JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Contents

Purk
& Associates, P.C.
CPAs and Business Advisors

Independent Auditors' Report

To the Board of Directors
Justine Petersen Housing and Reinvestment Corporation
and Subsidiaries
St. Louis, Missouri

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *Justine Petersen Housing and Reinvestment Corporation* (a Missouri not-for-profit corporation) *and Subsidiaries* (collectively, the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2014 and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Corporation's 2013 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 30 to 32 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Purk & Associates, P.C.

St. Louis, MO
April 29, 2015

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
Assets		
Current Assets		
Cash	$ 1,621,345	$ 1,723,842
Restricted funds	1,518,006	1,276,753
Accounts and grants receivable	812,049	409,644
Unconditional promises to give	-	15,000
Interest receivable	193,214	123,666
Notes receivable - current portion	3,391,210	3,446,563
Prepaid expenses and other	9,514	12,045
Total Current Assets	7,545,338	7,007,513
Notes Receivable	7,281,281	5,002,005
Other Note Receivable	2,200,000	-
Property and Equipment	1,191,305	1,241,786
Rental Real Estate	4,977,333	5,171,005
Investment in Real Estate	1,023,349	577,685
Other	221,819	-
Total Assets	$ 24,440,425	$ 18,999,994
Liabilities And Net Assets		
Current Liabilities		
Lines of credit	$ 1,020,142	$ 789,483
Current maturities of long-term debt	2,503,882	1,862,724
Accounts payable and accrued expenses	277,177	206,580
Interest payable	60,397	16,858
Income taxes payable	62,155	6,535
Client repair funds	173,115	179,858
Tenant security deposits	16,399	15,900
Deferred revenue	438,447	115,950
Total Current Liabilities	4,551,714	3,193,888
Long-Term Liabilities		
Deferred income taxes	417,000	501,000
Line of credit	640,350	14,662
Long-term debt	11,705,902	8,553,581
Total Long-Term Liabilities	12,763,252	9,069,243
Total Liabilities	17,314,966	12,263,131
Net Assets		
Unrestricted	6,923,802	6,541,863
Temporarily restricted	201,657	195,000
Total Net Assets	7,125,459	6,736,863
Total Liabilities and Net Assets	$ 24,440,425	$ 18,999,994

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	[Comparative Totals Only]
Public Support and Revenues				
Contributions and grants	$ 1,558,506	$ 350,000	$ 1,908,506	$ 1,901,546
Donated services	148,103	-	148,103	106,900
Donated property	42,457	-	42,457	130,000
Program service fees				
Real estate brokerage income	1,086	-	1,086	1,904
Loan fees	819,593	-	819,593	392,835
Credit reporting fees	17,847	-	17,847	24,186
Administrative fees	6,871	-	6,871	12,760
Developer's fees	183,298	-	183,298	-
Rental income	232,068	-	232,068	248,384
Contractual services	-	-	-	49,089
Miscellaneous	66,328	-	66,328	130,346
Interest	912,655	-	912,655	654,818
Gain on sale of assets	5,208	-	5,208	32,363
	3,994,020	350,000	4,344,020	3,685,131
Net assets released from restrictions	343,343	(343,343)	-	-
Total Public Support and Revenues	4,337,363	6,657	4,344,020	3,685,131
Expenses				
Program Services:				
Housing	758,696	-	758,696	762,359
Economic development	2,907,629	-	2,907,629	2,375,663
Savings	79,212	-	79,212	41,482
Total Program Services	3,745,537	-	3,745,537	3,179,504
Supporting Activities:				
Management and general	178,776	-	178,776	119,418
Fundraising	31,111	-	31,111	26,897
Total Supporting Activities	209,887	-	209,887	146,315
Total Expenses	3,955,424	-	3,955,424	3,325,819
CHANGES IN NET ASSETS	381,939	6,657	388,596	359,312
Net Assets, Beginning of Year	6,541,863	195,000	6,736,863	6,377,551
Net Assets, End of Year	$ 6,923,802	$ 201,657	$ 7,125,459	$ 6,736,863

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014							2013
	Program Services				Supporting Activities			
	Housing	Economic Development	Savings	Total Program Expenses	Management and General	Fundraising	Total	[Comparative Totals Only]
Salaries and wages	$ 113,789	$ 809,379	$ 33,961	$ 957,129	$ 68,043	$ 12,771	$ 1,037,943	$ 954,935
Payroll taxes	8,481	59,918	2,531	70,930	5,071	1,357	77,358	74,544
Employee benefits	6,961	47,655	2,013	56,629	5,795	1,079	63,503	43,680
Advertising	1,266	8,945	378	10,589	757	203	11,549	6,217
Client assistance	-	109,266	-	109,266	-	-	109,266	89,424
Conference and seminars	3,654	25,817	1,091	30,562	2,185	585	33,332	38,594
Credit report charges	3,580	25,299	1,069	29,948	2,141	573	32,662	34,475
Delivery and postage	1,662	11,745	496	13,903	994	266	15,163	12,790
Depreciation and amortization	11,815	83,475	3,526	98,816	7,726	1,229	107,771	89,289
Depreciation - rental real estate	210,611	-	-	210,611	-	-	210,611	207,712
Donated services	16,236	114,714	4,846	135,796	9,709	2,598	148,103	106,900
Dues and subscriptions	1,135	8,020	339	9,494	684	176	10,354	10,806
Equipment rental and maintenance	1,127	7,961	336	9,424	756	98	10,278	9,753
Impairment loss - rental real estate	50,000	-	-	50,000	-	-	50,000	50,691
Income taxes (benefit)	-	(3,385)	-	(3,385)	-	-	(3,385)	(73,089)
Insurance	3,014	21,289	899	25,202	1,866	418	27,486	33,083
Interest	33,759	372,315	5,910	411,984	-	-	411,984	173,970
Miscellaneous	4,605	29,391	1,242	35,238	5,983	492	41,713	24,229
Occupancy	5,472	38,667	1,633	45,772	3,273	876	49,921	34,723
Office supplies	8,192	56,382	2,380	66,954	6,909	1,235	75,098	81,719
Professional fees	48,262	321,157	13,566	382,985	51,646	5,754	440,385	401,304
Programmatic subsidized real estate loss	82,533	-	-	82,533	-	-	82,533	-
Provision for bad debts and loan losses	5,447	691,540	120	697,107	-	-	697,107	700,026
Recording fees	877	6,195	262	7,334	-	-	7,334	2,547
Rental real estate maintenance	127,457	-	-	127,457	-	-	127,457	122,408
Repairs and maintenance	1,840	12,995	549	15,384	1,100	294	16,778	33,514
Taxes and licenses	466	3,286	139	3,891	278	74	4,243	9,878
Telephone	2,370	16,741	707	19,818	1,417	379	21,614	20,663
Travel and training	4,085	28,862	1,219	34,166	2,443	654	37,263	31,034
Total 2014 Functional Expenses	$ 758,696	$ 2,907,629	$ 79,212	$ 3,745,537	$ 178,776	$ 31,111	$ 3,955,424	
Total 2013 Functional Expenses	$ 762,359	$ 2,375,663	$ 41,482	$ 3,179,504	$ 119,418	$ 26,897		$ 3,325,819

