GRAND CENTER, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

GRAND CENTER, INC. AND SUBSIDIARIES

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UHY LLP Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand Center, Inc.

We have audited the accompanying consolidated financial statements of Grand Center, Inc. (a Missouri not-for-profit corporation) and Subsidiaries (Missouri corporations) (collectively the Corporation), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 consolidated financial position of the Corporation as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

St. Louis, Missouri
June 12, 2017

GRAND CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2016	December 31, 2015
ASSETS		
CASH	**$ 651,064**	$ 1,316,513
ACCOUNTS RECEIVABLE	**72,363**	19,953
UNCONDITIONAL PROMISES-TO-GIVE	**909,486**	952,093
PREPAID EXPENSES	**40,625**	18,406
NOTES RECEIVABLE	**7,489,374**	7,249,445
PROPERTIES		
Property and equipment	**7,072**	13,427
Parking lots and equipment	**402,959**	404,263
Real estate	**1,945,172**	2,150,911
Real estate held for development	**1,099,543**	1,099,543
Total assets	**$ 12,617,658**	$ 13,224,554
LIABILITIES AND NET ASSETS		
LIABILITIES		
Note payable to bank	**$ 116,223**	$ 158,547
Accounts payable and accrued expenses	**113,339**	132,768
Income taxes payable	**563**	1,200
Unconditional promises-to-give	**55,000**	95,328
Long-term debt	**3,816,635**	3,929,095
Deferred income taxes	**182,747**	167,381
Total liabilities	**4,284,507**	4,484,319
NET ASSETS		
Unrestricted		
Investment in notes receivable	**7,489,374**	7,249,445
Investment in properties, net of long-term debt and note payable	**(478,112)**	(419,498)
Undesignated, available for operations	**328,025**	703,466
	7,339,287	7,533,413
Temporarily restricted	**993,864**	1,206,822
Total net assets	**8,333,151**	8,740,235
Total liabilities and net assets	**$ 12,617,658**	$ 13,224,554

See notes to consolidated financial statements.

GRAND CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended December 31, 2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
Public support and revenues		
Special events		
Contributions	**$ 485,220**	$ 419,880
Revenues	**42,200**	50,200
Direct expenses	**(172,192)**	(53,664)
Special events, net	**355,228**	416,416
Contributions and grants	**741,987**	113,837
Program services	**582,849**	1,172,468
Interest	**363,319**	384,295
Management fees	**33,560**	10,397
Miscellaneous	**12,310**	5,156
Gain (loss) on properties	**(18,491)**	1,365,744
Net assets released from restrictions	**415,108**	1,082,482
Total unrestricted public support and revenues	**2,485,870**	4,550,795
Expenses		
Program services		
Arts	**690,330**	701,697
Parking	**339,205**	392,521
Real estate	**339,003**	1,003,347
Community improvements	**701,186**	858,510
Total program services	**2,069,724**	2,956,075
Supporting services		
Management and general	**426,112**	627,530
Fund raising	**184,160**	282,644
Total supporting services	**610,272**	910,174
Total expenses	**2,679,996**	3,866,249
Changes in unrestricted net assets	**(194,126)**	684,546
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Public support and revenues		
Contributions and grants	**202,150**	1,174,171
Net assets released from restrictions	**(415,108)**	(1,082,482)
Changes in temporarily restricted net assets	**(212,958)**	91,689
CHANGES IN NET ASSETS	**(407,084)**	776,235
NET ASSETS, Beginning	**8,740,235**	7,964,000
NET ASSETS, Ending	**$ 8,333,151**	$ 8,740,235

See notes to consolidated financial statements.

