

JEREMIAH PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**JEREMIAH PROGRAM
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jeremiah Program
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Jeremiah Program (a nonprofit organization), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 \$8,389,971 and \$8,644,226 as of December 31, 2018 and 2017, respectively, and total revenues of \$181,073 and \$163,216, respectively, for the years then ended. Those statements were audited by other auditors, whose reports have 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Board of Trustees
Jeremiah Program

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jeremiah Program as of December 31, 2018 and 2017, and the changes in its net assets and its 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
April 26, 2019

**JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash	\$ 1,962,800	\$ 1,749,773
Restricted Cash	353,051	1,661,069
Accounts Receivable, Net	83,142	323,791
Current Portion of Pledges Receivable, Net	1,915,598	1,978,581
Prepaid Expenses	165,614	144,129
Total Current Assets	4,480,205	5,857,343
PROPERTY AND EQUIPMENT		
Land and Improvements	1,672,786	1,672,786
Buildings and Improvements	20,602,032	16,161,990
Office Furniture and Equipment	632,346	535,442
Residential Furniture and Equipment	1,029,053	859,304
Capital Projects in Progress	176,641	3,933,621
Total	24,112,858	23,163,143
Less: Accumulated Depreciation	7,698,993	6,891,417
Net Property and Equipment	16,413,865	16,271,726
OTHER ASSETS		
Investments	9,972,800	8,764,718
Investment in Campus Building Partnerships	4,894,697	4,894,697
Assets Held in Trust	342,198	394,969
Restricted Reserves and Escrows	448,696	419,561
Long-Term Portion of Pledges Receivable, Net	822,341	1,093,783
Intangible Assets, Net	-	167
Total Other Assets	16,480,732	15,567,895
 Total Assets	 \$ 37,374,802	 \$ 37,696,964

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 179,832	\$ 514,906
Accrued Payroll and Related Benefits	231,844	159,268
Accrued Real Estate Taxes	72,382	63,732
Deferred Revenue	11,111	49,444
Other Current Liabilities	22,219	15,697
Capital Lease Payable, Current	3,440	3,255
Total Current Liabilities	520,828	806,302
OTHER LIABILITIES		
Mortgages Payable, Net of Discount	6,432,648	5,929,533
Less: Unamortized Financing Fees	(101,264)	(106,673)
Capital Lease Payable, Less Current Portion	7,209	10,649
Total Other Liabilities	6,338,593	5,833,509
Total Liabilities	6,859,421	6,639,811
NET ASSETS		
Without Donor Restriction:		
Undesignated	5,323,726	3,152,896
Undesignated: Limited Partnership - Noncontrolling Interest	2,375,694	2,939,115
Designated	16,448,550	16,550,584
Total Net Assets Without Donor Restriction	24,147,970	22,642,595
With Donor Restriction	6,367,411	8,414,558
Total Net Assets	30,515,381	31,057,153
Total Liabilities and Net Assets	\$ 37,374,802	\$ 37,696,964

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	2018		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants and Contributions	\$ 4,220,059	\$ 2,700,385	\$ 6,920,444
Special Event Income (Net of Direct Benefits of \$215,969)	1,105,634	-	1,105,634
Interest and Dividend Income	152,163	30,392	182,555
Rental Income	315,336	-	315,336
Child Care Income (Net of Subsidies of \$13,710)	1,056,261	-	1,056,261
In-Kind Contributions	179,490	-	179,490
Other Support	4,564	-	4,564
Net Assets Released from Restrictions	3,082,704	(3,082,704)	-
Total Revenues and Support	<u>10,116,211</u>	<u>(351,927)</u>	<u>9,764,284</u>
EXPENSE			
Program	7,188,837	-	7,188,837
Support Services:			
General and Administrative	797,123	-	797,123
Fundraising	1,896,105	-	1,896,105
Total Support Services	<u>2,693,228</u>	<u>-</u>	<u>2,693,228</u>
Total Expense	<u>9,882,065</u>	<u>-</u>	<u>9,882,065</u>
CHANGE IN NET ASSETS FROM OPERATIONS	234,146	(351,927)	(117,781)
NONOPERATING INCOME (LOSS)			
Loss on Investments	(290,526)	(125,977)	(416,503)
Change in Assets Held in Trust	-	(33,338)	(33,338)
Contributions for Future Capital Projects	-	25,850	25,850
Net Assets Released from Restrictions: Capital Projects	1,561,755	(1,561,755)	-
Total Nonoperating Income (Loss)	<u>1,271,229</u>	<u>(1,695,220)</u>	<u>(423,991)</u>
CHANGE IN NET ASSETS	1,505,375	(2,047,147)	(541,772)
Change in Net Assets Attributable to the Noncontrolling Interest	<u>563,421</u>	<u>-</u>	<u>563,421</u>
CHANGE IN NET ASSETS – CONTROLLING INTEREST	<u>\$ 2,068,796</u>	<u>\$ (2,047,147)</u>	<u>\$ 21,649</u>