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
Cash Flows From Operating Activities:		
Change in Net Assets	$ 388,596	$ 359,312
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	318,382	297,000
Deferred income taxes	(84,000)	(92,000)
Noncash donations of property	(42,457)	(130,000)
Forgiveness of long-term debt	-	(122,456)
Programmatic subsidized real estate loss	82,533	-
Gain on sale of assets	(5,208)	(32,363)
Impairment loss - rental real estate	50,000	50,691
Provision for bad debts and loan losses	697,107	700,026
Change in assets & liabilities:		
Restricted funds	(241,253)	(479,190)
Accounts and grants receivable	(402,405)	(170,622)
Unconditional promises to give	15,000	(15,000)
Interest receivable	(69,548)	(46,659)
Prepaid expenses and other	2,531	(5,927)
Accounts payable and accrued expenses	70,597	18,897
Interest payable	43,539	(8,255)
Income taxes payable	55,620	(20,363)
Client repair funds	(6,743)	(47,178)
Tenant security deposits	499	4,000
Deferred revenue	322,497	(4,794)
Net Cash Provided by Operating Activities	1,195,287	255,119
Cash Flows from Investing Activities:		
Lending of notes receivable	(18,947,469)	(6,619,600)
Collections on notes receivable	13,826,439	3,781,178
Purchase of property and equipment	(27,147)	(35,814)
Purchase of rental real estate	(687,457)	(279,067)
Proceeds from sale of assets - rental real estate	53,256	-
Proceeds from sale of assets - investment in real estate	79,273	32,428
Other	(244,505)	-
Net Cash Used in Investing Activities	(5,947,610)	(3,120,875)

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*
FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
Cash flows from Financing Activities:		
Borrowings on lines of credit, net	$ 856,347	$ 188,394
Proceeds from long-term debt	5,748,919	4,287,938
Payments on long-term debt	(1,955,440)	(905,319)
Net Cash Provided by Activities	4,649,826	3,571,013
Net Increase (Decrease) in Cash	(102,497)	705,257
Cash - Beginning of Year	1,723,842	1,018,585
Cash - End of Year	$ 1,621,345	$ 1,723,842

	2014	2013
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing and financing activities:		
Acquisition of investment in real estate through donation	$ 42,457	$ 130,000
Disposal of rental real estate as part of settlement of a note payable	$ -	$ 248,850
Non-cash impairment loss on rental real estate	$ 50,000	$ 50,691
Cash paid for:		
Income taxes paid	$ 23,986	$ 40,283
Interest paid	$ 368,445	$ 182,225

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of *Justine Petersen Housing and Reinvestment Corporation* ("Justine PETERSEN") and its subsidiaries (collectively the "Corporation"). All significant intercompany investments, transactions and account balances have been eliminated in the consolidation.

Comparative Totals for the Year Ended December 31, 2013 (Comparative Totals Only)

The consolidated financial statements include certain summarized comparative information in total for the year ended December 31, 2013, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Organization

Justine PETERSEN, a Missouri not-for-profit corporation, was established in November 1996 to promote housing, savings and economic development of low and moderate income families to build assets and create enduring change. Justine PETERSEN has formed several subsidiaries to achieve its mission and maximize funding opportunities from various federal, state and local agencies.

The Corporation is named after the late Justine M. Petersen who helped hundreds of low to moderate income families in the St. Louis area purchase their own homes. Ms. Petersen worked with local banks to develop loan products for good homebuyers who had been shut out of the homeownership process because of income or location preference.

Information on Justine PETERSEN's subsidiaries includes the following:

Subsidiaries	Acronym	Year	State	Ownership/Relationship
Great Rivers Community Capital, Inc.	GRCC	1999	MO	Wholly-owned subsidiary
Great Rivers Community Trust	GRCT	2001	MO	Not-for-profit subsidiary
The Manchester Partnership, LLC (Ceased Operations as of December 31, 2013)	TMP	2007	MO	100% membership interest
Twenty First Homes, LP	TFH	2007	IL	99.99% owned subsidiary
Twenty First Homes Developers, NFP	TFHD	2007	IL	Wholly-owned NFP subsidiary (including 0.01% general partnership interest in TFH)

Great Rivers Community Capital, Inc. ("GRCC") was the first U.S. Department of the Treasury certified Community Development Financial Institution ("CDFI") in St. Louis. GRCC originates loans to low and moderate income individuals and families who are unable to access safe, affordable capital any place else. GRCC has its own board of directors; however, GRCC's operations are monitored by Justine PETERSEN's Board of Directors. GRCC is responsible for certain allocated overhead and administrative expenses, which is eliminated in consolidation.

Great Rivers Community Trust ("GRCT") was established to apply for tax credits through the Missouri Department of Economic Development and administer its Individual Development Account ("IDA") program. GRCT and Justine PETERSEN are governed by the same Board of Directors.

The Manchester Partnership, LLC ("TMP") was created to establish and maintain a small business for a low income individual. TMP was established primarily to purchase a building for rehabilitation and lease after completion. During 2013, TMP reached an agreement with a lender whereby the lender settled TMP's long-term debt obligation of $357,802 by taking ownership of TMP's rental real estate. This transaction resulted in debt forgiveness income of $122,456 which is included in miscellaneous income in the 2013 consolidated statement of activities. TMP ceased operations as of December 31, 2013.

Twenty First Homes, LP ("TFH") was established to construct, own and manage 20 low income single family homes in Granite City, Illinois. TFH completed the construction of the homes in January 2011. Currently, Justine PETERSEN is the 99.99% limited partner, and the 0.01% general partner as listed below, is an entity solely owned by Justine PETERSEN.

Twenty First Homes Developers, NFP ("TFHD"), is a general partner to TFH, the limited partnership that owns the 20 low income single family residences in Granite City, Illinois previously mentioned.

Basis of Accounting

The accompanying consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") ASC 958-205. Under FASB ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of 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 the reported amounts and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk

The Corporation considers all checking and savings accounts, which are available for the Corporation's operating needs, to be cash equivalents. The Corporation maintains cash deposits in various financial institutions. The account balances were insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per financial institution. At various times throughout the year ended December 31, 2014, balances may have exceeded these insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Restricted Funds

Restricted funds represent cash and cash equivalents that are restricted by donors and/or granting governmental agencies. Restricted funds also include tenant security and escrow deposits. Per certain funding agencies, the Corporation is required to keep separate bank accounts.

Accounts and Grants Receivable

The Corporation provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact of current economic conditions, changes in character and size of the balance, past and expected future loss experience and other pertinent factors. Management is of the opinion that no allowance for accounts and grants receivable is necessary at December 31, 2014 and 2013.

Notes Receivable and Allowance for Credit Losses

Notes receivable are reported at the principal amounts outstanding, net of allowance for credit losses. The allowance for credit losses is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance of Justine PETERSEN and GRCC loan funds are maintained at a level considered adequate to provide for potential loan losses based on management's evaluation of the anticipated impact of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. Past due status is determined based on contractual terms.

