

JEREMIAH PROGRAM
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**JEREMIAH PROGRAM
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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, 2020 and 2019, 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 \$7,914,761 and \$8,102,148 as of December 31, 2020 and 2019, respectively, and total revenues of \$201,784 and \$217,306, respectively, for the years then ended. In addition we did not audit the financial statements of Jeremiah Program Rochester Limited Partnership, which statements reflect total assets of \$13,519,172 and \$6,711,810 as of December 31, 2020 and 2019, respectively, and total revenues of \$115,002 and \$-0-, 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 and Jeremiah Rochester Limited Partnership, is based solely on the reports 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 27, 2021

**JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash	\$ 3,750,481	\$ 1,855,820
Accounts Receivable, Net	86,181	121,270
Current Portion of Pledges Receivable, Net	2,170,724	2,360,369
Prepaid Expenses	188,172	108,284
Total Current Assets	6,195,558	4,445,743
PROPERTY AND EQUIPMENT		
Land and Improvements	2,846,676	2,512,786
Buildings and Improvements	31,799,365	20,602,032
Office Furniture and Equipment	740,468	632,346
Residential Furniture and Equipment	1,592,350	1,029,053
Capital Projects in Progress	-	4,295,868
Total	36,978,859	29,072,085
Less: Accumulated Depreciation	9,505,220	8,504,462
Net Property and Equipment	27,473,639	20,567,623
OTHER ASSETS		
Investments	12,328,164	12,284,590
Investment in Campus Building Partnership	4,250,427	4,419,752
Assets Held in Trust	417,184	387,976
Restricted Reserves and Escrows	565,827	1,731,511
Long-Term Portion of Pledges Receivable, Net	212,542	433,379
Intangible Assets, Net	-	96,796
Total Other Assets	17,774,144	19,354,004
Total Assets	\$ 51,443,341	\$ 44,367,370

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 385,088	\$ 139,135
Construction Payable	-	1,422,978
Accrued Payroll and Related Benefits	400,956	201,699
Accrued Real Estate Taxes	103,246	87,846
Other Current Liabilities	58,103	43,350
Capital Lease Payable, Current	3,048	1,240
Total Current Liabilities	950,441	1,896,248
OTHER LIABILITIES		
Mortgages Payable, Net of Discount	7,543,728	7,452,771
Less: Unamortized Financing Fees	(199,840)	(95,855)
Capital Lease Payable, Less Current Portion	522	5,969
Total Other Liabilities	7,344,410	7,362,885
Total Liabilities	8,294,851	9,259,133
NET ASSETS		
Without Donor Restriction:		
Undesignated	3,668,864	4,801,569
Undesignated: Limited Partnership - Noncontrolling Interest	11,259,580	4,200,418
Designated	21,495,549	19,133,930
Total Net Assets Without Donor Restriction	36,423,993	28,135,917
With Donor Restriction	6,724,497	6,972,320
Total Net Assets	43,148,490	35,108,237
Total Liabilities and Net Assets	\$ 51,443,341	\$ 44,367,370

