JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

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Independent Auditor's 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, 2016, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 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.

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, 2016, and the changes in its net assets, functional expenses, and its 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

The 2015 consolidated financial statements of Justine Petersen Housing and Reinvestment Corporation (a Missouri not-for-profit corporation) and Subsidiaries, were audited by other auditors whose report dated April 28, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 44-46 are presented for purposes of additional analysis of the consolidated financial statements and are 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 26, 2017, 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.

Brown Smith Wallace, LLP

St. Louis, Missouri
April 26, 2017

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2016 and 2015
(See Independent Auditor's Report)

	2016	2015
ASSETS		
Current Assets		
Cash	**$ 1,025,491**	$ 599,450
Restricted funds	**3,617,883**	2,059,648
Accounts and grants receivable	**728,533**	815,764
Interest receivable	**301,816**	297,511
Notes receivable, net - current position	**3,452,095**	3,430,491
Other receivable	**-**	1,000,000
Prepaid expenses and other	**11,194**	14,267
Total Current Assets	**9,137,012**	8,217,131
Notes receivable, net	**13,231,181**	11,338,505
Other note receivable	**2,200,000**	2,200,000
Property and equipment, net	**1,075,433**	1,128,744
Rental real estate	**5,087,689**	4,861,165
Investment in real estate	**2,509,434**	691,840
Other	**147,341**	96,634
TOTAL ASSETS	**$ 33,388,090**	$ 28,534,019

The accompanying notes are an integral part of these consolidated financial statements.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position - Continued

December 31, 2016 and 2015
(See Independent Auditor's Report)

	2016	2015
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Current portion of long-term debt	**$ 6,104,364**	$ 5,506,907
Accounts payable and accrued expenses	**303,197**	218,038
Interest payable	**75,739**	27,208
Income taxes payable	**42,377**	8,450
Client repair funds	**181,430**	147,824
Tenant security deposits	**21,955**	16,454
Deferred revenue	**213,350**	176,124
Total Current Liabilities	**6,942,412**	6,101,005
Long-Term Liabilities		
Deferred income taxes	**240,000**	329,000
Long-term debt	**17,337,313**	13,958,329
Total Long-Term Liabilities	**17,577,313**	14,287,329
Total Liabilities	**24,519,725**	20,388,334
Net Assets		
Unrestricted		
Undesignated	**7,327,168**	7,145,685
Non-controlling interest	**1,050,000**	1,000,000
Temporarily restricted	**491,197**	-
Total Net Assets	**8,868,365**	8,145,685
TOTAL LIABILITIES AND NET ASSETS	**$ 33,388,090**	$ 28,534,019

The accompanying notes are an integral part of these consolidated financial statements.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Activities

For the Year Ended December 31, 2016 (with comparative totals for 2015)
(See Independent Auditor's Report)

	2016 Unrestricted	2016 Temporarily Restricted	2016 Total	2015 (Comparative Totals Only)
Public Support and Revenues				
Contributions and grants	**$ 2,338,659**	**$ 737,000**	**$ 3,075,659**	$ 2,140,538
Donated services	**119,986**	**-**	**119,986**	143,212
Donated property	**1,200,000**	**-**	**1,200,000**	-
Program service fees				
Real estate brokerage income	**27,142**	**-**	**27,142**	4,080
Loan and administrative fees	**793,786**	**-**	**793,786**	798,164
Credit reporting fees	**13,171**	**-**	**13,171**	19,458
Developer's fees	**142,456**	**-**	**142,456**	45,733
Rental income	**334,290**	**-**	**334,290**	272,147
Miscellaneous	**195,001**	**-**	**195,001**	156,442
Interest	**1,621,044**	**-**	**1,621,044**	1,311,450
	6,785,535	**737,000**	**7,522,535**	4,891,224
Net assets released from restrictions	**245,803**	**(245,803)**	**-**	-
Total revenues and public support	**7,031,338**	**491,197**	**7,522,535**	4,891,224
Expenses				
Program services:				
Housing	**1,211,829**	**-**	**1,211,829**	1,087,924
Economic development	**5,100,828**	**-**	**5,100,828**	3,390,798
Savings	**331,642**	**-**	**331,642**	148,291
Total Program Services	**6,644,299**	**-**	**6,644,299**	4,627,013
Supporting Activities:				
Management and general	**143,370**	**-**	**143,370**	185,662
Fundraising	**62,186**	**-**	**62,186**	58,323
Total Supporting Activities	**205,556**	**-**	**205,556**	243,985
Total expenses	**6,849,855**	**-**	**6,849,855**	4,870,998
CHANGES IN NET ASSETS FROM OPERATIONS	**181,483**	**491,197**	**672,680**	20,226
CHANGES IN NET ASSETS FROM NON-CONTROLLING INTEREST	**50,000**	**-**	**50,000**	1,000,000
CHANGES IN NET ASSETS - TOTAL	**231,483**	**491,197**	**722,680**	1,020,226
Net assets at beginning of year	**8,145,685**	**-**	**8,145,685**	7,125,459
Net assets at end of year	**$ 8,377,168**	**$ 491,197**	**$ 8,868,365**	$ 8,145,685

The accompanying notes are an integral part of these consolidated financial statements.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

For the Year Ended December 31. 2016 (with comparative totals for 2015)
(See Independent Auditor's Report)