See accompanying Notes to Consolidated Financial Statements.

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

	2017		
	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants and Contributions	\$ 4,206,431	\$ 1,097,503	\$ 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
Net Assets Released from Restrictions	1,591,007	(1,591,007)	-
Total Revenues and Support	<u>8,345,470</u>	<u>(467,503)</u>	<u>7,877,967</u>
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	<u>2,486,922</u>	<u>-</u>	<u>2,486,922</u>
Total Expense	<u>8,123,059</u>	<u>-</u>	<u>8,123,059</u>
CHANGE IN NET ASSETS FROM OPERATIONS	222,411	(467,503)	(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
Net Assets Released from Restrictions: Capital Projects	1,402,015	(1,402,015)	-
Total Nonoperating Income	<u>2,153,996</u>	<u>1,511,211</u>	<u>3,665,207</u>
CHANGE IN NET ASSETS	2,376,407	1,043,708	3,420,115
Change in Net Assets Attributable to the Noncontrolling Interest	<u>496,946</u>	<u>-</u>	<u>496,946</u>
CHANGE IN NET ASSETS – CONTROLLING INTEREST	<u>\$ 2,873,353</u>	<u>\$ 1,043,708</u>	<u>\$ 3,917,061</u>

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
BALANCE - DECEMBER 31, 2016	\$ 20,266,188	\$ 7,370,850	\$ 27,637,038
Change in Net Assets	<u>2,376,407</u>	<u>1,043,708</u>	<u>3,420,115</u>
BALANCE - DECEMBER 31, 2017	22,642,595	8,414,558	31,057,153
Change in Net Assets	<u>1,505,375</u>	<u>(2,047,147)</u>	<u>(541,772)</u>
BALANCE - DECEMBER 31, 2018	<u>\$ 24,147,970</u>	<u>\$ 6,367,411</u>	<u>\$ 30,515,381</u>

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,120,689	\$ 467,217	\$ 1,073,957	\$ 4,661,863
Benefits	324,598	24,749	97,815	447,162
Payroll Taxes	252,555	35,488	93,097	381,140
Total Personnel Costs	<u>3,697,842</u>	<u>527,454</u>	<u>1,264,869</u>	<u>5,490,165</u>
Campaign Consultants	-	-	76,521	76,521
Accounting and Payroll Services	-	19,381	-	19,381
Professional Fees	7,844	64,442	-	72,286
Contract Services	233,125	9,737	37,524	280,386
Education Expenses	36,201	-	-	36,201
Childcare Expenses	169,499	-	-	169,499
Other Program Expenses	579,872	25,180	59,279	664,331
Occupancy	1,132,844	47,521	38,634	1,218,999
Telephone	61,102	3,271	17,532	81,905
Printing	7,801	1,146	31,407	40,354
Postage	3,941	683	14,016	18,640
Meetings	15,870	6,795	10,441	33,106
Bank Service Charges	-	4,158	-	4,158
Office Supplies	44,401	11,263	18,760	74,424
Dues and Subscriptions	6,575	2,464	8,596	17,635
Advertising	5,203	416	35,925	41,544
Equipment Rental	40,602	11,906	33,255	85,763
Insurance	10,323	6,357	4,863	21,543
Staff Development	18,452	780	8,464	27,696
Travel	24,338	8,085	11,882	44,305
Volunteer Recognition	14,333	1,392	2,551	18,276
Special Event and Promotional Expense	7,744	-	126,278	134,022
Bad Debt Expense	54,263	-	29,171	83,434
Depreciation and Amortization	747,983	41,285	24,156	813,424
Interest	82,375	842	1,683	84,900
Campus Development	47,567	-	-	47,567
Miscellaneous	10,968	1,287	4,505	16,760
Subtotal	<u>7,061,068</u>	<u>795,845</u>	<u>1,860,312</u>	<u>9,717,225</u>
In-Kind Expenses	<u>127,769</u>	<u>1,278</u>	<u>35,793</u>	<u>164,840</u>
Total Expenses	<u><u>\$ 7,188,837</u></u>	<u><u>\$ 797,123</u></u>	<u><u>\$ 1,896,105</u></u>	<u><u>\$ 9,882,065</u></u>