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants and Contributions	\$ 6,533,666	\$ 2,365,010	\$ 8,898,676
Special Event Income	612,169	-	612,169
Interest and Dividend Income	127,873	31,446	159,319
Rental Income	464,687	-	464,687
Child Care Income	689,687	-	689,687
In-Kind Contributions	50,975	-	50,975
Other Support	1,283,773	-	1,283,773
Net Assets Released from Restrictions	1,862,926	(1,862,926)	-
Total Revenues and Support	11,625,756	533,530	12,159,286
EXPENSE			
Program	9,989,642	-	9,989,642
Support Services:			
General and Administrative	1,230,270	-	1,230,270
Fundraising	1,767,702	-	1,767,702
Total Support Services	2,997,972	-	2,997,972
Total Expense	12,987,614	-	12,987,614
CHANGE IN NET ASSETS FROM OPERATIONS	(1,361,858)	533,530	(828,328)
NONOPERATING INCOME (LOSS)			
Gain/(Loss) on Investments	614,466	278,924	893,390
Change in Assets Permanently Restricted	-	5,209	5,209
Endowment Revenue	-	10,100	10,100
Change in Equity Method Investments	(169,325)	-	(169,325)
Contributions for Future Capital Projects	28,862	-	28,862
Developer Fee Revenue	35,147	-	35,147
Net Assets Released from Restrictions: Capital	1,075,586	(1,075,586)	-
Total Nonoperating Income (Loss)	1,584,736	(781,353)	803,383
CHANGE IN NET ASSETS	222,878	(247,823)	(24,945)
Change in Net Assets Attributable to the Noncontrolling Interest	1,006,036	-	1,006,036
CHANGE IN NET ASSETS – CONTROLLING INTEREST	\$ 1,228,914	\$ (247,823)	\$ 981,091

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants and Contributions	\$ 5,200,661	\$ 1,990,357	\$ 7,191,018
Special Event Income	1,374,896	-	1,374,896
Interest and Dividend Income	194,665	59,130	253,795
Rental Income	361,190	-	361,190
Child Care Income	1,085,000	-	1,085,000
In-Kind Contributions	883,772	-	883,772
Other Support	24,021	-	24,021
Net Assets Released from Restrictions	2,646,384	(2,646,384)	-
Total Revenues and Support	11,770,589	(596,897)	11,173,692
EXPENSE			
Program	7,801,312	-	7,801,312
Support Services:			
General and Administrative	917,996	-	917,996
Fundraising	2,764,898	-	2,764,898
Total Support Services	3,682,894	-	3,682,894
Total Expense	11,484,206	-	11,484,206
CHANGE IN NET ASSETS FROM OPERATIONS	286,383	(596,897)	(310,514)
NONOPERATING INCOME (LOSS)			
Loss on Investments	843,187	424,194	1,267,381
Change in Assets Permanently Restricted	-	943	943
Change in Investment in Campus Building Partnerships	(474,945)	-	(474,945)
Contributions for Future Capital Projects	-	1,676,950	1,676,950
Net Assets Released from Restrictions: Capital Projects	963,840	(963,840)	-
Total Nonoperating Income (Loss)	1,332,082	1,138,247	2,470,329
CHANGE IN NET ASSETS	1,618,465	541,350	2,159,815
Change in Net Assets Attributable to the Noncontrolling Interest	608,317	-	608,317
CHANGE IN NET ASSETS – CONTROLLING INTEREST	\$ 2,226,782	\$ 541,350	\$ 2,768,132

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
BALANCE - DECEMBER 31, 2018	\$ 24,147,970	\$ 6,367,411	\$ 30,515,381
Change in Net Assets	1,554,906	604,909	2,159,815
Capital Contribution	<u>2,433,041</u>	<u>-</u>	<u>2,433,041</u>
BALANCE - DECEMBER 31, 2019	28,135,917	6,972,320	35,108,237
Change in Net Assets	222,878	(247,823)	(24,945)
Capital Contribution	<u>8,065,198</u>	<u>-</u>	<u>8,065,198</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 36,423,993</u>	<u>\$ 6,724,497</u>	<u>\$ 43,148,490</u>