The Corporation's practice is to charge off any notes or portion of a note when the note is determined by management to be uncollectible due to the client's failure to meet repayment terms, the client's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. Notes are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the notes are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Interest on notes is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Property and Equipment and Rental Real Estate

Property and equipment purchased by the Corporation are valued at cost. Donated property and equipment is recorded at fair market value at the date of the donation. Rental real estate is recorded at acquisition cost plus construction expenditures. Major additions and improvements are capitalized, while repairs and maintenance items are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Property and Equipment	
Buildings	40 years
Equipment	3 - 7 years
Furniture and Fixtures	3 - 7 years
Rental Real Estate – Buildings	10 - 27.5 years

Investment in Real Estate

Land, homes, and other developmental costs are stated at cost, plus interest and real estate taxes incurred during the period of development and rehabilitation.

Asset Impairment Assessments

The Corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

Deferred Revenue

Deferred revenue consists of funds received by granting agencies for micro-lending activities and rehabbing activities that have not yet occurred and prepaid taxes on donated properties. Justine PETERSEN serves as the fiscal agent for the St. Louis Unbanked Task Force and another not-for-profit organization. Deferred revenue contains funding on behalf of these two entities that have not been expended.

Public Support and Revenues

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. The Corporation reports temporarily restricted contributions as unrestricted support in the current year when the Corporation meets the donor restrictions in the same period.

The Corporation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants are generally recognized as income in the period that specific services are performed. However, certain grants may qualify as contributions, and accordingly, they are recognized as support when made.

Program service fees are recognized as services are performed.

Rental income is recognized in accordance with the terms set forth in the tenant leases on a monthly basis.

Donated Property

Various property, equipment and supplies are donated to the Corporation. These items are recorded as contributions at their respective estimated fair values at the date of donation.

Donated Services

The Corporation recognizes contributions for certain services received at the fair value of those services.

Those services, which are reflected as public support and expenses in the accompanying consolidated statements of activities, include the following:

	2014	2013
Accounting services	$ 30,103	$ 5,000
Legal	27,000	-
Education and counseling	91,000	89,900
Rent	-	12,000
	$ 148,103	$ 106,900

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Program – Includes those expenditures that enable the Corporation to operate its programs:

Housing – assists low to moderate income families and individuals to address credit and other barriers to purchasing or refinancing a home through credit building products and services, budgeting, financial education, loan counseling, and homebuyer education.

Economic Development – counselors provide training, technical assistance and lending to micro-enterprises. As a U.S. Small Business Administration ("SBA") Micro-Loan Intermediary, Justine PETERSEN borrows money directly from the SBA and originates micro-enterprise loans under $50,000 per loan in accordance with its own underwriting guidelines to small business owners that may not be able to secure capital elsewhere. GRCC is a U.S. Department of Treasury certified Community Development Financial Institution. One of GRCC's loan products is the Emerging Markets Loan Fund. The mission of the Emerging Markets Loan Fund is to provide access to safe, affordable capital to small businesses overlooked by mainstream financial institutions. This loan pool is funded by local investors and the CDFI Fund.

Savings – coaches on how to take control of the financial future, build a strong credit profile and save on interest rates and financing fees.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Corporation's program strategy; secure proper administrative functioning of the Board; and manage the financial and budgetary responsibility of the Corporation.

Fundraising – provide the structure necessary to encourage and secure private financial support from corporations, foundations and individuals.

Functional Expense Allocation

The costs associated with providing activities have been summarized on a functional basis. Certain of these expenses represent costs associated with multiple activities and require allocation among the program and supporting services benefited. Such allocations are based on relevant factors that represent management's best estimate of the costs of providing such activities.

Income Taxes

Justine PETERSEN and GRCT are not-for-profit organizations and are exempt from Federal and Missouri income taxes under Section 501(a) of the Internal Revenue Code as organizations described under Section 501(c)(3).

GRCC is a for-profit corporation and files a corporate income tax return. TFHD is an Illinois not-for-profit corporation and files a corporate income tax return. TFH files a partnership tax return.

GRCC accounts for income taxes using the asset and liability approach. The asset and liability approach requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of the assets and liabilities. Deferred taxes are classified as current or noncurrent depending on the classification of the assets and liabilities to which they relate. Valuation allowances are established, if necessary, to reclassify the deferred tax asset to an amount more likely than not to be realized.

Management believes there are no uncertain tax positions as of December 31, 2014 and 2013. The Corporation's tax returns are subject to examination by the respective taxing authorities, generally for three years after they were filed.

Subsequent Events

Management has evaluated the impact on the consolidated financial statements of subsequent events through April 29, 2015, which is the date the consolidated financial statements were available to be issued.

2. RESTRICTED FUNDS

Restricted funds consist of the following:

	2014	2013
Note Receivable Cash Reserves (Note 3)		
Micro lending reserves	$ 780,188	$ 337,085
SBA required loan loss reserves	344,882	369,297
	1,125,070	706,382
Client Repair Funds	170,850	178,778
Escrow Deposits	126,740	107,879
Tenant Security Deposits	16,399	15,900
Other Reserves	78,947	267,814
	$ 1,518,006	$ 1,276,753

3. NOTES RECEIVABLE

The Corporation has notes receivable agreements with low to moderate income individuals and small businesses. The notes range from one to ten year terms and interest is charged at various rates. The notes are normally secured by the assets of the owner or borrower. Interest income on notes receivable was $912,655 and $654,818 for the years ended December 31, 2014 and 2013, respectively.

Notes receivable consist of the following at December 31:

	2014	2013
Business Loans		
Small Business Administration	$ 3,448,818	$ 3,775,196
CDFI	1,929,537	2,376,683
Micro-Enterprise	5,306,913	2,493,806
Subtotal	10,685,268	8,645,685
Mortgage Loans	120,826	130,998
Other Loans	363,353	163,202
Total	11,169,447	8,939,885
Less: Allowance for Credit Losses	496,956	491,317
	$ 10,672,491	$ 8,448,568

The above are presented in the consolidated statements of financial position as follows:

	2014	2013
Notes Receivable - Current Portion	$ 3,391,210	$ 3,446,563
Notes Receivable	7,281,281	5,002,005
	$ 10,672,491	$ 8,448,568

Changes in the allowance for loan losses are as follows:

	Year Ended December 31, 2014				2013
	Business	Mortgage	Other	Total	Totals
Balance, Beginning	$ 456,205	$ 33,175	$ 1,937	$ 491,317	$ 283,694
Provision for Loan Losses	540,619	13,347	148,481	702,447	700,026
Recoveries	31,873	252	12,169	44,294	20,801
Loans Charged Off	(580,125)	(923)	(160,054)	(741,102)	(513,204)
Balance, Ending	$ 448,572	$ 45,851	$ 2,533	$ 496,956	
Totals 2013	$ 456,205	$ 33,175	$ 1,937		$ 491,317

In addition to the allowance for loan losses, the Corporation maintains required cash reserves of $1,125,070 and $706,382 as of December 31, 2014 and 2013, respectively (Note 2) to cover loan losses.