GRAND CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2016	2015
OPERATING ACTIVITIES		
Changes in net assets	**$ (407,084)**	$ 776,235
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	**196,355**	200,234
Deferred income taxes	**15,366**	19,752
Bad debts - accounts and notes receivable	**14,506**	348,518
(Gain) loss on properties	**18,491**	(1,365,744)
Donation of real estate held for development	**-**	299,990
Interest income added to notes receivable	**(356,105)**	(389,602)
Changes in		
Accounts receivable	**(66,917)**	135,237
Unconditional promises-to-give (asset)	**42,607**	23,312
Prepaid expenses	**(22,219)**	11,088
Accounts payable and accrued expenses	**(19,429)**	57,186
Income taxes payable	**(637)**	1,200
Deposits	**-**	(6,926)
Unconditional promises-to-give (liability)	**(40,328)**	(45,422)
Net cash provided (used) by operating activities	**(625,394)**	65,058
INVESTING ACTIVITIES		
Proceeds from sale of properties	**-**	1,535,000
Purchase of property and equipment	**(1,447)**	-
Advances on notes receivable	**-**	(98,500)
Proceeds from collections on notes receivable	**116,176**	212,295
Net cash provided by investing activities	**114,729**	1,648,795
FINANCING ACTIVITIES		
Net borrowings (payments) on note payable to bank	**(42,324)**	(331,432)
Principal payments on long-term debt	**(112,460)**	(222,680)
Net cash used by financing activities	**(154,784)**	(554,112)
NET INCREASE (DECREASE) IN CASH	**(665,449)**	1,159,741
CASH, Beginning	**1,316,513**	156,772
CASH, Ending	**$ 651,064**	$ 1,316,513
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 224,741**	$ 242,243

See notes to consolidated financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Corporation's consolidated financial statements. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

History and Business Activity

Grand Center, Inc. (GCI), a not-for-profit corporation, was incorporated in March 1987 under Section 501(c)(3) of the Internal Revenue Code. The Corporation was formed to re-establish the Grand Center neighborhood as the premiere cultural destination in the St. Louis region. Through a combination of arts programs, development activities, and district management and coordination functions, GCI works to support and grow the vibrant, urban Grand Center District, which is the region’s center for arts, entertainment and education. Additionally, as disclosed in Note 14, GCI serves as an agent for Tax Increment Financing.

City Center Redevelopment Corporation (CCRC), a wholly-owned subsidiary of GCI effective October 1988, was incorporated in February 1980 to acquire, construct, maintain and operate a redevelopment project in midtown St. Louis, defined as City Center I, in accordance with and within the guidelines of the City Center I Redevelopment Plan submitted to the St. Louis Community Development Agency.

City Center Parking, Inc. (CCPI), a wholly-owned subsidiary of CCRC, was incorporated in December 1983. CCPI's operations consist of maintaining and operating several parking lots in the City Center I Redevelopment Area.

Grand Properties, Inc. (GPI), a wholly-owned subsidiary of CCRC, was incorporated in March 1982. The principal purpose of GPI is to acquire available land in the City Center I Redevelopment Area for future sale or development, while also constructing, maintaining and operating rental real estate.

Vandeventer Spring Redevelopment Corporation (VSRC), a wholly-owned subsidiary of GCI, was incorporated in March 1998 to acquire, construct, maintain and operate a redevelopment project in accordance with the provisions of The Urban Redevelopment Corporations Law of Missouri.

Grand Center Arts Facilities, Inc. (GCAFI), a 501(c)(3) not-for-profit corporation and a wholly-owned subsidiary of GCI, was incorporated in December 2010. GCAFI was formed to seek both federal and state New Market Tax Credits and other subsidies and donations to purchase, improve, and subsidize the operation of arts facilities in the Grand Center District. GCAFI was inactive during the years ended December 31, 2016 and 2015.

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. Accordingly, actual results may differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Grand Center, Inc. and its three wholly-owned subsidiaries, CCRC (and its wholly-owned subsidiaries, CCPI and GPI), VSRC and GCAFI. All significant intercompany investments, transactions and account balances have been eliminated in consolidation.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The Corporation's resources are classified for accounting and reporting purposes into asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

Unrestricted Net Assets - Includes resources available for support of operations, which have no donor-imposed restrictions. Included in unrestricted net assets are amounts designated and invested in long-term assets including notes receivable and properties.

Temporarily Restricted Net Assets - Includes unconditional promises-to-give, received or receivable, for which donor-imposed restrictions have not been met.