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,492,580	\$ 811,509	\$ 1,121,076	\$ 6,425,165
Benefits	406,116	74,956	109,455	590,527
Payroll Taxes	318,284	42,041	80,162	440,487
Total Personnel Costs	<u>5,216,980</u>	<u>928,506</u>	<u>1,310,694</u>	<u>7,456,179</u>
Occupancy	1,531,734	15,332	15,332	1,562,397
Depreciation and Amortization	991,467	10,117	10,117	1,011,701
Consultants	381,994	45,216	64,198	491,408
Technology	437,273	24,293	24,293	485,859
Parent Programming	341,939	-	-	341,939
Marketing and Advertising	191,743	33,242	47,227	272,212
Family Programming	240,032	-	-	240,032
Professional and Admin Fees	64,129	92,779	43,151	200,059
Event Expenses	-	-	154,479	154,479
Staff Recruiting, Development, and Recognition	49,225	32,001	17,039	98,265
Interest Expense	89,492	913	913	91,318
Equipment Rental	80,010	4,445	4,445	88,900
Write off Financing Fees	89,080	-	-	89,080
Office Supplies, Postage, and Printing	39,804	6,324	30,636	76,765
Interest on Construction Loan	71,541	-	-	71,541
Telephone and Internet	55,316	3,073	3,073	61,462
Travel and Meetings	17,809	25,557	8,126	51,493
Campus Development and Start-up Costs	30,462	-	-	30,462
Non Property Business Insurance	12,298	2,132	3,027	17,457
Bad Debt Expense and Miscellaneous	6,340	6,340	30,952	43,631
Subtotal	<u>9,938,667</u>	<u>1,230,270</u>	<u>1,767,702</u>	<u>12,936,639</u>
In-Kind Expenses	<u>50,975</u>	<u>-</u>	<u>-</u>	<u>50,975</u>
Total Expenses	<u><u>\$ 9,989,642</u></u>	<u><u>\$ 1,230,270</u></u>	<u><u>\$ 1,767,702</u></u>	<u><u>\$ 12,987,614</u></u>

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,665,727	\$ 445,537	\$ 1,458,356	\$ 5,569,620
Benefits	412,105	39,037	150,602	601,744
Payroll Taxes	288,718	36,271	115,960	440,949
Total Personnel Costs	<u>4,366,550</u>	<u>520,845</u>	<u>1,724,918</u>	<u>6,612,313</u>
Occupancy	1,417,488	58,589	53,040	1,529,117
Depreciation and Amortization	751,850	37,133	21,895	810,878
Consultants	118,020	34,521	44,110	196,651
Technology	120,583	35,320	33,991	189,894
Parent Programming	50,331	421	1,617	52,369
Marketing and Advertising	7,420	368	85,800	93,588
Family Programming	162,976	-	9,983	172,959
Other Program Expenses	270,735	52,911	45,309	368,955
Professional and Admin Fees	37,232	88,863	24,901	150,996
Event Expenses	-	-	449,749	449,749
Staff Recruiting, Development, and Recognition	25,522	4,308	9,780	39,610
Interest Expense	85,425	875	1,750	88,050
Equipment Rental	43,104	14,875	40,383	98,362
Office Supplies, Postage, and Printing	85,932	19,252	105,325	210,509
Telephone and Internet	53,615	3,151	16,972	73,738
Travel and Meetings	79,502	36,974	66,299	182,775
Campus Development and Start-up Costs	60,139	-	-	60,139
Non Property Business Insurance	6,838	4,305	2,864	14,007
Bad Debt Expense and Miscellaneous	18,684	1,612	25,479	45,775
Subtotal	<u>7,761,946</u>	<u>914,323</u>	<u>2,764,165</u>	<u>11,440,434</u>
In-Kind Expenses	<u>39,366</u>	<u>3,673</u>	<u>733</u>	<u>43,772</u>
Total Expenses	<u>\$ 7,801,312</u>	<u>\$ 917,996</u>	<u>\$ 2,764,898</u>	<u>\$ 11,484,206</u>

See accompanying Notes to Consolidated Financial Statements.

**JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Support and Revenue	\$ 12,490,785	\$ 10,097,849
Interest Received	164,528	254,738
Cash Paid to Suppliers and Employees	(12,769,148)	(9,139,217)
Interest Paid	(352)	(560)
Net Cash Provided (Used) by Operating Activities	(114,187)	1,212,810
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,472,060)	(8,485,681)
Proceeds from Sale of Investments	4,292,668	7,395,494
Purchase of Property and Equipment	(9,322,277)	(916,186)
Net Cash Used by Investing Activities	(8,501,669)	(2,006,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for:		
Capital Expansion	28,862	1,553,950
Payment of Tax Credit and Financing Fees	(25,616)	(96,796)
Proceeds from Capital Contributions	8,065,198	-
Proceeds from Debt Issuance	-	162,633
Proceeds from Loan Payable	1,280,028	-
Payments on Capital Lease Liability	(3,639)	(3,440)
Net Cash Provided by Financing Activities	9,344,833	1,616,347
NET INCREASE IN CASH AND RESTRICTED CASH	728,977	822,784
Cash and Restricted Cash – Beginning of Year	3,587,331	2,764,547
CASH AND RESTRICTED CASH – END OF YEAR	\$ 4,316,308	\$ 3,587,331

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (24,945)	\$ 2,159,815
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization Expense	1,011,701	810,878
Loan Forgiveness	(1,280,028)	-
Land Donation	-	(840,000)
Unrealized Gains	(502,838)	(1,149,856)
Realized Gains	(343,941)	(53,966)
Change in Value of Assets Held in Trust	(46,611)	(63,559)
Change in Investment in Campus Building Partnerships	169,325	474,945
Contributions Restricted for Financing Activities	(28,862)	(1,676,950)
Noncash Interest	90,966	87,490
(Increase) Decrease in Current Assets:		
Accounts Receivable, Net	35,089	(38,128)
Pledges Receivable, Net	410,482	67,191
Prepaid Expenses	(79,888)	57,330
Increase (Decrease) in Current Liabilities:		
Accounts Payable	245,953	(40,697)
Construction Payable	-	1,422,978
Accrued Payroll and Related Benefits	199,257	(30,145)
Accrued Real Estate Taxes	15,400	15,464
Deferred Revenue	-	(11,111)
Other Current Liabilities	14,753	21,131
Net Cash Provided (Used) by Operating Activities	\$ (114,187)	\$ 1,212,810
CASH CONSISTS OF:		
Cash	\$ 3,750,481	\$ 1,855,820
Restricted Reserves and Escrows	565,827	1,731,511
Total Cash	\$ 4,316,308	\$ 3,587,331
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Property and Equipment Acquired through Issuance of Mortgages Payable	\$ -	\$ 770,000
Property and Equipment Acquired through Capital Contributions	\$ -	\$ 2,433,041

See accompanying Notes to Consolidated Financial Statements.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Jeremiah Program (the Organization) is a national nonprofit organization whose mission is to end the cycle of poverty for single mothers and their children two generations at a time. Education and housing stability are key levers at the heart of Jeremiah Program's model. The Organization partners with families headed by single mothers whose connections to the educational and economic resources needed to build family well-being have become frayed over time by economic, racial, and social marginalization. Programming currently reaches more than 750 women and children annually, primarily from communities of color.

Founded in Minneapolis, MN in 1998, the Organization has expanded programming across the nation to meet growing demand. The Organization operates residential campuses with onsite child development centers (CDCs) in Minneapolis and St. Paul, MN; Austin, TX; and Fargo, ND. A fifth residential campus, located in Rochester, MN, opened for families in the summer of 2020. In Boston, MA and Brooklyn, NY, the organization operates innovative nonresidential programs, in which they partner with key higher education, early childhood, and housing organizations to deliver core programming. Additionally, Jeremiah Program operates a campus support team based in Minneapolis, MN, with employees across the country.

Jeremiah Program's holistic approach focuses on asset-building—both personal and educational—for mothers, children, and families. Beginning with Jeremiah Program's signature empowerment training, moms begin to unravel the damaging narratives placed on low-income women, especially women of color, and reassert their role as experts in their own lives. After completing empowerment, ongoing programming ensures Jeremiah families have access to the resources every family needs to thrive: stable housing in Jeremiah affordable housing units or through community housing partners; career-track education at a local postsecondary institution; high quality early childhood education at Jeremiah Program CDCs or local partner schools; and a supportive community. The interplay of two-generation (2Gen) supports creates the conditions for mothers and children to tap into their unique strengths – strengths that are obscured, not eliminated, by the stress of living in poverty.

