

NOTE 6 INVESTMENTS

Investments consist of the following:

	2017	2016
Securities	$ 5,346,836	$ 4,742,040
Bonds	1,209,903	1,190,417
Money Market and Short-Term Instruments	2,207,979	3,078,031
Total	$ 8,764,718	$ 9,010,488

Investment income consists of the following:

	2017	2016
Interest and Dividend Income	$ 147,127	$ 131,781
Realized Gains	332,995	390
Unrealized Gains	611,758	357,501
Total	$ 1,091,880	$ 489,672

NOTE 7 MORTGAGES PAYABLE

The balances as of December 31 were as follows:

Description	2017	2016
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.	460,000	456,000
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 September 10, 2035. Secured by assets of Fargo-Moorhead Campus.	2,090,000	86,211

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

Description	2017	2016
0% mortgage payable to North Dakota Housing Finance Agency, up to $1,052,655. The loan will be forgiven if no event of default occurs before January 1, 2049. Secured by the land and building of the Fargo-Moorhead Campus.	$ 881,062	$ -
Total	7,526,862	4,638,011
Less: Current Portion of Mortgage Payable	-	-
Less: Discount on Below-Market Interest	1,597,329	1,674,275
Total	$ 5,929,533	$ 2,963,736

Maturities on the debt are as follows:

Year Ending December 31,	Amount
2018	$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	7,526,862
Total Debt Before Discount	7,526,862
Less: Present Value Discount for Low Interest Loans	(1,597,329)
Total Debt	$ 5,929,533

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.

The Organization entered into a mortgage agreement with the Federal Home Loan bank of Des Moines. The agreement is for $300,000 of funding, which will be forgiven if no event of default occurs after 15 years from the date the Fargo-Moorhead campus is completed. No funds were advanced during the year ended December 31, 2017.

NOTE 8 CAPITAL AND OPERATING LEASES

The Organization has entered into capital leases for office equipment. At December 31, 2017, the gross cost of equipment under the capital leases is $52,518 and the corresponding accumulated depreciation is $38,957. Depreciation of the office equipment under capital lease is included in depreciation expense.

Description	Amount
Capital Leases Payable - Office Equipment; Monthly Installments through August, 2022	$ 13,904
Less: Current Maturities of Capital Leases Payable	(3,255)
Capital Leases Payable Net of Current Maturities	$ 10,649

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

Year Ending December 31,	Amount
2018	$ 4,000
2019	4,000
2020	4,000
2021	3,199
2022	399
Total	15,598
Less: Amount Representing Interest on Capital Leases Payable	(1,694)
Net Minimum Capital Lease Payments	$ 13,904

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

Future operating lease payments are as follows:

Year Ending December 31,	Amount
2018	$ 94,631
2019	95,918
2020	44,113
Total	$ 234,662

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:

	2017	2016
Purpose and Time Restricted:		
Austin - Activity	$ 1,541,114	$ 2,119,638
Fargo-Moorhead - Activity	2,112,680	1,219,652
National Office Activity	585,835	268,794
Boston Activity	69,884	62,260
MSP - Jeremiah Works!	-	13,628
MSP - Scholarships	11,537	7,237
MSP - Enhanced Fieldtrips	-	1,858
MSP - Endowment Earnings	357,916	186,369
MSP - Mental Health	-	69,228
MSP - Nursery Way	20,611	15,899
MSP - Time Restricted	120,000	310,300
Rochester - Activity	500,000	-
MSP - Miscellaneous Purpose	23,973	-
Total Purpose and Time Restricted Donations	5,343,550	4,274,863
Restricted for Future Period Loan Amortization	1,597,329	1,674,275
Total Temporarily Restricted	$ 6,940,879	$ 5,949,138

Net Assets Released from Restrictions

	2017	2016
Campus Capital Projects	$ 1,402,015	$ 4,863,978
Child Development	216,463	80,837
Jeremiah Works!	23,628	56,373
Family Services	136,975	60,810
Empowerment	15,824	3,922
Affordable Housing	81,476	14,167
Scholarships	3,200	2,500
Mental Health	94,228	-
Systems Technology	50,540	113,990
Nursery Way	28,621	-
Charlottesville Exploration	-	49,175
Rochester Exploration	3,769	105,838
NYC Exploration	106,000	-
Misc. Purpose	46,217	28,291
Program Evaluation	102,291	100,000
Endowment Distribution	47,226	43,875
Total Purpose Restrictions Released	2,358,473	5,523,756
Operating Restrictions Released	76,946	1,062,068
Time Restrictions Released	546,692	616,600
Total Net Assets Released from Restrictions	$ 2,982,111	$ 7,202,424

MSP = Minneapolis/St. Paul campuses.

NOTE 9 NET ASSETS (CONTINUED)

Net Assets Released from Restrictions (Continued)

For the years ended December 31, 2017 and 2016, there were releases from permanent restrictions totaling $10,911 and $20,178, respectively.