Cash

The Corporation from time to time during the year may have bank balances in excess of its insured limits. Management has deemed this as normal business risk.

Accounts 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 on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. The provisions for bad debts were $14,506 and $1,018 for the years ended December 31, 2016 and 2015, respectively. The allowance for doubtful accounts was $29,664 and $30,499 at December 31, 2016 and 2015, respectively.

Unconditional Promises-to-Give (Assets)

Unconditional promises-to-give are recognized as revenues in the period the promises are received. The Corporation provides an allowance for doubtful unconditional promises-to-give equal to the estimated collection losses that will be incurred in collection of all unconditional promises-to-give. The estimated losses are based on a review of the current status of the existing promises-to-give. The loss on uncollectible balances were $-0- for the years ended December 31, 2016 and 2015. Management is of the opinion that no allowance is necessary. Promises-to-give with due dates extending beyond one year are discounted.

Notes Receivable

Notes receivable consist of Neighborhood Assistance Programs (NAP) revolving loan fund and others due on various dates ranging from 2016 through 2025. Notes receivable are carried net of allowance for loan losses. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by loans charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. The Corporation’s practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower’s failure to meet repayment terms, the borrower’s deteriorating or deteriorated financial condition, or for other reasons.

Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. The interest rate on notes ranges between 0.0% and 6.77%.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Equipment, furniture and fixtures, and leasehold improvements are carried at cost, less accumulated depreciation computed using straight-line and accelerated methods. The assets are depreciated over periods ranging from three to thirty-nine years.

Parking Lots and Equipment

Parking lots include land that is not depreciated. Parking lots and improvements, equipment, and signage are carried at cost, less accumulated depreciation computed using straight-line and accelerated methods. The assets are depreciated over periods ranging from five to fifteen years.

Real Estate

Real estate consisting of land, buildings and improvements is carried at cost, less accumulated depreciation computed using straight-line and accelerated methods. The buildings and improvements are depreciated over periods ranging from twenty-seven and one-half years to thirty-nine years.

Real Estate Held for Development

Real estate held for development consists of land, land and buildings, 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.

Unconditional Promises-to-Give (Liabilities)

Unconditional promises-to-give to other organizations are recorded as liabilities and expenses in the period the promises are made.

Restricted and Unrestricted Support and Revenue

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 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Support and Revenue (Continued)

Grants and contracts 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.

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:

	Years Ended December 31,			
	Revenues		Expenses	
	2016	2015	2016	2015
Accounting Services	$ 19,000	$ 24,625	$ 19,000	$ 24,625
Advertising Services	76,865	2,400	76,865	2,400
Development Cost - Technical Support	-	100,000	-	100,000
Rent - Metropolitan Space	21,457	21,791	33,433	33,433
	$ 117,322	$ 148,816	$ 129,298	$ 160,458

Donated Property, Equipment and Supplies

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 the donation.

Program Services

Program services consist of the following:

Arts - This function represents various mission-related programs, including the Grandel Theater management and operations as a performing arts venue, Music at the Intersection, Grand Center Theatre Crawl, and other art and music related activities.

Parking - This program represents the management and operations of safe and clean parking for visitors and patrons of the arts institutions within Grand Center Arts District.

Real Estate - This function represents two mission-related programs consisting of development and management. The development programs include stimulating and facilitating the development of the district as a performing arts center. The management programs relate to various municipal services performed by the Corporation along with the management and operation of real property owned by the Corporation (including, but not limited to, the operation and security of parking lots located in the district).

Community Improvements - This program represents the planning, development, and management of public spaces that are not owned by Grand Center, Inc. and its subsidiaries. Such property may include public parks, streets and sidewalks. Improvements are made through a variety of construction projects to enhance the infrastructure, ambiance, functionality, and appearance for spaces used by the visitors and patrons of the Grand Center Arts District.

Program service revenues are recognized as services are performed.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs associated with providing the Corporation 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.