	2016							2015
	Program Services				Supporting Services			
	Housing	Economic Development	Savings	Total Program Expenses	Admin	Fund Raising	Total	(Comparative Totals Only)
Salaries and wages	$ 114,466	$ 1,076,307	$ 167,144	$ 1,357,917	$ 72,876	$ 32,091	$ 1,462,884	$ 1,397,327
Payroll taxes	8,355	78,566	12,201	99,122	5,320	2,342	106,784	108,026
Employee benefits	9,963	93,682	14,548	118,193	6,343	2,793	127,329	114,584
Advertising	549	5,159	801	6,509	349	154	7,012	15,257
Client assistance	-	101,441	-	101,441	-	-	101,441	116,909
Conferences and seminars	4,199	39,484	6,131	49,814	2,673	1,177	53,664	27,685
Credit report charges	3,154	29,654	4,605	37,413	2,008	884	40,305	36,645
Delivery and postage	1,974	18,561	2,882	23,417	1,257	553	25,227	19,466
Depreciation and amortization	4,908	46,145	7,166	58,219	3,125	1,376	62,720	92,921
Depreciation - rental real estate	262,081	-	-	262,081	-	-	262,081	214,649
Donated services	9,388	88,280	13,709	111,377	5,977	2,632	119,986	143,212
Dues and subscriptions	1,228	11,549	1,793	14,570	782	344	15,696	14,115
Equipment rental and maintenance	2,273	21,374	3,319	26,966	1,447	637	29,050	15,707
Impairment and programmatic subsidized real estate loss	481,853	-	-	481,853	-	-	481,853	391,396
Income taxes	-	46,147	-	46,147	-	-	46,147	16,406
Insurance	28,751	23,372	3,629	55,752	1,582	697	58,031	58,103
Interest	9,984	662,846	7,490	680,320	-	-	680,320	546,451
Miscellaneous	1,722	16,194	2,515	20,431	1,097	483	22,011	1,441
Occupancy	6,775	63,702	9,892	80,369	4,313	1,899	86,581	79,621
Office supplies	6,849	61,840	9,600	78,289	4,186	1,843	84,318	69,059
Professional fees	36,238	340,741	52,915	429,894	25,218	10,159	465,271	271,595
Provision for bad debts and loan losses	5,447	2,201,122	120	2,206,689	-	-	2,206,689	881,832
Recording fees	40	3,509	131	3,680	-	-	3,680	19,851
Rental real estate maintenance	176,063	-	-	176,063	-	-	176,063	90,875
Repairs and maintenance	513	4,821	749	6,083	326	144	6,553	11,433
Taxes and licenses	28,408	3,816	593	32,817	258	114	33,189	31,283
Telephone	1,611	15,149	2,353	19,113	1,026	452	20,591	22,394
Travel and training	5,037	47,367	7,356	59,760	3,207	1,412	64,379	62,755
Total 2016 Functional Expenses	$ 1,211,829	$ 5,100,828	$ 331,642	$ 6,644,299	$ 143,370	$ 62,186	$ 6,849,855	
Total 2015 Functional Expenses	$ 1,087,924	$ 3,390,798	$ 148,291	$ 4,627,013	$ 185,662	$ 58,323		$ 4,870,998

The accompanying notes are an integral part of these consolidated financial statements.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015
(See Independent Auditor's Report)

	2016	2015
Cash flows from operating activities:		
Changes in net assets	**$ 722,680**	$ 20,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**324,801**	307,570
Amortization of deferred financing fees	**31,998**	31,998
Deferred income taxes	**(89,000)**	(88,000)
Non-cash donations of property	**(1,200,000)**	-
Impairment and subsidized programmatic real estate loss	**481,853**	391,396
Gain on sale of assets	**(2,367)**	-
Provision for bad debts and loan losses	**2,206,689**	881,832
Change in assets and liabilities:		
Restricted funds	**(1,558,235)**	(541,642)
Accounts and grants receivable	**87,231**	(3,715)
Interest receivable	**(4,305)**	(104,297)
Prepaid expenses and other	**3,073**	(4,753)
Accounts payable and accrued expenses	**85,159**	(59,139)
Interest payable	**48,531**	(33,189)
Income taxes payable	**33,927**	(53,705)
Client repair funds	**33,606**	(25,291)
Tenant security deposits	**5,501**	55
Deferred revenue	**37,226**	(262,323)
Net cash provided by operating activities	**1,248,368**	457,023
Cash flows from investing activities:		
Lending of notes receivable	**(12,845,364)**	(11,966,108)
Collections on notes receivable	**8,724,395**	6,987,771
Website and portal development	**(56,939)**	-
Purchase of property and equipment	**(7,060)**	(9,799)
Proceeds from sale of property and equipment	**3,000**	-
Purchase of rental real estate	**(427,213)**	(12,691)
Purchase of investment real estate	**(1,421,301)**	(501,179)
Proceeds from sale of assets - investment in real estate	**263,710**	312,716
Other	**-**	(73,098)
Net cash used in investing activities	**(5,766,772)**	(5,262,388)

The accompanying notes are an integral part of these consolidated financial statements.

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows - Continued

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from financing activities:		
Capital contributed - noncontrolling interest	**1,000,000**	-
Proceeds from long-term debt	**7,506,367**	7,453,122
Payments on long-term debt	**(3,561,922)**	(3,669,652)
Net cash provided by financing activities	**4,944,445**	3,783,470
Net increase (decrease) in cash	**426,041**	(1,021,895)
Cash - beginning of year	**599,450**	1,621,345
Cash - end of year	**$ 1,025,491**	$ 599,450

Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Acquisition of investment in real estate through donation	**$ 1,200,000**	$ -
Acquisition of vehicle with note payable	**$ -**	$ 22,311
Cash paid for:		
Income taxes paid	**$ 101,220**	$ 158,111
Interest paid	**$ 631,789**	$ 520,842

The accompanying notes are an integral part of these consolidated financial statements.

Note A - Summary of Significant Accounting Policies

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.

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. Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

Comparative Totals

The consolidated financial statements include certain summarized comparative information in total for the year ended December 31, 2015, 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, 2015, from which the summarized information was derived.

Note A - Summary of Significant Accounting Policies (Continued)

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
GRCCII, LLC	GR LLC	2016	MO	Wholly-owned subsidiary
Twenty First Homes, LP	TFH	2007	IL	99.9% owned subsidiary
Twenty First Homes Developers, NFP	TFHD	2007	IL	Wholly-owned NFP subsidiary (including 0.01% general partnership interest in TFH)
JP Emerging Markets Fund I, LLC	JPEM	2015	CO	Managing member

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 are 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.

GRCCII, LLC ("GR LLC") was established in 2016 to facilitate the purchase of a discounted note receivable.

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 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.

Note A - Summary of Significant Accounting Policies (Continued)

JP Emerging Markets Fund I, LLC ("JPEM") was established to further the mission of Justine PETERSEN including investment activities related to economic development in low and moderate income areas or targeted redevelopment areas and other investments within certain geographic areas as determined by Justine PETERSEN. JPEM's initial members are Justine PETERSEN, who is the managing member, and Local Church Ministries Church Building and Loan Fund, who is a non-manager member. Non-manager member units do not have voting rights, except as otherwise agreed. Members share net income, gain, net loss, and distributions of JPEM in accordance with their percentage of units. The initial investments totaled $1,000,000 which was contributed in 2016 and is recorded as "other receivable" in the consolidated financial statements at December 31, 2015. The interest of non-manager members in JPEM at December 31, 2016 of $1,050,000 is reflected as the 'non-controlling interest' portion of unrestricted net assets on the accompanying consolidated statement of financial position. JPEM shall dissolve and wind up its affairs at December 31, 2025 unless the operating agreement is amended to extend the term.

Basis of Accounting and Presentation

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") Accounting Standards Codification ("ASC") 958-205. Under FASB ASC 958-205-05, *Not-for-Profit Entities, Presentation of Financial Statements*, 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 as follows:

Unrestricted – Those resources over which the Board of Directors has discretionary control.

Temporarily Restricted – Those resources subject to donor-imposed or time restrictions that will be satisfied by actions of the Corporation or the passage of time.

Permanently Restricted – Those resources subject to donor-imposed restrictions that will be maintained permanently by the Corporation. There were no permanently restricted net assets as of December 31, 2016.