See accompanying Notes to Consolidated Financial Statements.

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

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>2,995,034</u>	<u>576,505</u>	<u>1,100,192</u>	<u>4,671,731</u>
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	<u>5,449,515</u>	<u>855,486</u>	<u>1,598,806</u>	<u>7,903,807</u>
In-Kind Expenses	<u>186,622</u>	<u>10,286</u>	<u>22,344</u>	<u>219,252</u>
Total Expenses	<u><u>\$ 5,636,137</u></u>	<u><u>\$ 865,772</u></u>	<u><u>\$ 1,621,150</u></u>	<u><u>\$ 8,123,059</u></u>

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	\$ 9,937,793	\$ 7,194,227
Interest Received	182,618	147,127
Cash Paid to Suppliers and Employees	(9,468,521)	(7,436,395)
Interest Paid	<u>(745)</u>	<u>(739)</u>
Net Cash Provided (Used) by Operating Activities	651,145	(95,780)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,821,373)	(2,646,881)
Proceeds from Sale of Investments	4,216,221	3,848,315
Investment in Campus Building Partnerships	-	40,303
Purchase of Property and Equipment	(943,707)	(4,026,314)
Change in Restricted Reserves and Escrows	<u>(29,135)</u>	<u>(19,129)</u>
Net Cash Used by Investing Activities	(2,577,994)	(2,803,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for:		
Capital Expansion	422,433	1,562,976
Proceeds from Debt Issuance	418,960	2,884,850
Payments on Capital Lease Liability	<u>(9,535)</u>	<u>(5,457)</u>
Net Cash Provided by Financing Activities	<u>831,858</u>	<u>4,442,369</u>
NET INCREASE (DECREASE) IN CASH	(1,094,991)	1,542,883
Cash – Beginning of Year	<u>3,410,842</u>	<u>1,867,959</u>
CASH – END OF YEAR	<u><u>\$ 2,315,851</u></u>	<u><u>\$ 3,410,842</u></u>

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (541,772)	\$ 3,420,115
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization Expense	813,424	624,203
Unrealized (Gains) Losses	759,649	(611,758)
Realized Gains	(343,146)	(332,995)
Change in Value of Assets Held in Trust	33,338	(42,878)
Contributions Restricted for Financing Activities	(25,850)	(2,677,576)
Noncash Interest	84,155	80,946
(Increase) Decrease in Current Assets:		
Accounts Receivable, Net	240,649	(91,769)
Pledges Receivable, Net	(62,158)	(435,116)
Prepaid Expenses	(21,485)	146,952
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(335,074)	102,761
Accrued Payroll and Related Benefits	72,576	(99,506)
Accrued Real Estate Taxes	8,650	4,836
Deferred Revenue	(38,333)	(183,334)
Other Current Liabilities	6,522	(661)
Net Cash Used by Operating Activities	\$ 651,145	\$ (95,780)
CASH CONSISTS OF:		
Cash	\$ 1,962,800	\$ 1,749,773
Restricted Cash	353,051	1,661,069
Total Cash	\$ 2,315,851	\$ 3,410,842
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.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

The mission of Jeremiah Program is to end the cycle of poverty for single mothers and their children, two generations at a time. 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, form 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, the organization plans to break ground on a new residential campus in Rochester, MN in 2019.