Tax Status

The United States Treasury Department has advised that GCI and GCAFI constitutes qualified not-for-profit organizations and are, therefore, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CCRC and its subsidiaries, CCPI and GPI, file consolidated federal and Missouri income tax returns and separate local income tax returns. VSRC files separate income tax returns. Deferred income taxes consist primarily of net operating losses and deferred gains on sale of properties.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising costs were $112,902 and $68,938 for the years ended December 31, 2016 and 2015, respectively.

Reclassifications

Certain reclassifications were made to the 2015 consolidated financial statements to conform to the 2016 presentation.

Subsequent Events

The Corporation has performed a review of events subsequent to the consolidated statements of financial position date through June 12, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 — CASH

Cash consists of the following:

	December 31, 2016	December 31, 2015
Unrestricted		
Non-interest-bearing accounts	$ 408,228	$ 1,059,848
Petty cash	300	300
	408,528	1,060,148
Restricted		
Collateral security deposit accounts	242,536	256,365
	$ 651,064	$ 1,316,513

NOTE 3 — UNCONDITIONAL PROMISES-TO-GIVE

Unconditional promises-to-give consist of the following:

	December 31,			
	Assets		Liabilities	
	2016	2015	2016	2015
Amounts Due in Less Than One Year				
Pledges	$ 26,000	$ 69,850	$ 55,000	$ 50,000
Grants	111,150	73,006	-	-
In-kind rent	12,320	11,976	-	-
	149,470	154,832	55,000	50,000
Amounts Due in One to Five Years				
Pledges	25,000	50,000	-	50,000
In-kind rent (a)	1,182,901	1,216,678	-	-
Discount at 3.25%	(447,885)	(469,417)	-	(4,672)
	$ 909,486	$ 952,093	$ 55,000	$ 95,328

(a) The in-kind rent relates to a 2012 lease agreement on the Metropolitan Building (40 years of free space).

NOTE 4 — NOTES RECEIVABLE

Notes receivable consist of the following:

	December 31,	
	2016	2015
Neighborhood Assistance Program (NAP) Notes		
3% note due from Kohner Properties, Inc., principal of $966 payable monthly, commencing May 2008 and maturing May 2018, unsecured	$ 15,075	$ 26,083
1% note due from Circus Arts Foundation of Missouri, principal and interest of $469 payable annually (if profitable), unsecured	24,564	24,337
0% note due from Kohner Properties, Inc., principal and interest of $1,190 payable monthly, commencing August 2009 and maturing July 2016, unsecured	-	8,333
6% note due from GRI, LLC, principal and interest of $2,900 payable monthly, commencing August 2011 and maturing July 2016, unsecured (a)	182,626	174,276
6% note due from TLG 634 N Grand, LLC, principal and interest payable at the closing of the 634 North Grand building, unsecured	13,851	13,851
5% note due from Double Helix Corporation (KDHX), principal and interest of $1,429 payable monthly, due August 2017, unsecured	11,220	27,365
	247,336	274,245
Less allowance for uncollectible notes	207,190	199,067
Total NAP notes	40,146	75,178

NOTE 4 — NOTES RECEIVABLE (Continued)

	December 31, 2016	December 31, 2015
TIF Notes		
6.77% Tax-Exempt Tax Increment Financing (TIF) note (Series 2011B) due from City of St. Louis, interest payable semi-annually commencing December 2011, due December 2025	$ 3,676,017	$ 3,489,842
5.81% Tax-Exempt Tax Increment Financing (TIF) note due from the City of St. Louis, interest payable semi-annually commencing December 2012, due December 2025	548,877	597,940
6.22% Tax-Exempt Tax Increment Financing (TIF) note (Series 2012B) due from City of St. Louis, interest payable semi-annually commencing July 2012, due December 2025	1,177,356	1,120,070
Total TIF notes	5,402,250	5,207,852
Other Notes		
5% note due from Owen Continental, LLC, payable four years after completion of construction of the Project subject to surplus annual cash flows, as defined, with balance of principal and interest due ten years after completion of project, secured by fourth deed of trust on property (construction was completed in 2003)	357,500	347,500
0% note due from Owen Continental, LLC, principal payable in February 2056 (or sooner if property is sold or other events as defined) secured by fourth deed of trust on property	1,380,000	1,380,000
4.75% note due from TLG 634 N Grand, LLC, principal and interest due December 2018, secured by property (b)	1,088,772	1,043,835
4.75% note due from TLG 634 N Grand, LLC, principal and interest due December 2018, secured by property (b)	859,706	824,080
3% for the first 12 months and 4% for 13-24 months and 5% for 25-36 months note due from Montessori Training Center of St. Louis, interest payable monthly with a balloon payment maturing March 2018, unsecured	98,500	98,500
	3,784,478	3,693,915
Less allowance for uncollectible notes	1,737,500	1,727,500
Total other notes	2,046,978	1,966,415
Grand total	$ 7,489,374	$ 7,249,445