In 2020, Jeremiah programming reached 374 women and 527 children in seven cities across the United States. Core programmatic accomplishments included 24 moms graduating with their career-track post-secondary degree; 49% of moms achieving a GPA of 3.0 or higher; 24 children graduating from Jeremiah CDCs ready for kindergarten; and 88% of children demonstrating age-appropriate development. In addition, the larger community showed their support for Jeremiah by contributing more than 25,000 volunteer hours across the Organization.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organizational Purpose (Continued)

The Organization has a history of putting families first and seeking to expand services. The Organization remains committed to the efficacy and power of a national model and ensuring that, across all locations, all stakeholders – families, staff, and board members—thrive.

Principles of Consolidation

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

All intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

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

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 restricted revenue when received and released from restrictions 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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019, 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, 2020 and 2019.

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.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

Jeremiah St. Paul Limited Partnership and Jeremiah Program Rochester Limited Partnership are not tax paying entities, thus, no provision for income taxes has been recorded in the consolidated financial statements. All tax effects of these entities are passed through to the partners.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value.

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

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

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

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

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.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 27, 2021, the date the consolidated financial statements were available to be issued.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

NOTE 2 CASH AND RESTRICTED CASH

	2020	2019
Checking	\$ 3,671,630	\$ 1,776,948
Savings	78,851	78,872
Restricted Reserves and Escrows	565,827	1,731,511
Total Cash and Restricted Cash	<u>\$ 4,316,308</u>	<u>\$ 3,587,331</u>

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 years ended December 31, 2020 and 2019 was \$86,181 and \$121,270, respectively, and 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>
2021	\$ 2,136,484	\$ 60,000	\$ 2,196,484
2022	189,167	-	189,167
2023	11,500	-	11,500
2024	11,500	-	11,500
2025	10,000	-	10,000
Total Pledge Receivable	2,358,651	60,000	2,418,651
Less: Discount	(9,625)	-	(9,625)
Allowance for Doubtful Accounts	(25,760)	-	(25,760)
Total	<u>\$ 2,323,266</u>	<u>\$ 60,000</u>	<u>\$ 2,383,266</u>

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 1.96% and 2.1% for the years ended December 31, 2020 and 2019, respectively.

Receivables from two contributors represented 21% of pledge receivables for the year ended December 31, 2020. Receivables from one contributor represented 18% of pledge receivables for the year ended December 31, 2019. 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 \$17,402 and \$17,781 of earnings to Jeremiah Program during the years ended December 31, 2020 and 2019, respectively. See Note 13 for further detail.

NOTE 6 INVESTMENTS

Investments consist of the following:

	2020	2019
Securities	\$ 6,113,578	\$ 5,514,210
Bonds	2,016,319	1,924,080
Money Market and Short-Term Instruments	3,700,871	4,612,636
Community Foundation Holdings	497,396	233,664
Total	<u>\$ 12,328,164</u>	<u>\$ 12,284,590</u>

Investment income consists of the following:

	2020	2019
Interest and Dividend Income	\$ 164,528	\$ 254,738
Realized Gains	343,941	53,966
Unrealized Gains	549,449	1,149,856
Total	<u>\$ 1,057,918</u>	<u>\$ 1,458,560</u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 MORTGAGES PAYABLE

The balances as of December 31 were as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
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.	472,000	468,000
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 Greater Minnesota Housing Fund. Loan matures on June 30, 2059. Secured by assets of Rochester Campus.	450,000	450,000