The following table provides aging information on the Corporation's past due and accruing loans, in addition to the balances of loans on nonaccrual status, at December 31, 2014 and 2013.

	December 31, 2014					
	Current	30-89 Days Past Due	90 Days Past Due And Still Accruing	Non-Accrual	Total	2013 Totals
Business Loans	$ 9,619,152	$ 269,786	$ 297,119	$ 499,211	$ 10,685,268	$ 8,645,685
Mortgage Loans	120,826	-	-	-	120,826	130,998
Other Loans	309,796	40,666	12,891	-	363,353	163,202
Totals 2014	$ 10,049,774	$ 310,452	$ 310,010	$ 499,211	$ 11,169,447	
Totals 2013	$ 8,066,105	$ 237,628	$ 60,284	$ 575,868		$ 8,939,885

A loan is considered impaired when, based on currently available information, it is probable that the Corporation will not collect all of the principal and interest contractually required by the loan agreement. Impaired loans include loans placed on nonaccrual status. All impaired loans are evaluated for an asset-specific allowance for credit losses. An allowance for credit losses on impaired loans is recognized when the recorded investment in the loan exceeds the estimated cash flows expected to be received from the borrower, discounted using the original effective interest rate of the loan.

The following table provides additional information about impaired (non-accrual) loans held by the Corporation at December 31, 2014 and 2013, segregated between loans for which an allowance for credit losses has been provided and loans for which no allowance has been provided:

	December 31, 2014			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Interest Income Recognized
Business Loans	$ 499,211	$ 499,211	$ 448,572	$ -
Mortgage Loans	-	-	-	-
Other Loans	-	-	-	-
	$ 499,211	$ 499,211	$ 448,572	$ -
Totals 2013	$ 575,868	$ 575,868	$ 457,545	

Impaired loans totaled $499,211 and $575,868 at December 31, 2014 and 2013, respectively, and are comprised of loans on non-accrual status and loans which have been restructured. The restructured loans have been extended to borrowers who are experiencing financial difficulty and who have been granted a concession. Upon maturity, the loans renewed at interest rates judged not to be market rates for new debt with similar risk, and as a result were classified as troubled debt restructurings. These loans totaled $446,276 and $116,632 at December 31, 2014 and 2013, respectively.

When the Corporation modifies a loan, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole (remaining) source of repayment for the loan is in operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs, instead of discounted cash flows. If management determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized by segment or class of loan, as applicable, through an allowance estimate or a charge-off to the allowance. Segment and class status is determined by the loan's classification at origination.

The following tables include the recorded investment and number of modifications for modified loans during the years ended December 31, 2014 and 2013. The Corporation reports the recorded investment in the loans prior to a modification and also the recorded investment in the loans after the loans were modified. There were no troubled debt restructurings within the last year where a concession has been made, that then defaulted in the current reporting period.

	December 31, 2014		
	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification
Business Loans	13	$ 446,276	$ 446,276
Mortgage Loans	-	-	-
Other Loans	-	-	-
	13	$ 446,276	$ 446,276
Totals 2013	4	$ 116,632	$ 116,632

The following table shows the balance in the allowance for loan losses at December 31, 2014 and 2013, and the related loan balance, disaggregated on the basis of impairment methodology. Loans evaluated include loans on non-accrual status, which are individually evaluated for impairment, and other impaired loans deemed to have similar risk characteristics, which are collectively evaluated.

	Business	Mortgage	Other	Total
December 31, 2014				
Allowance for loan losses				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 448,572	$ 45,851	$ 2,533	$ 496,956
Loans outstanding, net of allowance				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 10,236,696	$ 74,975	$ 360,820	$ 10,672,491
December 31, 2013				
Allowance for loan losses				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 456,205	$ 33,175	$ 1,937	$ 491,317
Loans outstanding, net of allowance				
Individually evaluated for impairment	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 8,189,480	$ 97,823	$ 161,265	$ 8,448,568

The following table provides information about the credit quality of the loan portfolio, using the Corporation's internal rating system as an indicator. The internal rating system is a series of grades reflecting management's risk assessment, based on its analysis of the borrower's financial condition.

Credit risk grades are refreshed each quarter as they become available, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track loan performance. The "average or lower risk" category consists of a range of loan grades that reflect increasing, though still acceptable risk. Movement of risk through the various grade levels in the "average or lower risk" category is monitored for early identification of credit deterioration. The "higher than average risk" rating is attached to loans where the borrower exhibits material negative financial trends due to borrower specific or systemic conditions that if left uncorrected, threaten its capacity to meet its debt obligations. It is a transitional grade that is closely monitored for improvement or deterioration. Troubled debt restructures are included in "high risk or impaired loans" category. The "restructured loans" category includes all loans that have been restructured at the request of the borrower and consent of management except troubled debt restructures which are included in the "high risk or impaired loans" category.

	December 31, 2014				2013
	Business	Mortgage	Other	Total	Totals
Average or Lower Risk	$ 9,119,681	$ 120,176	$ 361,585	$ 9,601,442	$ 7,718,552
High Risk or Impaired Loans	499,211	-	-	499,211	636,152
Restructured Loans	1,066,376	650	1,768	1,068,794	585,181
Totals 2014	$ 10,685,268	$ 120,826	$ 363,353	$ 11,169,447	
Totals 2013	$ 8,645,685	$ 130,998	163,202		$ 8,939,885

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2014	2013
Land	$ 65,000	$ 65,000
Buildings	1,298,596	1,298,596
Equipment	4,080	4,080
Furniture and fixtures	334,464	299,331
Vehicles	9,421	9,421
	1,711,561	1,676,428
Less: Accumulated depreciation	(520,256)	(434,642)
Property and equipment, net	$ 1,191,305	$ 1,241,786

Depreciation expense was $85,085 and $89,289 during 2014 and 2013, respectively.

5. RENTAL REAL ESTATE

Justine PETERSEN owns and manages rental housing to promote safe, affordable rental housing in low and moderate income areas. The houses donated are recorded at the estimated fair market value at the time of the donation. Purchased properties are recorded at cost plus costs to improve, which management believes approximates market after improvements.

Rental real estate consists of the following at December 31:

	2014	2013
Land	$ 132,486	$ 132,486
Buildings	5,924,977	5,880,590
	6,057,463	6,013,076
Less: Accumulated impairment losses	(225,036)	(195,036)
Less: Accumulated depreciation	(855,094)	(647,035)
Rental real estate, net	$ 4,977,333	$ 5,171,005

Depreciation expense was $210,611 and $207,712 during 2014 and 2013, respectively.

6. INVESTMENT IN REAL ESTATE

Investment in real estate includes land and homes that have been donated to Justine PETERSEN or purchased properties for renovation and sale to contribute to the quality of owner-occupied housing in low and moderate income areas. These properties have been classified as available-for-sale as the Corporation does not intend to hold them. The properties are recorded at cost and/or donated value plus improvements, which management believes approximates market after improvements.