(a) Related party - common Board members and shared employees.

(b) These notes have accelerated payment schedules based on the receipt of HUD mortgage insurance or closing of project construction financing. Also, GCI received contingent consulting fees based on the project closing (Note 14).

NOTE 4 — NOTES RECEIVABLE (Continued)

The following table provides aging information on the Corporation's notes receivable:

	December 31, 2016				December 31, 2015
	Current	30-89 Days Past Due	90 Days Past Due	Total	Totals
NAP Notes	$ 64,710	$ -	$ 182,626	$ 247,336	$ 274,245
TIF Notes	5,402,250	-	-	5,402,250	5,207,852
Other Notes	3,426,978	-	357,500	3,784,478	3,693,915
	8,893,938	-	540,126	9,434,064	9,176,012
Less Allowance	(1,404,564)	-	(540,126)	(1,944,690)	(1,926,567)
Totals - 2016	$ 7,489,374	$ -	$ -	$ 7,489,374	
Totals - 2015	$ 7,249,445	$ -	$ -		$ 7,249,445

There were no nonaccrual loans as of December 31, 2016 and 2015. The provisions for bad debts were $-0- and $347,500 for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2016	December 31, 2015
Equipment	$ 71,501	$ 70,051
Less Accumulated Depreciation	64,429	56,624
	$ 7,072	$ 13,427

NOTE 6 — PARKING LOTS AND EQUIPMENT

Parking lots and equipment consists of the following:

	December 31, 2016	December 31, 2015
Land		
Samuel Shepard Drive Properties	$ 110,277	$ 110,277
Delmar Boulevard Properties	117,151	117,151
Sinclair Property	170,941	170,941
	398,369	398,369
Equipment	10,233	10,233
	408,602	408,602
Less Accumulated Depreciation	5,643	4,339
	$ 402,959	$ 404,263

NOTE 7 — REAL ESTATE

Real estate consists of the following:

	December 31, 2016	December 31, 2015
Grandel Theater - 3610 Grandel Square	$ 5,217,438	$ 5,217,438
Signage	1,340	1,340
Grand Public Arts Structure	-	15,000
3526 Washington Avenue - Improvements	341,910	341,910
3526 Washington Avenue - Office Condominium	364,711	364,711
500 North Grand - Metropolitan Building Improvements	143,568	158,568
	6,068,967	6,098,967
Less Accumulated Depreciation	4,123,795	3,948,056
	$ 1,945,172	$ 2,150,911

NOTE 8 — REAL ESTATE HELD FOR DEVELOPMENT

Real estate held for development consists of the following:

	December 31, 2016	December 31, 2015
Grandel Square Properties	$ 186,685	$ 186,685
Grand Avenue Properties (a)	12,953	12,953
Burnt Church	786,223	786,223
Continental Parking Garage - 3621 Olive	113,682	113,682
	$ 1,099,543	$ 1,099,543

(a) This property (617 N Grand with net book value of $15,802 and fair value of $299,990) was donated to the City of St. Louis in 2015.