Note A - Summary of Significant Accounting Policies (Continued)

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, 2016, balance 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. For 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, 2016 and 2015.

Note A - Summary of Significant Accounting Policies (Continued)

Notes Receivable and Allowance for Credit Losses

Notes receivable are reported at the principal amounts outstanding, net allowances for credit losses. The allowance for credit losses is increased by provisions charged to expense and reduced by accounts charged off, net 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 status 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:

Buildings	40 years
Equipment	3 – 7 years
Furniture and fixtures	3 – 7 years
Rental real estate – buildings	10 – 27.5 years

Note A - Summary of Significant Accounting Policies (Continued)

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.

Deferred Financing Fees

Deferred financing fees are amortized over the life of the related debt. If debt is retired early, the related unamortized deferred financing costs are written off in the period the debt is retired. In 2016, the Corporation adopted Accounting Standards Update 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* regarding the presentation on the consolidated statement of financial position of the costs of issuance of debt and related amortization expense in the statement of activities. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt. Amortization is required to be included with interest expense in the statement of activities. Previously, the Company reflected unamortized debt issuance costs as deferred charges in the consolidated statement of financial position and has retroactively reclassified 2015 amounts to accord with the new debt deduction presentation. The reclassifications reduced total assets and debt at December 31, 2015 by $210,821 with no effect on net assets. Similarly, interest expense for 2015 has been increased (and depreciation and amortization expense decreased) by $31,998 to accord with the new presentation as interest expense, with no effect on previously reported earnings. As of December 31, 2016, net carrying amount of deferred financing costs was $178,823. Interest expense pursuant to deferred financing fees was $31,998 for the year ended December 31, 2016.

Note A - Summary of Significant Accounting Policies (Continued)

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 that 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 and 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. Loan fees on the consolidated statement of activities include fees charged for loans serviced, but not owned, by the Corporation.

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.

In 2016, two properties with total value of $1,200,000 were donated to the Corporation. These properties are included in investment in real estate on the consolidated statement of financial position.

Note A - Summary of Significant Accounting Policies (Continued)

Donated Services

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

Those services, which are included in public support and revenues in the accompanying consolidated statements of activities, include the following:

	2016	2015
Accounting services	**$ 13,228**	$ 30,000
Legal	**36,000**	39,562
Education and counseling	**70,758**	73,650
	$ 119,986	$ 143,212

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 – The Corporation 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.

Note A - Summary of Significant Accounting Policies (Continued)

Description of Program Services and Supporting Activities (Continued)

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

Admin – 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 – Provides 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 allocation 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 an organization 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 is an Illinois limited partnership and files a partnership tax return. JPEM is a Colorado limited liability company and files a partnership tax return. GR LLC is a limited liability company, wholly-owned by Justine PETERSEN, and is a disregarded entity for tax purposes. Its activity is reported on the Justine PETERSEN informational return.

Note A - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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 benefits and consequences of temporary differences between the carrying amounts and the tax basis of the assets and liabilities. Valuation allowances are established, if necessary, to reduce a 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, 2016 and 2015. 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 26, 2017, which is the date the consolidated financial statements were available to be issued.

Note B - Restricted Funds

Restricted funds consists of the following:

	2016	2015
Note receivable cash reserves		
Micro lending reserves	**$ 2,262,134**	$ 1,173,847
CA pilot program	**27,241**	7,793
SBA required loan loss reserves	**640,154**	483,873
	2,929,529	1,665,513
Client repair funds	**180,203**	145,922
Escrow deposits	**150,060**	140,843
Tenant security deposits	**11,415**	11,859
Other reserves	**346,676**	95,511
	$ 3,617,883	$ 2,059,648

Certain programs, including the SBA and CA pilot program, require the Corporation to maintain a prescribed minimum loan loss reserve fund in a segregated cash account. As of December 31, 2016 and 2015, the Corporation is in compliance with these requirements.

Note C - Notes Receivable

The Corporation has notes receivable agreements with low to moderate income individuals and small businesses. The maturity dates on 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 $1,621,044 and $1,311,450 for the years ended December 31, 2016 and 2015, respectively.

Notes receivable consist of the following at December 31:

	2016	2015
Business loans		
Small business administration	**$ 3,265,282**	$ 3,131,431
CDFI	**1,049,693**	1,648,521
Micro-enterprise	**12,669,472**	9,896,468
Subtotal	**16,984,447**	14,676,420
Mortgage loans	**239,524**	92,880
Other loans	**724,926**	599,174
Total	**17,948,897**	15,368,474
Less: Discount on purchased note	**234,035**	-
Less: Allowance for credit losses	**1,031,586**	599,478
	$16,683,276	$14,768,996

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

	2016	2015
Notes receivable, net – current portion	**$ 3,452,095**	$ 3,430,491
Notes receivable, net – long-term portion	**13,231,181**	11,338,505
	$16,683,276	$14,768,996

Note C - Notes Receivable (Continued)

Changes in the allowance for loan losses are as follows:

	Year Ended December 31, 2016				2015
	Business	Mortgage	Other	Total	Totals
Balance, beginning	$ 547,380	$ 28,560	$ 23,538	$ 599,478	$ 496,956
Provision for loan losses	1,900,109	(28,506)	635,088	2,506,691	982,733
Recoveries	105,775	610	2,346	108,731	69,132
Loans charged off	(1,583,638)	-	(599,676)	(2,183,314)	(949,343)
Balance, ending	$ 969,626	$ 664	$ 61,296	$ 1,031,586	
Totals 2015	$ 547,380	$ 28,560	$ 23,538		$ 599,478

In addition to the allowance for loan losses, the Corporation maintains required cash reserves of $640,154 and $483,873 as of December 31, 2016 and 2015, respectively (Note B) 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, 2016 and 2015.

	December 31, 2016					
	Current	30-89 Days Past Due	90 Days Past Due and still Accruing	Non-Accrual	Total	2015 Totals
Business loans	$14,948,418	$ 953,300	$ 761,008	$ 321,721	$16,984,447	$14,676,420
Mortgage loans	239,524	-	-	-	239,524	92,880
Other loans	565,018	46,427	113,481	-	724,926	599,174
Totals 2016	$15,752,960	$ 999,727	$ 874,489	$ 321,721	$17,948,897	
Totals 2015	$13,224,424	$1,122,722	$ 448,126	$ 573,202		$15,368,474

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.