	2014	2013
Investment in real estate	$ 1,043,349	$ 577,685
Less: Accumulated impairment losses	(20,000)	-
Investment in real estate, net	$ 1,023,349	$ 577,685

7. LINES OF CREDIT

Lines of credit with banks consisted of the following at December 31:

	2014	2013
Line of credit of $50,000 with a bank, due April 2015, payable in monthly interest only payments which are calculated at prime rate plus 1%, secured by receivables, equipment and real estate.	$ -	$ 14,662
Line of credit of $750,000 (initially) with a bank, due August 2014, payable in monthly interest only payments which are calculated at prime rate, secured by SBA contract notes. Renewed August 2014 and October 2014 with increased line up to $1,000,000, due August 2015.	946,285	627,069
Line of credit of $48,000 with a bank, due November 2014, extended to May 2015, interest and principal payable on due date at prime rate.	15,523	15,523
Line of credit of $150,000 with a bank, due March 2014, extended to March 2018, payable in monthly interest only payments at 4%; secured by notes receivable.	25,865	134,426

	2014	2013
Line of credit of $65,000 with a bank, due October 2014, extended to April 2015, interest and principal payable on due date at prime rate.	$ 32,289	$ 12,465
Line of credit of $25,000 with a bank, due December 2014, extended to December 2015, interest and principal payable on due date at prime rate.	25,000	-
Line of credit of $110,000 with a bank, due date is open-ended, interest and principal payable on due date at prime rate.	1,045	-
Line of credit of $250,000 with a bank, due June 2020, monthly interest of 4.55% until July 2015 at which time monthly principal and interest of $4,666 will be due.	71,772	-
Line of credit of $750,000 with USDA, due October 2043, monthly interest of 1% until October 2017 at which time monthly principal and interest will be due at an amount to fully amortize the balance by the due date.	542,713	-
Line of credit of $250,000 with a bank, due November 2019, monthly interest of 4.5% until December 2015 at which time monthly principal and interest of $5,708 will be due.	-	-
	1,660,492	804,145
Less: Current Maturities	1,020,142	789,483
	$ 640,350	$ 14,662

8. LONG-TERM DEBT

Long-term debt consisted of the following:

	2014	2013
Justine PETERSEN		
Unsecured notes payable to a foundation, payable in quarterly interest only payments which are calculated at 3%, with the following due dates:		
Due July 2014	$ -	$ 300,000
Due March 2017	300,000	300,000
Unsecured note of $450,000 with a foundation, semi-annual interest only payments until due date in May 2015, interest at 4.50%.	450,000	450,000
Unsecured note of $35,000 with a trust, due July 2015, interest and principal payable on due date, interest at 3%.	37,688	36,443

	2014	2013
Justine PETERSEN (Continued)		
Unsecured note of $30,000 with a bank, matured November 2014, payable in monthly installments of $1,293 including interest at 3.25%.	$ -	$ 13,987
Promissory note of $865,800 with a bank, due March 2022, payable in monthly installments of $5,670 including interest at 4.84%, secured by deed of trust and guaranteed by Justine PETERSEN.	788,449	816,948
Promissory note of $500,000 with a community development company, due March 2022, payable in interest and principal on due date, interest at 3.75%, secured by loan document between GRCC and Justine PETERSEN.	491,511	500,000
Promissory note of $1,000,000 with a community development company, due July 2016, payable in interest and principal on due date, interest at 3.894%, secured by loan document between GRCC and Justine PETERSEN.	897,128	1,000,000
Promissory note of $250,000 with a bank, due February 2015, payable in monthly payments of $5,566, interest at 3.25%, secured by real and personal property. (See Note 17).	71,082	139,542
Unsecured promissory note of $675,000 with a bank, due September 2014, payable in interest and principal on due date, interest at 3.75%.	-	675,000
Unsecured promissory note of $250,000 with a bank, due January 2017, payable in monthly installments of $5,700, including interest at 4.5%.	130,344	196,349
Unsecured promissory note of $150,000 with a bank, due August 2017, payable in monthly installments of $3,425, including interest at 4.5%.	102,866	138,391
Unsecured promissory note of $250,000 with a bank, due December 2018, payable in monthly installments of $4,497, including interest at 3%.	202,987	249,990
Unsecured promissory note of $12,000 with an individual, principal and interest due January 2016, interest at 3%.	12,360	12,360
Two unsecured promissory notes of $20,000 each (one new in 2014) with an individual, principal and interest due April 2018, interest at 0%.	40,000	20,000
Unsecured promissory note of $25,000 with an individual, principal and interest due April 2018, interest at 2%.	25,333	25,335

	2014	2013
Justine PETERSEN (Continued)		
Two unsecured promissory notes of $20,000 each (one new in 2014) with an individual, principal and interest due May 2015 and August 2016, respectively, interest at 3%.	$ 41,208	$ 20,392
Unsecured promissory note of $10,000 with an individual, principal and interest due September 2016, interest at 3%.	10,377	10,083
Unsecured promissory note of $5,000 with an individual, principal and interest due June 2015, interest at 3%.	5,080	5,095
SBA notes payable, secured by notes receivable, at the following rates and payments, as adjusted, according to the terms of the note. (a)		
Interest at 1.13%, matured July 2014, payable in monthly payments of $2,461 including interest.	-	27,459
Interest at 2.5%, due January 2016, payable in monthly payments of $2,645 including interest.	38,032	66,326
Interest at 1.25%, due July 2016, payable in monthly payments of $5,427 including interest.	110,460	174,503
Interest at 3%, due August 2017, payable in monthly payments of $5,427 including interest.	194,622	262,503
Interest at 0.875%, due December 2018, payable in monthly payments of $4,857 including interest.	237,760	295,368
Interest at 1.75%, due February 2021, payable in monthly payments of $2,510 including interest.	185,660	215,780
Interest at 0.625% until July 2014 then became 0%, due July 2021, payable in monthly payments of $6,945 including interest.	551,116	633,923
Interest at 1%, due June 2022, payable in monthly payments of $4,630 including interest.	416,660	472,220
Interest at 0%, due May 2023, payable in monthly payments of $11,574.	1,168,982	1,250,000
Interest at 0%, due December 2022, payable in monthly payments of $3,496.	336,975	377,480
Unsecured promissory note of $773,670 with a bank, due September 2015, payable in interest and principal on due date, interest at 3.75%.	773,670	-

(a) Payments on SBA loans adjust according to the terms and conditions of each note.