NOTE 9 — NOTE PAYABLE TO BANK

The Corporation has a demand note payable issued under a $1,000,000 line of credit, bearing interest at the greater of prime rate plus 1.0% or 5.0%, of which $116,223 and $158,547 was outstanding at December 31, 2016 and 2015, respectively. The principal balance of the line of credit is due in October 2017. The line of credit is collateralized by income from certain parking lot leases of the Corporation. The prime rate of interest was 3.75% and 3.50% for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 — LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2016	December 31, 2015
Note payable to bank, due December 2016, payable in monthly installments of $11,816, interest at 5%, secured by deed of trust (See Note 17 for subsequent events)	$ 1,635,918	$ 1,693,774
Note payable to bank, due March 2018, principal and unpaid interest payable at maturity, interest payable monthly at 5.875%, secured by three deeds of trust (a)	1,793,069	1,793,069
Note payable to bank, due October 2017, principal and unpaid interest payable at maturity, interest payable monthly at 6.0%, secured by assignment of TIF allocation	386,588	431,588
Other notes - under $25,000	1,060	10,664
	$ 3,816,635	$ 3,929,095

(a) This note is subject to covenants with which the Corporation has complied.

The prime rate of interest was 3.75% and 3.50% for the years ended December 31, 2016 and 2015, respectively.

The scheduled maturities of long-term debt are as follows:

Year Ending December 31,	
2017	$ 437,736
2018	1,856,825
2019	67,018
2020	1,455,056
	$ 3,816,635

NOTE 11 — TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	December 31, 2016	December 31, 2015
Restricted for Programs or Expenditures		
Community improvement projects	$ 225,527	$ 374,729
Time Restrictions		
In-kind rent (Metropolitan Building), net of discount of $444,085 and $465,617	751,137	763,037
Pledges, net of discount of $3,800 and $3,800	17,200	69,056
	$ 993,864	$ 1,206,822

NOTE 11 — TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from restrictions as follows:

	Years Ended December 31, 2016	2015
Restricted for Programs or Expenditures	$ 330,352	$ 984,627
Time Restrictions	84,756	97,855
	$ 415,108	$ 1,082,482

NOTE 12 — INCOME TAXES

Income taxes consist of the following:

	Years Ended December 31, 2016	2015
Current		
U.S. federal	$ -	$ 1,046
State and local	(8)	154
	(8)	1,200
Deferred Tax Provision	15,366	19,752
Income Taxes (included in management and general expenses)	$ 15,358	$ 20,952

The difference between income taxes and the amount computed by applying the statutory tax rate to income before income taxes for GCI's subsidiaries relates primarily to the differences in the graduated rates and the realization of net operating loss carryovers.

Deferred taxes, which are reported in the accompanying consolidated statements of financial position, consist of the following:

	December 31, 2016	2015
Net Operating Loss Carryforwards	$ 187,254	$ 202,830
Depreciation	(1,216)	(1,426)
Deferred Gain on Sale of Parking Lot	(328,543)	(328,543)
Gain on Like-Kind Exchange of Property	(40,242)	(40,242)
	(182,747)	(167,381)
Valuation Allowance	-	-
	$ (182,747)	$ (167,381)

NOTE 12 — INCOME TAXES (Continued)

Under the operating loss carryforward provisions of the Internal Revenue Code, and the applicable state income tax laws, the following carryforwards are available for the Corporation's subsidiaries at December 31, 2016:

	Net Operating Losses	
Year Incurred	Year of Expiration	Amount
2001	2021	$ 30,708
2002 - 2010	2022 - 2030	11,755
2011	2031	414,835
2012-2014	2032-2034	3,311
2015	2035	25,716
2016	2036	6,448
		$ 492,773

NOTE 13 — LEASES AND OPERATING AGREEMENTS

The Corporation leases certain equipment, gallery and parking space under various operating lease agreements. The leases are noncancelable and expire on various dates through 2020.

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

Year Ending December 31,	
2017	$ 33,505
2018	9,720
2019	9,720
2020	8,558
	$ 61,503

Rent expense under operating leases was $162,584 and $195,581 for the years ended December 31, 2016 and 2015, respectively.