Note C - Notes Receivable (Continued)

The following table provides additional information about impaired (non-accrual) loans held by the Corporation at December 31, 2016 and 2015, segregated between loans for which an allowance for credit losses has been provided and loans for which no allowance has been provided:

	December 31, 2016			
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Interest Income Recognized
Business loans	$ 288,810	$ 288,810	$ 224,869	$ -
Mortgage loans	-	-	-	-
Other loans	32,911	32,911	32,911	-
Totals 2016	$ 321,721	$ 321,721	$ 257,780	$ -
Totals 2015	$ 573,202	$ 573,202	$ 160,869	$ -

Impaired loans totaled $321,721 and $573,202 at December 31, 2016 and 2015, 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 exceeding market rates for new debt with similar risk, and as a result were classified as troubled debt restructurings. These troubled debt restructured loans totaled $318,551 and $461,038 at December 31, 2016 and 2015, 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 within 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 estimated or a charge-off to the allowance. Segment and class status is determined by the loan's classification at origination.

Note C - Notes Receivable (Continued)

The following tables include the recorded investment and number of modifications for modified loans during the years ended December 31, 2016 and 2015. 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, 2016		
	Number of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification
Business loans	**16**	**$ 318,551**	**$ 318,551**
Mortgage loans	**-**	**-**	**-**
Other loans	**-**	**-**	**-**
Totals 2016	**16**	**$ 318,551**	**$ 318,551**
Totals 2015	**32**	**$ 461,038**	**$ 461,038**

The following table shows the balance in the allowance for loans losses at December 31, 2016 and 2015, 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 loans deemed to have similar risk characteristics, which are collectively evaluated.

Note C - Notes Receivable (Continued)

	Business	Mortgage	Other	Total
December 31, 2016				
Allowance for loan losses				
Individually evaluated for impairment	$ 224,869	$ -	$ 32,911	$ 257,780
Collectively evaluated for impairment	744,757	664	28,385	773,806
	$ 969,626	$ 664	$ 61,296	$ 1,031,586
Loans outstanding, net of Allowance				
Individually evaluated for impairment	$ 63,940	$ -	$ -	$ 63,940
Collectively evaluated for impairment	15,716,846	238,860	663,630	16,619,336
	$15,780,786	$ 238,860	$ 663,630	$16,683,276
December 31, 2015				
Allowance for loan losses				
Individually evaluated for impairment	$ 137,445	$ -	$ 23,424	$ 160,869
Collectively evaluated for impairment	409,935	28,560	114	438,609
	$ 547,380	$ 28,560	$ 23,538	$ 599,478
Loans outstanding, net of Allowance				
Individually evaluated for impairment	$ 412,333	$ -	$ -	$ 412,333
Collectively evaluated for impairment	13,716,707	64,320	575,636	14,356,663
	$14,129,040	$ 64,320	$ 575,636	$14,768,996

The following table provide 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.

Note C - Notes Receivable (Continued)

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 "restricted loans" category includes all that have been restructures which are included in the "high risk or impaired loans" category.

	December 31, 2016				2015
	Business	Mortgage	Other	Total	Totals
Average or lower risk	$13,398,718	$ 239,524	$ 628,931	$14,267,173	$12,576,527
High risk or impaired loans	321,721	-	-	321,721	573,202
Restructured loans	3,264,007	-	95,996	3,360,003	2,218,745
Totals 2016	$16,984,446	$ 239,524	$ 724,926	$17,948,897	
Totals 2015	$14,676,420	$ 92,880	$ 599,174		$15,368,474

Note D - Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Land	**$ 65,000**	$ 65,000
Buildings	**1,306,396**	1,306,396
Equipment	**79,132**	4,080
Furniture and fixtures	**259,412**	334,464
Vehicles	**31,311**	33,732
	1,741,251	1,743,672
Less: Accumulated depreciation	**(665,818)**	(614,928)
Property and equipment, net	**$ 1,075,433**	$ 1,128,744

Depreciation expense was $59,736 and $90,387 during 2016 and 2015, respectively.

Note E - 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:

	2016	2015
Land	**$ 124,786**	$ 124,786
Buildings	**6,483,844**	6,031,159
	6,608,630	6,155,945
Less: Accumulated impairment losses	**(228,894)**	(225,036)
Less: Accumulated depreciation	**(1,292,047)**	(1,069,744)
Rental real estate, net	**$ 5,087,689**	$ 4,861,165

Depreciation expense was $258,833 and $214,649 during 2016 and 2015, respectively.

Note F - 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 pus improvements, which management believes approximates market after improvements.

	2016	2015
Investment in real estate	**$ 2,762,120**	$ 728,840
Less: Accumulated impairment losses	**(252,686)**	(37,000)
Investment in real estate, net	**$ 2,509,434**	$ 691,840

Note G – Other assets

	2016	2015
Website and portal development	$ 56,939	$ -
EPIC program development cost	73,098	73,098
Property development cost	37,939	37,939
	167,976	111,037
Less accumulated amortization	20,635	14,403
	$ 147,341	$ 96,634

Future amortization of other assets over the next five years:

2017	$ 68,730
2018	62,381
2019	2,029
2020	2,029
2021	2,029

Amortization expense totaled $6,232 and $2,534 for the years ending December 31, 2016 and 2015, respectively.

Note H - Debt

Lines of credit with banks and long-term debt consisted of the following at December 31:

	2016	2015
Justine PETERSEN		
Line of credit of $1,250,000 (initially) with a bank, due August 2017, payable in monthly interest only payments which are calculated at prime rate.	$ 1,246,673	$ 1,246,673
Line of credit of $750,000 with USDA, due October 2044, 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, secured by real and personal property.	750,000	750,000

Note H - Debt (Continued)

Justine PETERSEN (Continued)

Line of credit of $100,000 with a bank, due May 2017, interest and principal payable on due date at prime rate, secured by real property.	99,985	99,985
Unsecured line of credit of $500,000 with a bank, due September 2017, interest payments due monthly at prime rate, principal plus all accrued unpaid interest on due date.	91,016	97,259
Unsecured line of credit of $300,000 with a bank, Due October 2017, interest payments due monthly at 5.25%, principal plus all accrued unpaid interest on due date.	300,000	200,000
Unsecured line of credit of $50,000 with a bank, due July 2017, interest payments due monthly at 4.75%, principal plus all accrued unpaid interest on due date.	50,000	50,000
Line of credit of $500,000 with USDA, due October 2045, monthly interest of 1% until October 2018 at which time monthly principal and interest will be due at an amount to fully amortize the balance by the due date, secured by real and personal property.	299,023	47,630
Unsecured line of credit of $250,000 with a bank, due November 2019, monthly interest of 4.50% until December 2015 at which time monthly principal and interest of $5,708 commenced until the earlier of payment in full or November 2019.	73,527	58,771
Line of credit of $100,000 with a bank, due September 2020, monthly interest of 4.00% until October 2016 at which time monthly principal and interest of $2,260 commenced through maturity, secured by deposit accounts with lender.	100,000	39,181

Note H - Debt (Continued)

Justine PETERSEN (Continued)