In 2018, Jeremiah Program partnered with 638 women and children in six cities across the United States, pre-admissions through graduation, to offer its five holistic program services. Core programmatic accomplishments included 11 moms graduating with their career-track post-secondary degree; 55% of moms achieving a GPA of 3.0 or higher; 19 children graduating from Jeremiah child development centers ready for kindergarten; and 82% of children demonstrating age-appropriate development. In addition, the larger community showed their support for Jeremiah by contributing more than 24,000 volunteer hours across the organization.

Additional program service accomplishments included: completed a new five-year strategic plan with the goal to impact 4x more mothers and children by 2023; hosted a 20/20 Vision Summit in Minneapolis, convening more than 300 people to share challenges and best practices for transforming families two generations at time; formed a Diversity, Equity, and Inclusion (DEI) Advisory Council of diverse Jeremiah staff, board members, and graduates to ensure voices from across the organization are valued and reflective of our communities; developed a new organization-wide evaluation framework to track more outcomes for Jeremiah families, guide program design, and pave the way for a robust external impact evaluation; celebrated the grand opening of our new Fargo-Moorhead campus, which houses 20 furnished apartments and a licensed early child development center; and raised 90% of our capital campaign goal to break ground on a new campus in Rochester-Southeast MN and began serving our first families through our signature empowerment training.

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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, those net assets detailed out in Note 9.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specific by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

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.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017.

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 net assets without donor restriction. The Organization uses the straight-line method of depreciation over a useful life of 3 to 10 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 10 years using the straight-line method.

Contributions

Contributions are considered to be without donor restriction 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 net assets with donor restriction.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 73% and 69% for 2018 and 2017, respectively. For fully operational campuses in Minneapolis/St. Paul, the percentage of program expense was 81% for 2018 and 80% for 2017.

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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 April 26, 2019, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation and did not impact prior year change in net assets.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 CASH AND RESTRICTED CASH

	<u>2018</u>	<u>2017</u>
Checking	\$ 2,237,082	\$ 3,332,163
Savings	78,769	78,679
Total Cash and Restricted Cash	<u>\$ 2,315,851</u>	<u>\$ 3,410,842</u>

Restricted cash balances include amounts earmarked for campus development capital projects. For the year ending December 31, 2018, \$353,051 is for Rochester, MN campus development. 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.

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, 2018 and 2017 includes \$19,000 and \$215,098, respectively, due back from the Guadalupe Jeremiah Austin Ltd Partnership for contributions in excess of what is needed for Jeremiah's share of campus development project costs. The remaining balance of \$64,142 and \$108,693, 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:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
2019	\$ 1,591,681	\$ 348,917	\$ 1,940,598
2020	319,500	257,000	576,500
2021	81,000	107,000	188,000
2022	61,000	7,000	68,000
2023	10,000	-	10,000
Thereafter	20,000	-	20,000
Total Pledge Receivable	<u>2,083,181</u>	<u>719,917</u>	<u>2,803,098</u>
Less: Discount	(24,119)	(16,040)	(40,159)
Allowance for Doubtful Accounts	(25,000)	-	(25,000)
Total	<u>\$ 2,034,062</u>	<u>\$ 703,877</u>	<u>\$ 2,737,939</u>

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, 2018 and 2017.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

Receivables from one contributor, specifically for building capital, represented 11% of pledge receivables for the year ended December 31, 2018. Receivables from two contributors, specifically for building capital, represented 26% of pledge receivables for the year ended December 31, 2017. 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 \$19,433 and \$10,911 of earnings to Jeremiah Program during the years ended December 31, 2018 and 2017, respectively. See Note 13 for further detail.