	2014	2013
Justine PETERSEN (Continued)		
Unsecured promissory note of $500,000 with a bank, due May 2024, quarterly interest at 3% until May 2022 at which time $100,000 principal is due, another $100,000 due May 2023, then the remainder due at maturity.	$ 500,000	$ -
Unsecured promissory note of $75,000 with a bank, due May 2019, monthly interest and principal payments of $1,383, interest at 4%.	65,860	-
Unsecured promissory note of $300,000 with a bank, due November 2017, quarterly interest at 3.25% until maturity.	300,000	-
Promissory note of $400,000 with a not-for-profit corporation, due at a date to be determined based on timing of renovation completion and disbursements, interest only payments until 2nd full month after renovations are complete or loan fully disbursed. Then payments of prinicipal and interest of $3,216, interest at 5.25%, secured by 1st mortgage lien on certain properties.	137,200	-
Promissory note of $2,000,000 with a not-for-profit corporation, due March 2022, quarterly interest at 5%, secured by a promissory note. (See Note 16).	2,000,000	-
Unsecured promissory note of $250,000 with a bank, due October 2017, monthly interest and principal payments of $6,945, interest at 3.75%.	237,657	-
Unsecured promissory note of $500,000 with a bank, due January 2019, monthly interest and principal payments of $11,708, interest at 4.55%.	499,426	-
	11,360,493	8,685,477
GRCC		
Unsecured note payable to bank, due December 2016, payable in quarterly interest only payments which are caclulated at 1%.	200,000	200,000
Unsecured note payable to U.S. Department of the Treasury, due May 2022, payable in quarterly interest only payments which are calculated at 1%.	500,000	500,000
Unsecured note payable to bank, due December 2017, payable in monthly principal and interest payments of $5,927, interest at 4.25%.	200,000	-
Unsecured note payable to bank, due December 2017, payable in monthly principal and interest payments of $8,891, interest at 4.25%.	300,000	-

Promissory note of $3,000,000 with a company, due April 2032, quarterly interest at 1% until fully advanced then monthly interest. $2,600,000 principal due April 2022, remaining principal due at maturity, secured by all current and future loans made from proceeds of this loan.	634,677	-
	1,834,677	700,000
TFH		
Promissory note of $400,000 with Madison County Community Development, due March 2030, payable only if the project has positive cash flow, interest at 1%, secured by deed of trust.	400,000	400,000
Promissory note of $670,000 with Illinois Housing Development Authority ("IHDA"), due April 2031, payable in monthly installments of $1,767 including interest at 1%, secured by deed of trust. (Note 14)	614,614	630,828
	1,014,614	1,030,828
	14,209,784	10,416,305
Less: Current Maturities	2,503,882	1,862,724
	$ 11,705,902	$ 8,553,581

Maturities of long-term debt over the next five years and thereafter are as follows:

2015	$ 2,503,882
2016	2,319,765
2017	1,641,566
2018	782,874
2019	450,007
Thereafter	6,511,690
	$ 14,209,784

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2014	2013
Purpose Restricted	$ 201,657	$ 180,000
Time Restricted	-	15,000
	$ 201,657	$ 195,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2014	2013
Purpose Restricted	$ 328,343	$ 70,000
Time Restricted	15,000	-
	$ 343,343	$ 70,000

10. GRANTS AND CONTRIBUTIONS

Grants and contributions consist of the following:

	2014	2013
Grants		
Federal		
U.S. Department of Housing and Urban Development (HCAP)	$ 24,271	$ 15,703
U.S. Department of Housing and Urban Development (Section 8)	15,644	20,845
U.S. Department of Housing and Urban Development (HOME)	16,264	-
Small Business Administration - Microloan Program	725,689	583,581
Small Business Administration - PRIME	20,471	43,052
U.S. Department of the Treasury (NFMC Grant)	99,300	75,051
U.S. Department of the Treasury (Hardest Hit Fund)	30,400	71,450
	932,039	809,682
State and Local	-	-
	932,039	809,682
Contributions	976,467	1,091,864
	$ 1,908,506	$ 1,901,546

HCAP – Housing Counseling Assistance Program
HOME – Home Investment Partnership
NFMC – National Foreclosure Mitigation Counseling Grant

11. INCOME TAXES

Income tax expense (benefit) consists of the following at December 31:

	2014	2013
Current		
U.S. Federal	$ 62,622	$ 10,766
State and local	17,993	8,145
	80,615	18,911
Deferred Tax Provision	(84,000)	(92,000)
	$ (3,385)	$ (73,089)

The difference between income tax expense (benefit) and the amount computed by applying the statutory tax rate to income before income taxes for GRCC relates primarily to the differences in the graduated rates.

Deferred tax assets and liabilities, which are reported in the accompanying consolidated statement of financial position, consist of the following:

	2014	2013
Deferred Tax Assets (Liabilities)		
Allowance for doubtful accounts and loans losses	$ 72,000	$ 72,000
Depreciation	(10,000)	(13,000)
Basis reduction in loans receivable related to CDFI grant	(479,000)	(560,000)
	(417,000)	(501,000)
Less: Valuation allowance	-	-
	$ (417,000)	$ (501,000)

12. LEASE COMMITMENTS

The Corporation leases certain equipment under various operating lease agreements. The leases are non-cancelable and expire on various dates through 2018.

At December 31, 2014, future minimum lease payments under these non-cancelable operating leases are as follows:

Year	Amount
2015	$ 37,737
2016	14,941
2017	2,628
2018	657
2019	-
	$ 55,963

Rent expense under operating leases was $43,878 and $28,653 for the years ended December 31, 2014 and 2013, respectively.

13. RELATED PARTY TRANSACTIONS

The Corporation has issued several SBA and micro-enterprise loans to companies that are partially or wholly-owned by various related parties. Total outstanding SBA loan balances were $25,267 and $47,393 and total outstanding micro-enterprise loan balances were $59,236 and $65,321 at December 31, 2014 and 2013, respectively.

14. CONTINGENCIES

Certain revenues received by the Corporation are subject to compliance audits by appropriate government authorities. The findings of these audits could result in additional liabilities to the Corporation. However, management believes that the Corporation has complied with the provisions of each contract and the effect of such findings, if any, would not have a material impact on the consolidated financial statements.

The Corporation, from time to time, is involved in litigation in the ordinary course of business. The Corporation is not party to any lawsuit or proceeding which, in the opinion of management, is individually or in the aggregate, likely to have a material adverse effect on the consolidated statement of financial position.

Twenty First Homes

In January 2011, TFH finalized construction of 20 low income single family homes in Granite City, Illinois. Pursuant to several contractual agreements with federal and state agencies, TFH recognized $3,865,965 of grant revenues from the U.S. Treasury under Internal Revenue Code ("IRC") section 1602 under the Tax Credit Exchange Program ("TCEP"). These funds were used to pay off the bridge loans used to construct the facilities. In addition, TFH was eligible to receive $670,000 in loans from the Illinois Housing Development Authority ("IHDA") (Note 8). The contractual provisions associated with this project include ongoing compliance for 15 years for the federal funding and 20 years for the state funding.

In summary, TFH must meet the following minimum provisions required by federal and state laws:

1. Maintain either-
   a. at least 20% of available units as rent restricted and occupied by households earning up to 50% or less of the area median gross income; or
   b. 40% as rent restricted and occupied by those earning up to 60% or less of the area median gross income.
2. Restrict rents to 30% of the applicable income limitation above, either the 50% or 60% of area median gross income.
3. Maintain habitability standards.
4. Operate in compliance with the above requirements for a minimum of 15 years (20 years for state).