Line of credit of $500,000 with a bank, due July 2016, monthly interest calculated at LIBOR plus 200 basis points, secured by all current and future loans made from proceeds of this loan. Paid in full during 2016.	-	81,600
Line of credit of $110,000 with a bank, due date is open-ended, interest and principal payable on due date at prime rate, secured by real property and related rents. Paid in full during 2016.	-	7,998
Unsecured line of credit of $100,000 with a bank, due October 2018, quarterly interest of 3.75% until October 2016 at which time monthly principal and interest of $2,249 commenced through maturity.	96,103	35,550
Line of credit $821,147 with a bank, due August 2016, interest and principal payable on due date at prime rate plus .50%, secured by personal property. Renewed October 2016 with a maturity date of October 2017.	800,635	821,147
Line of credit of $250,000 with a bank, due July 2020, monthly interest of 3.25% until August 2016 at which time monthly principal and interest of $5,539 commenced through maturity; secured by real and personal property.	96,677	-
Unsecured notes payable to a foundation, due March 2017 payable in quarterly interest only payments which are calculated at 3%.	300,000	300,000
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.	726,787	758,000
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 notes receivable.	455,951	469,572

Note H - Debt (Continued)

Justine PETERSEN (Continued)		
Promissory note of $1,000,000 with a community development company, due July 2019, payable in interest and principal on due date, interest at 3.894%, secured by notes receivable.	683,642	797,894
Promissory note of $250,000 with a bank, due February 2016, payable in monthly payments of $5,566, interest at 3.25%, secured by real and personal property. Paid in full during 2016.	-	5,637
Unsecured promissory note of $250,000 with a bank, due January 2017, payable in monthly installments of $5,700, including interest at 4.5%. Paid in full during 2016.	-	66,476
Unsecured promissory note of $12,000 with an individual, Principal and interest due January 2016, interest at 3%. Paid in full during 2016.	-	12,000
Two unsecured promissory notes of $20,000 each with an individual, principal and interest due April 2018, interest at 0%.	40,000	40,000
Unsecured promissory note of $25,000 with an individual, Principal and interest due April 2018, interest at 2%.	25,000	25,000
Two unsecured promissory notes of $20,000 each with an individual, principal and interest due September 2018 and October 2017, respectively, interest at 3%.	42,248	41,014
Unsecured promissory note of $15,000 with an individual, Principal and interest due September 2019, interest at 3%.	15,128	10,622
Unsecured promissory note of $10,000 with an individual, principal and interest due November 2021, interest at 0%.	10,000	10,000
Unsecured promissory note of $150,000 with a bank, due August 2017, payable in monthly installments of $3,425, including interest at 4.5%.	26,782	65,707

Note H - Debt (Continued)

Justine PETERSEN (Continued)		
Unsecured promissory note of $250,000 with a bank, due December 2018, payable in monthly installments of $4,497, including interest at 3%.	104,637	154,560
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 2.5%, due January 2016, payable in monthly payments of $2,719 including interest. Paid in full during 2016.	-	3,782
Interest at 3.00%, due July 2016, payable in monthly payments of $4,747 including interest.	(2,039)	40,016
Interest at 3%, due August 2017, payable in monthly payments of $6,330 including interest.	50,438	123,905
Interest at 0.875%, due December 2018, payable in monthly payments of $5,019 including interest.	121,037	179,649
Interest at 0%, due February 2021, payable in monthly payments of $2,510 including interest.	125,420	155,540
Interest at 0.625% until July 2014 then became 0%, due July 2021, payable in monthly payments of $6,945 including interest.	384,446	467,776
Interest at 1%, due June 2022, payable in monthly payments of $4,630 including interest.	305,546	365,568
Interest at 0%, due May 2023, payable in monthly payments of $11,574.	891,204	1,030,093
Interest at 0%, due December 2022, payable in monthly payments of $3,496.	253,106	295,046

Note H - Debt (Continued)

Justine PETERSEN (Continued)		
Interest at 0%, due July 2025, payable in monthly payments of $11,574.	1,203,271	500,000
Interest at 0%, due November 2026, payable in monthly payments of $11,574.	1,250,000	-

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

Note payable with interest at 4.25%, due December 2019, payable in monthly payments of $205 beginning November 2016, secured by real and personal property.	32,178	-
Note payable with interest at 4.25%, due December 2019, payable in monthly payments of $224 beginning November 2016 secured by real and personal property.	35,171	-
Note payable with interest at 4.25%, due June 2019, payable in monthly payments of $351 beginning June 2016, secured by real and personal property.	45,273	-
Unsecured promissory note with interest at 5%, due November 2019, monthly interest only payments beginning November 2016.	991,801	-
Promissory note of $250,000 with interest at 4%, due November, 2020, payable in monthly payments of $5,651 beginning December, 2016. Secured by blanket lien on business assets.	245,183	250,000
Note payable with interest at 4.25%, due January 2020, payable in monthly payments of $290 beginning December 2016, secured by real and personal property.	46,500	-
Note payable with interest at 4.25%, due January 2020, payable in monthly payments of $351 beginning December 2016, secured by real and personal property.	56,300	-

Note H - Debt (Continued)

Justine PETERSEN (Continued)		
Note payable with interest at 4.25%, due January 2020, payable in monthly payments of $169 beginning December 2016, secured by real and personal property.	22,400	-
Note payable with interest at 4.25%, due October 2019, payable in monthly payments of $872 beginning November 2016, secured by real and personal property.	138,918	-
Unsecured promissory note with interest at 3%, due January 2021, monthly interest only payments beginning April 2016 and principal payment due at maturity.	300,000	-
Promissory note with interest at 4%, due April 2018, quarterly interest only payments beginning April 2016 and principal payment due at maturity, secured by real and personal property.	124,435	-
Promissory note with interest at 3%, due February 2021, monthly interest only payments beginning February 2016, secured by real and personal property.	121,701	-
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. In 2016, certain loan covenant requirements were not met. Lender temporarily waived compliance with covenant through July 31, 2017. Consequently, this debt has been classified as current as of December 31, 2016.	500,000	500,000
Unsecured promissory note of $75,000 with a bank, due April 2019, monthly interest and principal payments of $1,383, interest at 4%.	36,903	51,672
Unsecured promissory note of $300,000 with a bank, due November 2017, quarterly interest at 3.25% until maturity.	300,000	300,000

Note H - Debt (Continued)

<u>Justine PETERSEN</u> (Continued)

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 principal and interest of $3,216, interest at 5.25%, secured by 1st mortgage lien on certain properties.	221,742	209,385
Promissory note of $2,000,000 with a not-for-profit corporation, due March 2022, quarterly interest at 5%, secured by a promissory note which is offset by $2,200,000 other note receivable. (See Note P).	2,000,000	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%.	75,628	155,677
Unsecured promissory note of $500,000 with a bank, due January 2019, monthly interest and principal payments of $11,708, interest at 4.55%.	264,025	389,619
Promissory note of $250,000 with a bank, due November 2018, payable in monthly principal and interest payments of $7,359, interest calculated at .5% over prime, secured by real and personal property.	156,506	243,240
Unsecured promissory note of $1,000,000 with a bank, due June 2018, quarterly interest at 3.00% until maturity.	1,000,000	1,000,000
Unsecured promissory note of $200,000 with Madison County Community Development, due June 2020, quarterly interest at 3.00%, until maturity.	200,000	200,000