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

<u>Description (Continued)</u>	<u>2020</u>	<u>2019</u>
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 the Rochester Area Foundation Loan matures June 30, 2059. Secured by assets of Rochester Campus	320,000	320,000
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.	2,200,000	2,200,000
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.	1,052,655	1,052,655
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.	<u>300,000</u>	<u>300,000</u>
Total	8,890,455	8,886,455
Less: Current Portion of Mortgage Payable	-	-
Less: Discount on Below-Market Interest	1,346,727	1,433,684
Total	<u>\$ 7,543,728</u>	<u>\$ 7,452,771</u>

Maturities on the debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	<u>8,890,455</u>
Total Debt Before Discount	8,890,455
Less: Present Value Discount for Low Interest Loans	<u>(1,346,727)</u>
Total Debt	<u>\$ 7,543,728</u>

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 MORTGAGES PAYABLE (CONTINUED)

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, 2020, the gross cost of equipment under the capital leases is \$52,518 and the corresponding accumulated depreciation is \$49,367. 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	\$ 3,570
Less: Current Maturities of Capital Leases Payable	(3,048)
Capital Leases Payable Net of Current Maturities	<u>\$ 522</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 3,199
2022	399
Total	3,598
Less: Amount Representing Interest on Capital Leases Payable	(28)
Net Minimum Capital Lease Payments	<u>\$ 3,570</u>

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

Future operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 150,594
2022	41,704
Total	<u>\$ 192,298</u>

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 CAPITAL AND OPERATING LEASES (CONTINUED)

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

NOTE 9 NET ASSETS

Net Assets with Donor Restriction

Net assets with donor restriction consist of the following:

	<u>2020</u>	<u>2019</u>
Purpose and Time Restricted:		
Austin	\$ 376,192	\$ 356,776
Fargo-Moorhead	176,975	467,582
National Office	1,169,500	546,941
Boston	271,875	371,000
Rochester	4,500	1,084,086
New York	438,675	233,750
MSP - Miscellaneous Purpose	<u>202,257</u>	<u>181,983</u>
Total Purpose and Time Restricted Donations	2,639,974	3,242,118
Restricted for Future Period Loan Amortization	1,346,727	1,433,684
Endowment Earnings	733,233	592,353
Donations Required to be Maintained in Perpetuity by Donor	<u>2,004,563</u>	<u>1,704,165</u>
Total Net Assets with Donor Restriction	<u><u>\$ 6,724,497</u></u>	<u><u>\$ 6,972,320</u></u>

Net Assets Released from Restrictions

	<u>2020</u>	<u>2019</u>
Restricted Capital Releases	\$ 1,075,586	\$ 903,006
National Office Activity	791,191	963,840
Austin, TX Activity	319,517	429,297
Boston, MA Activity	124,125	221,750
Fargo, ND - Moorhead, MN Activity	50,434	214,816
MSP Activity	231,490	463,041
New York Activity	95,075	55,000
Rochester, SE-MN Activity	4,000	133,375
Endowment Releases	160,137	142,609
Restricted for Future Period Loan Amortization	<u>86,957</u>	<u>83,490</u>
Total Net Assets Released from Restrictions	<u><u>\$ 2,938,512</u></u>	<u><u>\$ 3,610,224</u></u>

MSP = Minneapolis/St. Paul campuses.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 9 NET ASSETS (CONTINUED)

Board-Designated Net Assets

Board-designated net assets consists of the following:

	<u>2020</u>	<u>2019</u>
Board-Designated - Operating Reserve	\$ 6,117,411	\$ 4,350,828
Board-Designated - Capital Reserve	485,896	392,146
Board-Designated - Endowment	4,935,758	4,545,524
Board-Designated - St. Paul, MN Campus	5,706,057	5,425,680
Board-Designated - Austin, TX Campus	4,250,427	4,419,752
Total Board-Designated Net Assets	<u>\$ 21,495,549</u>	<u>\$ 19,133,930</u>

Operating Reserve

As part of the Organization's minimum operating reserve requirement policy, the operating reserves may be applied to stabilize unexpected and temporary cash flow issues such as seasonal cash flow deficits, unbudgeted expenses, income source disruptions, or economic downturns. 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.