Projects not meeting the above requirements each year are subject to having their TCEP funds "recaptured," that is, repaid to the federal government for material non-compliance. As December 31, 2014, TFH is in compliance with the provisions.

Loan Guarantee

On November 15, 2013, Justine PETERSEN executed a commercial guaranty for Northwest Acquisition LLC. The loan was in the amount of $65,000.

15. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Non-accrual loans and impaired real estate: Valued at the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of December 31, 2014 and 2013:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2014				
Asset				
Nonaccrual loans	$ -	$ -	$ 499,211	$ 499,211
Real estate - impaired	-	-	513,168	513,168
Balance, Ending	$ -	$ -	$ 1,012,379	$ 1,012,379
December 31, 2013				
Asset				
Nonaccrual loans	$ -	$ -	$ 575,868	$ 575,868
Real estate - impaired	-	-	417,146	417,146
Balance, Ending	$ -	$ -	$ 993,014	$ 993,014

Assets measured at fair value on a non-recurring basis using significant unobservable inputs (Level 3):

	Nonaccrual Loans	Real Estate-Impaired	Total
Balance on January 1, 2013	$ 252,524	$ 225,000	$ 477,524
Total losses included in earnings	-	(50,691)	(50,691)
Purchases, issuances, sales, and settlements			
Issuances	353,445	242,837	596,282
Settlements	(30,101)	-	(30,101)
Balance on December 31, 2013	575,868	417,146	993,014
Total losses included in earnings	-	(50,000)	(50,000)
Purchases, issuances, sales, and settlements			
Issuances	172,919	146,022	318,941
Settlements	(249,576)	-	(249,576)
Balance on December 31, 2014	$ 499,211	$ 513,168	$ 1,012,379

16. OTHER NOTE RECEIVABLE AND SALE OF NOTES RECEIVABLE

Other note receivable represents a $2,200,000 leverage loan promissory note receivable dated April 14, 2014 between Justine PETERSEN and an unrelated third party investment fund. The promissory note agreement requires quarterly interest payments, at an annual interest rate of 5%, through April 15, 2020, and quarterly payments of principal and interest thereafter through the maturity date of April 11, 2022.

The promissory note was entered into as part of a new market tax credit transaction whereby Justine PETERSEN borrowed $2,000,000 from an unrelated not-for-profit corporation (See Note 8) to provide the funds to lend under the terms of the promissory note. The proceeds from the promissory note agreement were used by the investment fund as part of its funding of an affiliate of the investment fund who, on April 14, 2014, purchased $2,640,000 of outstanding notes receivable from GRCC. The purchase of GRCC's notes receivable was recorded as a sale by GRCC. There was no gain or loss on the sale of the notes receivable. GRCC continues to process these notes receivable under a loan servicing agreement.

17. SUBSEQUENT EVENTS

On January 16, 2015, Justine PETERSEN extended a note payable in the amount of $250,000 to GRCC at 3.5% for a three year term. Quarterly interest is due beginning March 31, 2015. Justine PETERSEN then sold that note to a bank on the same day.

On February 5, 2015, Justine PETERSEN renewed a note payable with a bank (See Note 8) in the amount of $65,714. The note requires monthly principal and interest payments of $5,566 at 3.25% interest, commencing March 2015 through maturity in March 2016.

On February 12, 2015, GRCC entered into a $150,000 promissory note with a bank. The note requires monthly payments of interest at 4% interest, commencing March 2015 through maturity in February 2016.

On April 9, 2015, Justine PETERSEN entered into a $250,000 promissory note with a bank. The note requires monthly principal and interest payments of $4,526 at 3.25% interest, commencing May 2015 through maturity in April 2020.

On April 15, 2015, Justine PETERSEN entered into a $500,000 promissory note with a finance company. The note requires quarterly payments of interest at 2% interest, commencing July 2015 through maturity in April 2018.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014								2013
Assets	**JPHRC**	**GRCC**	**GRCT**	**TMP**	**TFH**	**TFHD**	**Eliminations**	**Consolidated**	**[Comparative Totals Only]**
Current Assets									
Cash	$ 535,206	$ 1,051,948	$ 36,881	$ -	$ (2,690)	$ -	$ -	$ 1,621,345	$ 1,723,842
Restricted funds	1,039,655	339,807	-	-	138,544	-	-	1,518,006	1,276,753
Accounts and grants receivable	735,956	41,849	-	-	34,244	-	-	812,049	409,644
Unconditional promises to give	-	-	-	-	-	-	-	-	15,000
Interest receivable	90,783	102,431	-	-	-	-	-	193,214	123,666
Notes receivable - current portion	2,072,368	1,318,842	-	-	-	-	-	3,391,210	3,446,563
Prepaid expenses and other	4,400	-	-	-	5,114	-	-	9,514	12,045
Total Current Assets	4,478,368	2,854,877	36,881	-	175,212	-	-	7,545,338	7,007,513
Notes Receivable	3,260,352	4,020,929	-	-	-	-	-	7,281,281	5,002,005
Other Note Receivable	2,200,000	-	-	-	-	-	-	2,200,000	-
Property and Equipment	1,151,395	39,910	-	-	-	-	-	1,191,305	1,241,786
Rental Real Estate	778,484	48,563	-	-	4,150,286	-	-	4,977,333	5,171,005
Investment in Real Estate	1,023,349	-	-	-	-	-	-	1,023,349	577,685
Other	-	221,819	-	-	-	-	-	221,819	-
Due from Subsidiaries	3,273,736	-	-	-	-	-	(3,273,736)	-	-
Investment in Subsidiaries	4,711,759	-	-	-	-	327	(4,712,086)	-	-
Total Assets	$ 20,877,443	$ 7,186,098	$ 36,881	$ -	$ 4,325,498	$ 327	$ (7,985,822)	$ 24,440,425	$ 18,999,994
Liabilities And Net Assets									
Current Liabilities									
Lines of credit	$ 1,020,142	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,020,142	$ 789,483
Current maturities of long-term debt	2,329,176	159,595	-	-	15,111	-	-	2,503,882	1,862,724
Accounts payable and accrued expenses	185,319	85,365	1	-	6,492	-	-	277,177	206,580
Interest payable	27,487	25,822	-	-	7,088	-	-	60,397	16,858
Income taxes payable	-	62,155	-	-	-	-	-	62,155	6,535
Client repair funds	173,115	-	-	-	-	-	-	173,115	179,858
Tenant security deposits	4,595	-	-	-	11,804	-	-	16,399	15,900
Deferred revenue	438,447	-	-	-	-	-	-	438,447	115,950
Total Current Liabilities	4,178,281	332,937	1	-	40,495	-	-	4,551,714	3,193,888
Long-Term Liabilities									
Deferred income taxes	-	417,000	-	-	-	-	-	417,000	501,000
Line of credit	542,713	97,637	-	-	-	-	-	640,350	14,662
Long-term debt	9,031,317	1,675,082	-	-	999,503	-	-	11,705,902	8,553,581
Due to subsidiaries	-	3,253,234	18,000	-	2,502	-	(3,273,736)	-	-
Total Long-Term Liabilities	9,574,030	5,442,953	18,000	-	1,002,005	-	(3,273,736)	12,763,252	9,069,243
Total Liabilities	13,752,311	5,775,890	18,001	-	1,042,500	-	(3,273,736)	17,314,966	12,263,131
Net Assets									
Unrestricted	6,923,475	-	18,880	-	-	327	(18,880)	6,923,802	6,541,863
Temporarily restricted	201,657	-	-	-	-	-	-	201,657	195,000
Common stock	-	10,000	-	-	-	-	(10,000)	-	-
Paid-in capital and partner capital	-	300,000	-	-	-	-	(300,000)	-	-
Equity	-	1,100,208	-	-	3,282,998	-	(4,383,206)	-	-
Total Net Assets	7,125,132	1,410,208	18,880	-	3,282,998	327	(4,712,086)	7,125,459	6,736,863
Total Liabilities and Net Assets	$ 20,877,443	$ 7,186,098	$ 36,881	$ -	$ 4,325,498	$ 327	$ (7,985,822)	$ 24,440,425	$ 18,999,994