Note H - Debt (Continued)

Justine PETERSEN (Continued)		
Unsecured promissory note of $250,000 with a bank, due April 2020, payable in monthly principal and interest payments of $4,526, interest at 3.25%.	167,187	219,015
Unsecured promissory note of $500,000 with a bank, due April 2018, interest and principle payable at due date at 2.00%.	500,000	500,000
Vehicle loan of $22,311 with a dealer, due July 2021, payable in monthly payments of $310, interest at 4.98%, secured by financed vehicle.	17,043	20,762
Promissory note of $300,000 with a bank, due November 2017, payable in monthly interest only payments at 4.75%, secured by notes receivable.	250,000	-
Unsecured note of $35,000 with a trust, due July 2015, interest and principal payable on due date, interest at 3%.	37,061	35,499
Total JP debt	$ 18,902,198	$ 15,528,520
GRCC		
Unsecured line of credit of $250,000 with a bank, due June 2020, monthly payments of $4,666 including principal plus interest of 4.55%.	$ 181,122	$ 227,569
Line of credit of $750,000 with a bank, due January 2019, monthly interest of 5.00% until April 2016 at which time monthly principal and interest payments commenced through the maturity date; secured by a Commercial Pledge and Security Agreement.	611,297	250,000
Unsecured line of credit of $500,000 with a bank, due June 2021, monthly interest of 4.55% until June 2016 at which time monthly principal and interest of $9,333 commenced through maturity.	447,588	413,421

Note H - Debt (Continued)

GRCC (Continued)		
Unsecured note payable to bank, due December 2016, payable in quarterly interest only payments which are calculated at 1%. Paid in full during 2016.	-	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%.	69,533	152,000
Unsecured note payable to bank, due December 2017, payable in monthly principal and interest payments of $8,891, interest at 4.25%.	104,299	228,000
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.	1,568,683	1,177,051
Unsecured note payable to bank, due December 2021, quarterly interest payments beginning March 2017, then quarterly principal and interest payments of $16,672 beginning March 31, 2018.	250,275	-
	3,732,797	3,148,041
Less deferred financing costs	161,323	191,571
Total GRCC debt	$ 3,571,474	$ 2,956,470

Note H - Debt (Continued)

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. (See Note N.)	585,505	599,496
	985,505	999,496
Less deferred financing costs	17,500	19,250
Total TFH Debt	$ 968,005	$ 980,246
Total Debt	$23,620,500	$19,676,057
Less: Deferred financing fees	178,823	210,821
Less: Current maturities	6,104,364	5,506,907
Long-term debt	$17,337,313	$13,958,329

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

2017	$ 6,104,364
2018	3,745,864
2019	2,937,194
2020	1,338,653
2021	1,371,283
Thereafter	8,123,142
	$23,620,500

Note I - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2016	2015
Purpose restricted	$ 491,197	$ -
Time restricted	-	-
	$ 491,197	$ -

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:

	2016	2015
Purpose restricted	$ 245,803	$ 288,154
Time restricted	-	-
	$ 245,803	$ 288,154

Note J - Grants and Contributions

Grants and contributions consist of the following:

Grants	2016	2015
Federal (includes direct and passed through other agencies)		
U.S. Department of Housing and Urban Development (HCAP)	$ -	$ 35,194
U.S. Department of Housing and Urban Development (Section 8)	-	9,833
U.S. Department of Housing and Urban Development (HOME)	281,137	264,669
U.S. Department of Housing and Urban Development (CDBG)	143,240	138,088
Small Business Administration – Microloan Program	813,643	788,688
Small Business Administration – PRIME	157,193	118,854
U.S. Department of the Treasury (NFMC Grant)	22,492	47,569
U.S. Department of the Treasury (Hardest Hit Fund)	9,500	(1,950)
	1,427,205	1,400,945
State and local	339,984	120,553
	1,767,189	1,521,498
Contributions	1,308,470	619,040
	$ 3,075,659	$ 2,140,538

HCAP – Housing Counseling Assistance Program
HOME – Home Investment Partnership
CDBG – Community Development Block Grant
NFMC – National Foreclosure Mitigation Counseling

Note K - Income Taxes

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

	2016	2015
Current		
U.S. Federal	**$ 113,161**	$ 87,956
State and local	**21,986**	16,450
	135,147	104,406
Deferred tax provision	**(89,000)**	(88,000)
	$ 46,147	$ 16,406

Income tax expense (benefit) is presented on the statement of activities under program expense - economic development.

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 statements of financial position, consist of the following:

	2016	2015
Deferred tax assets (liabilities):		
Allowance for doubtful accounts and loan losses	**$ 133,000**	$ 94,000
Depreciation	**(3,000)**	(7,000)
Basis reduction in loans receivable related to CDFI grant	**(370,000)**	(416,000)
	(240,000)	(329,000)
Less: Valuation allowance	**-**	-
	$ (240,000)	$ (329,000)

Note L - Lease Commitments

The Corporation leases certain office space and equipment under various operating lease agreements. The leases are non-cancelable and expire on various dates through 2020.

At December 31, 2016, future minimum lease payments under these non-cancelable operating leases are as follows:

Year	Amount
2017	$ 61,129
2018	30,069
2019	18,612
2020	17,280
2021	2,409

Rent expense under operating leases was $60,560 and $48,067 for the years ended December 31, 2016 and 2015, respectively.

Note M - 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 $22,484 and $5,027 and total outstanding micro-enterprise loan and other loan balances were $276,643 and $266,944 at December 31, 2016, and 2015, respectively.

Note N - 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 believe 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.

Note N - Contingencies (Continued)

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"). The contractual provisions associated with this project include ongoing compliance for 15 years for the federal funding and 20 years for the state funding.

TFH must follow provisions required by federal and state laws related to tenant eligibility, maximum rental rates allowed, and habitability standards. Projects not meeting the 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, 2016, 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. The balance at December 31, 2016 and 2015 was $56,250 and $56,615, respectively.

On April 17, 2015, Justine PETERSEN executed a commercial guaranty for Tape 4 LLC. The loan was in the amount of $300,000. The balance at December 31, 2016 and 2015 was $282,403 and $282,403, respectively.

Note O - Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provide 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:

Note O - Fair Value Measurements (Continued)

Level 1 – 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 – 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 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

The 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, 2016 and 2015.

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 results in a different fair value measurement at the reporting date.