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.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 9 NET ASSETS (CONTINUED)

Limited Partnership – Noncontrolling Interest

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

Change in consolidated net assets without donor restriction is as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance - December 31, 2018	\$ 24,147,970	\$ 21,772,276	\$ 2,375,694
Change in Net Assets Without Donor Restriction	1,554,906	2,163,223	(608,317)
Capital Contributions	2,433,041	-	2,433,041
Balance - December 31, 2019	28,135,917	23,935,499	4,200,418
Change in Net Assets Without Donor Restriction	222,878	1,228,914	(1,006,036)
Capital Contributions	8,065,198	-	8,065,198
Balance - December 31, 2020	<u>\$ 36,423,993</u>	<u>\$ 25,164,413</u>	<u>\$ 11,259,580</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, 2020 and 2019, the value of contributed goods and services recognized in the accompanying consolidated statements of activities was \$50,975 and \$883,772, respectively. The 2019 activity included a contribution of land valued at \$840,000 for the Rochester location.

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.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

December 31, 2020

Assets:	Level 1	Level 2	Level 3	Total
Securities	\$ 6,113,578	\$ -	\$ -	\$ 6,113,578
Bonds	2,016,319	-	-	2,016,319
Money Market and Short-Term Instruments	3,700,871	-	-	3,700,871
Community Foundation Holdings	497,396	-	-	497,396
Total	<u>12,328,164</u>	<u>-</u>	<u>-</u>	<u>12,328,164</u>
Assets Held in Trust	-	-	417,184	417,184
Total	<u>\$ 12,328,164</u>	<u>\$ -</u>	<u>\$ 417,184</u>	<u>\$ 12,745,348</u>

December 31, 2019

Assets:	Level 1	Level 2	Level 3	Total
Securities	\$ 5,514,210	\$ -	\$ -	\$ 5,514,210
Bonds	1,924,080	-	-	1,924,080
Money Market and Short-Term Instruments	4,612,636	-	-	4,612,636
Community Foundation Holdings	233,664	-	-	233,664
Total	<u>12,284,590</u>	<u>-</u>	<u>-</u>	<u>12,284,590</u>
Assets Held in Trust	-	-	387,976	387,976
Total	<u>\$ 12,284,590</u>	<u>\$ -</u>	<u>\$ 387,976</u>	<u>\$ 12,672,566</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:

	<u>2020</u>	<u>2019</u>
Balance - Beginning of Year	\$ 387,976	\$ 342,198
Distributions	(17,402)	(17,781)
Change in Value	46,610	63,559
Balance - End of Year	<u>\$ 417,184</u>	<u>\$ 387,976</u>

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 PARTNERSHIP AGREEMENT REQUIREMENTS

TJP St. Paul LLC, whose sole member is Jeremiah Program, is the General Partner of the Jeremiah St. Paul Limited Partnership. Jeremiah Program Rochester GP LLC, whose sole member is Jeremiah Program, is the General Partner of the Jeremiah Program Rochester Limited Partnership. The financial results of these entities are therefore, consolidated in Jeremiah Program's audited financial statements. In accordance with the partnership agreements, the general partner is obligated to provide funds for any operating deficits and maintain compliance with these partnership agreements.

Escrows and Reserves

The mortgage and partnership agreements require various reserve funds including, but not limited to, Operating Reserves and Replacement Reserves. Withdrawals from these accounts typically require lender and/or Limited Partner consent prior to distribution.

Commitments and Contingencies

The Partnership's operations are concentrated in the St. Paul and Rochester, Minnesota multifamily real estate markets. In addition, the Partnerships operate in a heavily regulated environment. The operations of the Partnerships 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 their 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.