NOTE 6 INVESTMENTS

Investments consist of the following:

	2018	2017
Securities	\$ 4,346,718	\$ 5,346,836
Bonds	1,823,626	1,209,903
Money Market and Short-Term Instruments	3,777,518	2,207,979
Community Foundation Holdings	24,938	-
Total	\$ 9,972,800	\$ 8,764,718

Investment income consists of the following:

	2018	2017
Interest and Dividend Income	\$ 182,555	\$ 147,127
Realized Gains	343,146	332,995
Unrealized Gains (Losses)	(759,649)	611,758
Total	\$ (233,948)	\$ 1,091,880

NOTE 7 MORTGAGES PAYABLE

The balances as of December 31 were as follows:

<u>Description</u>	2018	2017
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

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

<u>Description</u>	<u>2018</u>	<u>2017</u>
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.	464,000	460,000
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	2,090,000
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.	1,000,022	881,062
0% mortgage payable to Federal Home Loan Bank of Des Moines. The loan will be forgiven if no event of default occurs before January 8, 2033. Secured by assets of Fargo Fargo-Moorhead Campus.	300,000	-
Total	7,949,822	7,526,862
Less: Current Portion of Mortgage Payable	-	-
Less: Discount on Below-Market Interest	1,517,174	1,597,329
Total	<u>\$ 6,432,648</u>	<u>\$ 5,929,533</u>

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

Maturities on the debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	<u>7,949,822</u>
Total Debt Before Discount	7,949,822
Less: Present Value Discount for Low Interest Loans	<u>(1,517,174)</u>
Total Debt	<u><u>\$ 6,432,648</u></u>

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 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 restriction. 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, 2018, the gross cost of equipment under the capital leases is \$52,518 and the corresponding accumulated depreciation is \$42,427. Depreciation of the office equipment under capital lease is included in depreciation expense.

<u>Description</u>	<u>Amount</u>
Capital Leases Payable - Office Equipment; Monthly Installments through August, 2022	\$ 10,649
Less: Current Maturities of Capital Leases Payable	<u>(3,440)</u>
Capital Leases Payable Net of Current Maturities	<u><u>\$ 7,209</u></u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 CAPITAL AND OPERATING LEASES (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 4,000
2020	4,000
2021	4,000
2022	2,002
2023	-
Total	<u>14,002</u>
Less: Amount Representing Interest on Capital Leases Payable	<u>(3,353)</u>
Net Minimum Capital Lease Payments	<u><u>\$ 10,649</u></u>

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

Future operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 143,388
2020	146,216
2021	150,594
2022	<u>41,704</u>
Total	<u><u>\$ 481,902</u></u>

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

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 NET ASSETS

Net Assets with Donor Restriction

Net assets with donor restriction consist of the following:

	<u>2018</u>	<u>2017</u>
Purpose and Time Restricted:		
Austin	\$ 576,685	\$ 1,541,114
Fargo-Moorhead	727,348	2,112,680
National Office	1,010,865	585,835
Boston	200,000	69,884
Rochester	374,142	500,000
MSP - Scholarships	-	11,537
MSP - Endowment Earnings	296,943	357,916
MSP - Nursery Way	-	20,611
MSP - Time Restricted	20,000	120,000
MSP - Miscellaneous Purpose	<u>192,619</u>	<u>23,973</u>
Total Purpose and Time Restricted Donations	3,398,602	5,343,550
Restricted for Future Period Loan Amortization	1,517,174	1,597,329
Donations Required to be Maintained in Perpetuity by Donor	<u>1,451,635</u>	<u>1,473,679</u>
Total Net Assets with Donor Restriction	<u><u>\$ 6,367,411</u></u>	<u><u>\$ 8,414,558</u></u>