Note O - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets at fair value as of December 31, 2016 and 2014:

	Level 1	Level 2	Level 3	Fair Value
December 31, 2016				
Asset				
Nonaccrual loans	**$ -**	**$ -**	**$ 321,721**	**$ 321,721**
Real estate – impaired	**-**	**-**	**587,821**	**587,821**
Balance, ending	**$ -**	**$ -**	**$ 909,542**	**$ 909,542**
December 31, 2015				
Asset				
Nonaccrual loans	$ -	$ -	$ 573,202	$ 573,202
Real estate – impaired	-	-	252,936	467,120
Balance, endings	$ -	$ -	$ 826,138	$ 826,138

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, 2015	$ 499,211	$ 269,936	$ 769,147
Total losses included in earnings	-	(17,000)	(17,000)
Purchases, issuances, sales, and settlements			
Issuances	442,701	-	442,701
Settlements	(368,710)	-	(368,710)
Balance on December 31, 2015	573,202	252,936	826,138
Total losses included in earnings	-	(219,544)	(219,544)
Purchases, issuances, sales and settlements			
Issuances	213,840	554,429	768,269
Settlements	(465,321)	-	(465,321)
Balance on December 31, 2016	$ 321,721	$ 587,821	$ 909,542

Note P - 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 H) 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.

Note Q - Subsequent Events

On February 6, 2017, Justine PETERSEN entered into $39,920 promissory note with a bank. The note requires monthly payments of $249 including principal and interest at 4.25% until February 6, 2020 when the accrued interest and principal become due.

On April 7, 2017, Justine PETERSEN entered into $175,000 promissory note with an individual. The note requires monthly payments of $2,042 including interest at 14% until August 7, 2017 when the accrued interest and principal become due.

Supplementary Information

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidating Statements of Financial Position

December 31, 2016 (with comparative totals for 2015)
(See Independent Auditor's Report)

	2016									2015
	JPHRC	GRCC	GR LLC	GRCT	JPEM	TFH	TFHD	Eliminations	Consolidated	(Comparative Totals Only)
ASSETS										
Current Assets										
Cash	$ 315,613	$ 675,844	$ -	$ 16,960	$ -	$ 17,074	$ -	$ -	$ 1,025,491	$ 599,450
Restricted funds	3,225,286	231,122	-	-	-	161,475	-	-	3,617,883	2,059,648
Accounts and grants receivable	599,311	116,968	-	-	-	12,254	-	-	728,533	815,764
Interest receivable	83,039	218,777	-	-	-	-	-	-	301,816	297,511
Notes receivable, net - current position	1,767,041	1,685,054	-	-	-	-	-	-	3,452,095	3,430,491
Other receivable	-	-	-	-	-	-	-	-	-	1,000,000
Prepaid expenses and other	6,615	-	-	-	-	4,579	-	-	11,194	14,267
Intercompany receivable	-	-	-	-	-	-	-	-	-	-
Total Current Assets	5,996,905	2,927,765	-	16,960	-	195,382	-	-	9,137,012	8,217,131
Non-Current Assets										
Notes receivable, net	3,398,369	9,700,704	132,108	-	-	-	-	-	13,231,181	11,338,505
Other note receivable	2,200,000	-	-	-	-	-	-	-	2,200,000	2,200,000
Property and equipment, net	1,065,544	9,889	-	-	-	-	-	-	1,075,433	1,128,744
Rental real estate	1,171,891	188,686	-	-	-	3,727,112	-	-	5,087,689	4,861,165
Investment in real estate	2,208,073	301,361	-	-	-	-	-	-	2,509,434	691,840
Other	53,955	73,098	-	-	-	20,288	-	-	147,341	96,634
Due from subsidiaries	7,160,766	264,215	-	-	1,050,000	18,000	-	(8,492,981)	-	-
Investment in subsidiaries	4,139,242	-	-	-	-	-	289	(4,139,531)	-	-
TOTAL ASSETS	$ 27,394,745	$ 13,465,718	$ 132,108	$ 16,960	$ 1,050,000	$ 3,960,782	$ 289	$ (12,632,512)	$ 33,388,090	$ 28,534,019
LIABILITIES AND NET ASSETS										
Current Liabilities										
Current portion of long-term debt	$ 5,669,332	$ 419,432	$ -	$ -	$ -	$ 15,600	$ -	$ -	$ 6,104,364	$ 5,506,907
Accounts payable and accrued expenses	169,687	99,697	-	-	-	33,813	-	-	303,197	218,038
Interest payable	49,464	18,699	-	-	-	7,576	-	-	75,739	27,208
Income taxes payable	-	42,377	-	-	-	-	-	-	42,377	8,450
Client repair funds	181,430	-	-	-	-	-	-	-	181,430	147,824
Tenant security deposits	10,540	-	-	-	-	11,415	-	-	21,955	16,454
Deferred revenue	213,350	-	-	-	-	-	-	-	213,350	176,124
Total Current Liabilities	6,293,803	580,205	-	-	-	68,404	-	-	6,942,412	6,101,005
Long-Term Liabilities										
Deferred income taxes	-	240,000	-	-	-	-	-	-	240,000	329,000
Long-term debt	13,232,866	3,152,042	-	-	-	952,405	-	-	17,337,313	13,958,329
Due to subsidiaries	50,000	8,137,647	264,215	750	-	40,369	-	(8,492,981)	-	-
Total Long-Term Liabilities	13,282,866	11,529,689	264,215	750	-	992,774	-	(8,492,981)	17,577,313	14,287,329
Total Liabilities	19,576,669	12,109,894	264,215	750	-	1,061,178	-	(8,492,981)	24,519,725	20,388,334
Net Assets										
Unrestricted										
Undesignated	7,326,879	-	-	16,210	-	-	289	(16,210)	7,327,168	7,145,685
Noncontrolling interest	-	-	-	-	-	-	-	1,050,000	1,050,000	1,000,000
Temporarily restricted	491,197	-	-	-	-	-	-	-	491,197	-
Members' capital	-	-	-	-	1,050,000	-	-	(1,050,000)	-	-
Common stock	-	10,000	-	-	-	-	-	(10,000)	-	-
Paid-in capital and partner capital	-	300,000	-	-	-	-	-	(300,000)	-	-
Equity	-	1,045,824	(132,107)	-	-	2,899,604	-	(3,813,321)	-	-
Total Net Assets	7,818,076	1,355,824	(132,107)	16,210	1,050,000	2,899,604	289	(4,139,531)	8,868,365	8,145,685
Total Liabilities and Net Assets	$ 27,394,745	$ 13,465,718	$ 132,108	$ 16,960	$ 1,050,000	$ 3,960,782	$ 289	$ (12,632,512)	$ 33,388,090	$ 28,534,019

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidating Statements of Activities

For the year ended December 31, 2016 (with comparative totals for 2015)
(See Independent Auditor's Report)