Property Purchase Option

The Partnerships have granted Jeremiah Program an option to purchase partnership property or purchase the Limited Partners limited partnership interest after the close of the 15-year compliance period for the low-income housing tax credit for 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, 2020 AND 2019

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.

**JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 ENDOWMENT (CONTINUED)

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, 2020 and 2019, 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.

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 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
<u>December 31, 2020</u>			
Board-Designated Endowment Funds	\$ 4,935,758	\$ -	\$ 4,935,758
Donor-Restricted Endowment Funds	-	2,320,612	2,320,612
Restricted Trusts	-	417,184	417,184
Total Funds	<u>\$ 4,935,758</u>	<u>\$ 2,737,796</u>	<u>\$ 7,673,554</u>
	Without Donor Restriction	With Donor Restriction	Total
<u>December 31, 2019</u>			
Board-Designated Endowment Funds	\$ 4,545,524	\$ -	\$ 4,545,524
Donor-Restricted Endowment Funds	-	1,908,542	1,908,542
Restricted Trusts	-	387,976	387,976
Total Funds	<u>\$ 4,545,524</u>	<u>\$ 2,296,518</u>	<u>\$ 6,842,042</u>

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	Without Donor Restriction	With Donor Restriction	Total
Endowment Fund Balance, December 31, 2018	\$ 3,970,611	\$ 1,686,089	\$ 5,656,700
Contributions	-	6,281	6,281
Transfers	-	200,000	200,000
Earnings:			
Interest and Dividends	83,507	60,073	143,580
Realized and Unrealized Losses	679,067	424,194	1,103,261
Total	<u>762,574</u>	<u>484,267</u>	<u>1,246,841</u>
Appropriations	<u>(187,661)</u>	<u>(80,119)</u>	<u>(267,780)</u>
Endowment Fund Balance, December 31, 2019	4,545,524	2,296,518	6,842,042
Contributions	-	10,100	10,100
Transfers	-	200,000	200,000
Earnings:			
Interest and Dividends	86,825	36,655	123,480
Realized and Unrealized Gains	486,409	278,924	765,333
Total	<u>573,234</u>	<u>315,579</u>	<u>888,813</u>
Appropriations	<u>(183,000)</u>	<u>(84,401)</u>	<u>(267,401)</u>
Endowment Fund Balance, December 31, 2020	<u>\$ 4,935,758</u>	<u>\$ 2,737,796</u>	<u>\$ 7,673,554</u>

NOTE 14 RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

JEREMIAH PROGRAM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 RISKS AND UNCERTAINTIES (CONTINUED)

In response to COVID-19, on April 23, 2020, the Organization received a loan from U.S. Bank in the amount of \$1,280,028 to fund payroll, rent, utilities, and interest on mortgages through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum.

The U.S. Small Business Administration may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

During the year ended December 31, 2020, the U.S. Small Business Administration approved the forgiveness of the full outstanding PPP Loan balance of \$1,280,028.

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.

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NOTE 15 INVESTMENT IN PARTNERSHIP AT EQUITY METHOD (CONTINUED)

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 66.01% interest in Guadalupe Jeremiah Limited Partnership as of December 31, 2020.

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:

	<u>2020</u>	<u>2019</u>
Assets	\$ 6,491,103	\$ 6,747,129
Liabilities	51,559	51,072
Equity	6,439,544	6,696,057
Net Loss	(253,068)	(330,731)

Included in net loss for the both the years ended December 31, 2020 and 2019 is \$299,345 of noncash depreciation expense.

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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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,750,481	\$ 1,855,820
Accounts Receivable, Net	86,181	121,270
Current Portion of Pledges Receivable, Net	2,136,484	1,847,119
Investments	12,328,164	12,284,590
Less: Net Assets with Donor Restriction	<u>(6,724,497)</u>	<u>(6,972,320)</u>
Total Liquid Assets	<u>\$ 11,576,813</u>	<u>\$ 9,136,479</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 2020 and 2019, the level of liquidity and reserves was managed within policy requirements.