Net Assets Released from Restrictions

	<u>2018</u>	<u>2017</u>
Campus Capital Projects	\$ 1,561,755	\$ 1,402,015
Child Development	270,490	216,463
Jeremiah Works!	-	23,628
Family Services	221,580	136,975
Empowerment	130,523	15,824
Affordable Housing	34,836	81,476
Scholarships	22,036	3,200
Advance Mission	409,816	-
Mental Health	48,333	94,228
Systems Technology	2,905	50,540
Nursery Way	20,611	28,621
Rochester Exploration	-	3,769
NYC Exploration	-	106,000
Misc. Purpose	149,677	46,217
Program Evaluation	97,709	102,291
Assets Held in Trust Distributions	19,433	10,911
Endowment Distribution	<u>60,973</u>	<u>47,226</u>
Total Purpose Restrictions Released	3,050,677	2,369,384
Operating Restrictions Released	1,297,749	76,946
Time Restrictions Released	<u>296,033</u>	<u>546,692</u>
Total Net Assets Released from Restrictions	<u><u>\$ 4,644,459</u></u>	<u><u>\$ 2,993,022</u></u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 NET ASSETS (CONTINUED)

MSP = Minneapolis/St. Paul campuses.

Board-Designated Net Assets

Board-designated net assets consists of the following:

	2018	2017
Board-Designated - Seasonal Cash Reserve	\$ 900,000	\$ 900,000
Board-Designated - Operating Reserve	1,195,000	1,195,000
Board-Designated - Capital Reserve	300,000	300,000
Board-Designated - Endowment	3,970,611	4,353,366
Board-Designated - Expansion Reserve	42,455	42,455
Board-Designated - St. Paul, MN Campus	5,145,787	4,865,066
Board-Designated - Austin, TX Campus	4,894,697	4,894,697
Total Board-Designated Net Assets	<u>\$ 16,448,550</u>	<u>\$ 16,550,584</u>

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 13 for further detail.

Expansion Reserve

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

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 net assets without donor restriction is as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance - December 31, 2016	\$ 20,266,188	\$ 16,830,127	\$ 3,436,061
Change in Net Assets Without Donor Restriction	2,376,407	2,873,353	(496,946)
Balance - December 31, 2017	22,642,595	19,703,480	2,939,115
Change in Net Assets Without Donor Restriction	1,505,375	2,068,796	(563,421)
Balance - December 31, 2018	<u>\$ 24,147,970</u>	<u>\$ 21,772,276</u>	<u>\$ 2,375,694</u>

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, 2018 and 2017, the value of contributed goods and services recognized in the accompanying consolidated statements of activities was \$179,490 and \$219,252, 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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017:

December 31, 2018

Assets:	Level 1	Level 2	Level 3	Total
Securities	\$ 4,346,718	\$ -	\$ -	\$ 4,346,718
Bonds	1,823,626	-	-	1,823,626
Money Market and Short-Term Instruments	3,777,518	-	-	3,777,518
Community Foundation Holdings	24,938	-	-	24,938
Total	9,972,800	-	-	9,972,800
Assets Held in Trust	-	-	342,198	342,198
Total	<u>\$ 9,972,800</u>	<u>\$ -</u>	<u>\$ 342,198</u>	<u>\$ 10,314,998</u>

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	<u>\$ 8,764,718</u>	<u>\$ -</u>	<u>\$ 394,969</u>	<u>\$ 9,159,687</u>

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:

	2018	2017
Balance - Beginning of Year	\$ 394,969	\$ 363,002
Distributions	(19,433)	(10,911)
Change in Value	(33,338)	42,878
Balance - End of Year	<u>\$ 342,198</u>	<u>\$ 394,969</u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018.

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, 2018.

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 \$295,662 and \$287,050 for the years ended December 31, 2018 and 2017, respectively.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 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 an endowment fund with donor restriction. 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.

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 net assets without donor restriction.

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 endowment balances with and without donor restriction.

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.