	2016									2015
	JPHRC	GRCC	GR LLC	GRCT	JPEM	TFH	TFHD	Eliminations	Consolidated	(Comparative Totals Only)
Public Support and Revenues										
Contributions and grants	$ 3,075,659	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,075,659	$ 2,140,538
Donated services	119,986	-	-	-	-	-	-	-	119,986	143,212
Donated property	1,200,000	-	-	-	-	-	-	-	1,200,000	-
Program service fees										
Real estate brokerage income	27,142	-	-	-	-	-	-	-	27,142	4,080
Loan and administrative fees	725,229	489,709	-	-	-	-	-	(421,152)	793,786	798,164
Credit reporting fees	13,171	-	-	-	-	-	-	-	13,171	19,458
Developer's fees	142,456	-	-	-	-	-	-	-	142,456	45,733
Rental income	183,792	14,901	-	-	-	135,597	-	-	334,290	272,147
Miscellaneous	192,974	2,027	-	-	-	-	-	-	195,001	156,442
Interest	732,896	902,053	-	-	-	260	-	(14,165)	1,621,044	1,311,450
Equity in earnings of subsidiaries	(397,295)	-	-	-	-	-	(22)	397,317	-	-
Total Public Support and Revenues	6,016,010	1,408,690	-	-	-	135,857	(22)	(38,000)	$ 7,522,535	$ 4,891,224
Expenses										
Program Services:										
Housing	895,235	50,444	-	-	-	294,510	-	(28,360)	1,211,829	1,087,924
Economic development	3,934,345	1,311,714	132,107	767	-	-	-	(278,105)	5,100,828	3,390,798
Savings	315,604	57,905	-	-	-	-	-	(41,867)	331,642	148,291
Total Program Services	5,145,184	1,420,063	132,107	767	-	294,510	-	(348,332)	6,644,299	4,627,013
Supporting Activities:										
Management and general	137,553	21,565	-	-	-	63,356	-	(79,104)	143,370	185,662
Fundraising	60,571	9,496	-	-	-	-	-	(7,881)	62,186	58,323
Total Supporting Activities	198,124	31,061	-	-	-	63,356	-	(86,985)	205,556	243,985
Total Expenses	5,343,308	1,451,124	132,107	767	-	357,866	-	(435,317)	6,849,855	4,870,998
CHANGES IN NET ASSETS FROM OPERATIONS	672,702	(42,434)	(132,107)	(767)	-	(222,009)	(22)	397,317	672,680	20,226
CHANGES IN NET ASSETS FROM NON CONTROLLING INTEREST	-	-	-	-	50,000	-	-	-	50,000	1,000,000
CHANGES IN NET ASSETS - TOTAL	672,702	(42,434)	(132,107)	(767)	50,000	(222,009)	(22)	397,317	722,680	1,020,226
Net assets at beginning of year	7,145,374	1,398,258	-	16,977	1,000,000	3,121,613	311	(4,536,848)	8,145,685	7,125,459
Net assets at end of year	$ 7,818,076	$ 1,355,824	$ (132,107)	$ 16,210	$ 1,050,000	$ 2,899,604	$ 289	$ (4,139,531)	$ 8,868,365	$ 8,145,685

JUSTINE PETERSEN HOUSING AND REINVESTMENT CORPORATION AND SUBSIDIARIES

Consolidating Schedules of Expenses

For the year ended December 31, 2016 (with comparative totals for 2015)
(See Independent Auditor's Report)

	2016									2015
	JPHRC	GRCC	GRCC LLC	GRCT	JPEM	TFH	TFHD	Eliminations	Consolidated	(Comparative Totals Only)
Salaries and wages	**$ 1,462,884**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,462,884**	$ 1,397,327
Payroll taxes	**106,784**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**106,784**	108,026
Employee benefits	**127,329**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**127,329**	114,584
Administrative fees	**-**	**359,196**	**-**	**-**	**-**	**-**	**-**	**(359,196)**	**-**	-
Advertising	**7,012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,012**	15,257
Client assistance	**101,441**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101,441**	116,909
Conference and seminars	**53,664**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,664**	27,685
Credit report charges	**40,305**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,305**	36,645
Delivery and postage	**25,227**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,227**	19,466
Depreciation and amortization	**47,710**	**15,010**	**-**	**-**	**-**	**-**	**-**	**-**	**62,720**	92,921
Depreciation - rental real estate	**50,137**	**4,408**	**-**	**-**	**-**	**207,536**	**-**	**-**	**262,081**	214,649
Donated services	**119,986**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**119,986**	143,212
Dues and subscriptions	**15,696**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,696**	14,115
Equipment rental and maintenance	**22,070**	**6,980**	**-**	**-**	**-**	**-**	**-**	**-**	**29,050**	15,707
Impairment and subsidized programattic real estate loss	**481,853**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**481,853**	391,396
Income taxes	**-**	**46,147**	**-**	**-**	**-**	**-**	**-**	**-**	**46,147**	16,406
Insurance	**29,003**	**2,762**	**-**	**-**	**-**	**26,266**	**-**	**-**	**58,031**	58,103
Interest	**543,908**	**142,898**	**-**	**-**	**-**	**7,679**	**-**	**(14,165)**	**680,320**	546,451
Miscellaneous	**17,635**	**4,376**	**-**	**-**	**-**	**-**	**-**	**-**	**22,011**	1,441
Occupancy	**86,581**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86,581**	79,621
Office supplies	**61,966**	**22,058**	**-**	**20**	**-**	**274**	**-**	**-**	**84,318**	69,059
Professional fees	**445,062**	**18,062**	**-**	**747**	**-**	**63,356**	**-**	**(61,956)**	**465,271**	271,595
Provisions for bad debts and loan losses	**1,261,610**	**812,972**	**132,107**	**-**	**-**	**-**	**-**	**-**	**2,206,689**	881,832
Recording fees	**1,427**	**2,253**	**-**	**-**	**-**	**-**	**-**	**-**	**3,680**	19,851
Rental real estate maintenance	**141,745**	**9,565**	**-**	**-**	**-**	**24,753**	**-**	**-**	**176,063**	90,875
Repairs and maintenance	**6,553**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,553**	11,433
Taxes and licenses	**750**	**4,437**	**-**	**-**	**-**	**28,002**	**-**	**-**	**33,189**	31,283
Telephone	**20,591**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,591**	22,394
Travel and training	**64,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64,379**	62,755
Total 2016 Expenses	**$ 5,343,308**	**$ 1,451,124**	**$ 132,107**	**$ 767**	**$ -**	**$ 357,866**	**$ -**	**$ (435,317)**	**$ 6,849,855**	
Total 2015 Expense	$ 3,998,975	$ 1,151,103	$ 1,903	$ -	$ -	$ 290,422	$ -	$ (571,405)		$ 4,870,998