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014								2013
	JPHRC	GRCC	GRCT	TMP	TFH	TFHD	Eliminations	Consolidated	[Comparative Totals Only]
Public Support and Revenues									
Contributions and grants	$ 1,908,506	$ -	$ -	$ -	$ -	$	$ -	$ 1,908,506	$ 1,901,546
Donated services	148,103	-	-	-	-	-	-	148,103	106,900
Donated property	42,457	-	-	-	-	-	-	42,457	130,000
Program service fees									
Real estate brokerage income	1,086	-	-	-	-	-	-	1,086	1,904
Loan fees	416,260	403,333	-	-	-	-	-	819,593	392,835
Credit reporting fees	17,847	-	-	-	-	-	-	17,847	24,186
Administrative fees	355,086	-	-	-	-	-	(348,215)	6,871	12,760
Developer's fees	183,298	-	-	-	-	-	-	183,298	-
Rental income	88,134	6,760	-	-	137,174	-	-	232,068	248,384
Contractual services	-	-	-	-	-	-	-	-	49,089
Miscellaneous	65,144	29	-	107,987	1,155	-	(107,987)	66,328	130,346
Interest	482,939	432,717	616	-	1	-	(3,618)	912,655	654,818
Gain on sale of assets	5,208	-	-	-	-	-	-	5,208	32,363
Equity in earnings of subsidiaries	(155,535)	-	-	-	-	(16)	155,551	-	-
Total Public Support and Revenues	3,558,533	842,839	616	107,987	138,330	(16)	(304,269)	4,344,020	3,685,131
Expenses									
Program Services:									
Housing	458,381	69,777	-	-	269,009	-	(38,471)	758,696	762,359
Economic development	2,472,305	708,267	39	-	-	-	(272,982)	2,907,629	2,375,663
Savings	71,534	19,123	-	-	-	-	(11,445)	79,212	41,482
Total Program Services	3,002,220	797,167	39	-	269,009	-	(322,898)	3,745,537	3,179,504
Supporting Activities:									
Management and general	136,590	40,991	-	-	30,130	-	(28,935)	178,776	119,418
Fundraising	31,111	-	-	-	-	-	-	31,111	26,897
Total Supporting Activities	167,701	40,991	-	-	30,130	-	(28,935)	209,887	146,315
Total Expenses	3,169,921	838,158	39	-	299,139	-	(351,833)	3,955,424	3,325,819
CHANGES IN NET ASSETS	388,612	4,681	577	107,987	(160,809)	(16)	47,564	388,596	359,312
Net Assets, Beginning of Year	6,736,520	1,405,527	18,303	(107,987)	3,443,807	343	(4,759,650)	6,736,863	6,377,551
Net Assets, End of Year	$ 7,125,132	$ 1,410,208	$ 18,880	$ -	$ 3,282,998	$ 327	$ (4,712,086)	$ 7,125,459	$ 6,736,863

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF EXPENSES
DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR 2013)

	2014								2013
	JPHRC	GRCC	GRCT	TMP	TFH	TFHD	Eliminations	Consolidated	[Comparative Totals Only]
Salaries and wages	$ 1,037,943	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,037,943	$ 954,935
Payroll taxes	77,358	-	-	-	-	-	-	77,358	74,544
Employee benefits	61,526	-	-	-	1,977	-	-	63,503	43,680
Administrative fees	-	348,215	-	-	-	-	(348,215)	-	-
Advertising	11,549	-	-	-	-	-	-	11,549	6,217
Client assistance	109,266	-	-	-	-	-	-	109,266	89,424
Conference and seminars	33,332	-	-	-	-	-	-	33,332	38,594
Credit report charges	32,662	-	-	-	-	-	-	32,662	34,475
Delivery and postage	15,163	-	-	-	-	-	-	15,163	12,790
Depreciation and amortization	70,075	37,696	-	-	-	-	-	107,771	89,289
Depreciation - rental real estate	32,799	1,709	-	-	176,103	-	-	210,611	207,712
Donated services	148,103	-	-	-	-	-	-	148,103	106,900
Dues and subscriptions	10,054	300	-	-	-	-	-	10,354	10,806
Equipment rental and maintenance	5,579	4,699	-	-	-	-	-	10,278	9,753
Impairment loss - rental real estate	50,000	-	-	-	-	-	-	50,000	50,691
Income taxes (benefit)	-	(3,385)	-	-	-	-	-	(3,385)	(73,089)
Insurance	23,825	3,661	-	-	-	-	-	27,486	33,083
Interest	324,148	76,239	-	-	15,215	-	(3,618)	411,984	173,970
Miscellaneous	28,075	9,871	39	-	3,728	-	-	41,713	24,229
Occupancy	49,921	-	-	-	-	-	-	49,921	34,723
Office supplies	70,415	2,327	-	-	2,356	-	-	75,098	81,719
Professional fees	328,095	86,539	-	-	25,751	-	-	440,385	401,304
Programmatic subsidized real estate loss	82,533	-	-	-	-	-	-	82,533	-
Provision for bad debts and loan losses	438,148	258,959	-	-	-	-	-	697,107	700,026
Recording fees	-	7,334	-	-	-	-	-	7,334	2,547
Rental real estate maintenance	49,454	3,994	-	-	74,009	-	-	127,457	122,408
Repairs and maintenance	16,778	-	-	-	-	-	-	16,778	33,514
Taxes and licenses	4,243	-	-	-	-	-	-	4,243	9,878
Telephone	21,614	-	-	-	-	-	-	21,614	20,663
Travel and training	37,263	-	-	-	-	-	-	37,263	31,034
Total 2014 Functional Expenses	$ 3,169,921	$ 838,158	$ 39	$ -	$ 299,139	$ -	$ (351,833)	$ 3,955,424	
Total 2013 Functional Expenses	$ 2,636,426	$ 626,446	$ 36	$ 43,811	$ 286,527	$ -	$ (267,427)		$ 3,325,819