Interpretation of Relevant Law

Our board of directors 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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 13 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

We consider 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

Endowment net asset composition by type and changes in endowment net assets for the years ended December 31, 2018 and 2017 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
<u>December 31, 2018</u>			
Board-Designated Endowment Funds	\$ 3,970,611	\$ -	\$ 3,970,611
Donor-Restricted Endowment Funds	-	1,343,891	1,343,891
Restricted Trusts	-	342,198	342,198
Total Funds	<u>\$ 3,970,611</u>	<u>\$ 1,686,089</u>	<u>\$ 5,656,700</u>
	Without Donor Restriction	With Donor Restriction	Total
<u>December 31, 2017</u>			
Board-Designated Endowment Funds	\$ 4,353,366	\$ -	\$ 4,353,366
Donor-Restricted Endowment Funds	-	1,436,626	1,436,626
Restricted Trusts	-	394,969	394,969
Total Funds	<u>\$ 4,353,366</u>	<u>\$ 1,831,595</u>	<u>\$ 6,184,961</u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 13 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	Without Donor Restriction	With Donor Restriction	Total
Endowment Fund Balance, December 31, 2016	\$ 3,816,581	\$ 1,608,081	\$ 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	235,650	838,850
Total	684,559	261,651	946,210
Appropriations	(147,774)	(58,137)	(205,911)
Endowment Fund Balance, December 31, 2017	4,353,366	1,831,595	6,184,961
Contributions	-	30,485	30,485
Earnings:			
Interest and Dividends	93,472	30,392	123,864
Realized and Unrealized Losses	(287,200)	(125,977)	(413,177)
Total	(193,728)	(95,585)	(289,313)
Appropriations	(189,027)	(80,406)	(269,433)
Endowment Fund Balance, December 31, 2018	<u>\$ 3,970,611</u>	<u>\$ 1,686,089</u>	<u>\$ 5,656,700</u>

NOTE 14 COMMITMENTS AND FUTURE EXPANSION

In 2018, Jeremiah Program made significant progress toward its goal to expand into the Rochester-SE Minnesota (MN) community to build a 64,803-square foot, safe, 40-unit affordable housing facility and Child Development Center (CDC). The campus will include 36 two-bedroom units and 4 three-bedroom units located on the second and third floors. In addition, the campus will feature staff offices, meeting spaces, playgrounds, and an on-site CDC to educate approximately 64 students. The CDC will include 4 classrooms, an observation room, a sick child area, a library, an indoor gross motor area, and a commercial kitchen to serve hot nutritional meals. Plans are underway to break ground on the new campus in the summer of 2019 with a ten-month construction schedule. Having launched Jeremiah's Empowerment Training and Life Skills program components in the fall of 2018, the Organization is now serving 15 families who are ready to move into the new campus, and will continue to recruit and enroll more families during the construction of the building with the plan to move them in when it opens in spring 2020.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 INVESTMENT IN PARTNERSHIP AT EQUITY METHOD

A legal housing partnership was formed with GNDC Saldaña GP, LLC (Guadalupe Neighborhood Development Corporation (GNDC) is the 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 one family currently being served through other GNDC housing. Construction was completed in 2017 through a partnership with 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.

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

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.

Jeremiah Program, as the limited partner, has a 66.21% interest in Guadalupe Jeremiah Limited Partnership as of December 31, 2018.

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:

	2018	2017
Assets	\$ 7,134,200	\$ 7,573,007
Liabilities	106,095	395,806
Equity	7,028,105	7,391,535
Net Loss	(171,496)	(214,334)

Included in net loss for the year ending December 31, 2018 and 2017 is \$294,957 and \$220,560, respectively, of noncash depreciation expense.

JEREMIAH PROGRAM
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NOTE 16 LIQUIDITY, AVAILABILITY, AND RESERVES MANAGEMENT

The Organization maintains and manages adequate operating reserves per policies set by its board of directors. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, are made up of the following:

	2018
Cash	\$ 1,962,800
Accounts Receivable, Net	353,051
Current Portion of Pledges Receivable, Net	1,591,681
Investments	4,658,392
Total Liquid Assets	<u>\$ 8,565,924</u>

Per its financial policies, each campus/location is expected to carry appropriate reserves for its campus/location needs. New campuses in pre-development are required to raise operating reserves equal to one year of their fully operational expense projections before breaking ground on a new campus building, while established campuses with stable donor bases may require a lower reserve amount. Mature campuses will be required to maintain a minimum of six months of operating reserves. In addition, the national office maintains additional reserves to support temporary cash flow and start-up needs among the campus/locations. During 2018, the level of liquidity and reserves was managed within policy requirements.