Board-Designated Net Assets

Board-designated net assets consists of the following:

	2017	2016
Board-Designated - Seasonal Cash Reserve	$ 900,000	$ 900,000
Board-Designated - Operating Reserve	1,195,000	900,000
Board-Designated - Capital Reserve	300,000	300,000
Board-Designated - Endowment	4,353,366	3,816,581
Board-Designated - Expansion Reserve	42,455	116,365
Board-Designated - St. Paul, MN Campus	4,865,066	4,581,079
Board-Designated - Austin, TX Campus	4,894,697	4,935,000
Total Board-Designated Net Assets	$ 16,550,584	$ 15,549,025

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 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 31,2015	$ 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
Change in Unrestricted Net Assets	2,376,407	2,873,353	(496,946)
Balance - December 31, 2017	$ 22,642,595	$ 19,703,480	$ 2,939,115

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 accounting principles generally accepted in the United States of America. For the years ended December 31, 2017 and 2016, the value of contributed goods and services recognized in the accompanying consolidated statements of activities was $219,252 and $248,537, 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, 2017 and 2016:

December 31, 2017				
Assets:	Level 1	Level 2	Level 3	Total
Securities	$ 5,346,836	$ -	$ -	$ 5,346,836
Bonds	1,209,903	-	-	1,209,903
Money Market and Short-Term Instruments	2,207,979	-	-	2,207,979
Total	8,764,718	-	-	8,764,718
Assets Held in Trust	-	-	394,969	394,969
Total	$ 8,764,718	$ -	$ 394,969	$ 9,159,687

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

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

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

	2017	2016
Balance - Beginning of Year	$ 363,002	$ 356,827
Distributions	(10,911)	(20,178)
Change in Value	42,878	26,353
Balance - End of Year	$ 394,969	$ 363,002

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, 2017.

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, 2017.

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 $287,050 and $274,997 for the years ended December 31, 2017 and 2016, 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 provides 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.

Campus development in Austin, Texas 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 was $7,393,162, and as of December 31, 2017, $7,402,761 was raised toward the campus development project with $9,599 of excess funds being used to cover some of the noncapital start-up expenses. Of the total amount for the core campus development project, Jeremiah Program raised and contributed $4,894,697 and GNDC raised and contributed $2,498,465 toward the core development project. GNDC's contribution 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. Jeremiah, as the limited partner, has a 66.21% interest in the Guadalupe Jeremiah Limited Partnership as of December 31, 2017. Jeremiah has a receivable for $215,098 due from the partnership for excess funding to be paid back in 2018.

Furnishings for apartments, child development center, community space, and offices are carried on Jeremiah Program books.

The financials for the Guadalupe Jeremiah Limited Partnership will be consolidated with GNDC financials. GNDC serves as property manager and Jeremiah makes 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 the 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 its Minneapolis/St. Paul campus operations.

NOTE 14 ENDOWMENT (CONTINUED)

As required by accounting principles generally accepted in the United States of America, 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, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2017				
Board-Designated Endowment Funds	$ 4,353,366	$ -	$ -	$ 4,353,366
Donor-Restricted Endowment Funds	-	357,916	1,078,710	1,436,626
Permanent Trusts	-	-	394,969	394,969
Total Funds	$ 4,353,366	$ 357,916	$ 1,473,679	$ 6,184,961

	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
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
Total	296,629	93,546	26,353	416,528
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
Contributions	-	-	20,000	20,000
Earnings:				
Interest and Dividends	81,359	26,001	-	107,360
Realized and Unrealized Gains and Losses	603,200	192,772	42,878	838,850
Total	684,559	218,773	42,878	946,210
Appropriations	(147,774)	(47,226)	(10,911)	(205,911)
Endowment Fund Balance, December 31, 2017	$ 4,353,366	$ 357,916	$ 1,473,679	$ 6,184,961

During the year ended December 31, 2017, the Organization received $20,000 of permanently restricted contributions for the National Scholarship Fund for 2nd Generation College Students.

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 2017 and 2016, program expenses as a percentage of total expense was 69% and 68%, respectively. 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

During 2017, Jeremiah Program completed fundraising and construction of a new Jeremiah Program campus in Fargo, North Dakota to 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. Construction was completed in December 2017 with families moving in January 2018. The estimated cost of the project including operating reserves is $5,940,346. In addition to private donations, the project includes $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 Northern Housing Trust Fund (NHTF) through NDHFA in the form of noninterest bearing loans forgivable at the end of the loan term. The project close out will occur once all final expenses have been paid.

NOTE 17 INVESTMENT IN PARTNERSHIP AT EQUITY METHOD

Jeremiah Program, as the limited partner, has a 66.21% interest in Guadalupe Jeremiah Limited Partnership as of December 31, 2017. (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.

NOTE 17 INVESTMENT IN PARTNERSHIP AT EQUITY METHOD (CONTINUED)

The financial information for this entity is as follows for December 31, 2017 and 2016:

	2017	2016
Assets	$ 7,573,007	$ 6,887,316
Liabilities	395,806	-
Equity	7,391,535	6,887,316
Net Loss	(214,334)	(1,627)

Included in net loss for the year ending December 31, 2017 is $220,560 of noncash depreciation expense.