CCP leases 125 parking spots to TLG Beaux Arts, LLC (a related party - common Board member) pursuant to the terms of an agreement through July 2020. The lease specifies rent of $30 per parking spot per month ($45,000 per year) with increases associated with the Consumer Price Index (minimum 3%) after the initial 3 year period.

GCI leases a retail space to Miss M’s Candy, LLC (Lessee) known as 502 North Grand pursuant to the terms of an agreement through January 2019. The Lessee has the option to renew for up to two additional three year periods. The lease specifies Lessee to pay a base rent of approximately $21,000 for the first year and annual incremental increase of $1 per square foot.

Effective December 2016, GCI leases the Grandel Theater (the Theater) to KAF, LLC (KAF) (a related party - common Board member) pursuant to the terms of the agreement through December 2020. The agreement provides KAF to pay rent based on 50% of all rental and sponsorship income received by KAF less the operating expenses and 10% of all net concessions income generated at the Theater including merchandise. The agreement provides KAF the right to purchase the Theater any time during the lease period with purchase price approximately $1,630,000.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

General

The Corporation is presently involved in certain matters arising from normal business activities. Management believes that the outcome of these activities will not have a material impact on the Corporation's financial position.

The Corporation has an unconditional, continuing guaranty of a $200,000 line of credit for Circus Arts Foundation of Missouri, related parties - common Board members.

634 North Grand Building

In 2011, the Corporation purchased 634 North Grand building with proceeds of $3,200,000 in TIF reimbursement for costs previously incurred by the Corporation and certified by the City of St. Louis as TIF eligible expenses. The Corporation will likely be required to subordinate a portion of Corporation interest in the building to the banks providing the primary financing for the development. Should this be required, the Corporation is expected to earn market rate returns on the amount of the value of the building until the principal is repaid. In 2013, the building and land was sold to TLG 634 N Grand, LLC (Note 4). The sale agreement provides for contingent consideration of $1,000,000 pursuant to a consulting agreement and 20% of cash distributions from the project operations (as defined) pursuant to a donation agreement with TLG 634 N Grand, LLC, and provides the Corporation to repurchase the building and land as defined in the sale agreement. In May 2015, GCI terminated the consulting agreement with TLG 634 N Grand, LLC (TLG) in exchange for a payment of $450,000, which is included in program services revenue on the consolidated statement of activities.

Tax Increment Financing Agreement

In December 2003, the Board of Aldermen of the City of St. Louis approved Tax Increment Financing (TIF) for the Grand Center Redevelopment Area. The Corporation, as an agent, serves as "Master Developer" for the Redevelopment Projects and actively seeks additional parties to act as "Sub-Developers". The Redevelopment Plan provides for the development of district theaters, museums, parking projects, education and housing projects, historic rehabilitation and retail and mixed use projects for approximately $450,000,000. As a result of the Redevelopment Projects, tax increment revenues from the Redevelopment Area are expected to finance TIF obligations of up to $80,000,000, which will be repaid from incremental real property taxes and economic activity taxes. These TIF obligations will mature not later than 23 years after the approval of the TIF by the Board of Aldermen of the City of St. Louis, with semiannual payments of interest and annual payments of principal. All monies are deposited in the Grand Center Tax Increment Redevelopment Area Special Allocation Fund. The TIF obligations were refinanced in 2011 to provide a long-term, lower interest rate source of funding.

The Corporation’s receivables and reimbursements related to TIF funding are as follows:

	Years Ended December 31,	
	2016	2015
TIF Notes Receivable, Beginning	$ 5,207,852	$ 5,005,390
Accrued Interest on TIF Notes	194,398	202,462
TIF Notes Receivable, Ending (Note 4)	$ 5,402,250	$ 5,207,852

NOTE 14 — COMMITMENTS AND CONTINGENCIES (Continued)

Metropolitan Building Donation Agreement

In July 2011, GCI was named in a donation agreement by St. Louis Leased Housing Associates IV, LLC (owners) of the Metropolitan building (the Project). GCI is entitled to receive future donations based on the following items:

- 10% of the general partner donor's net cash flow (as defined)
- 10% of any net proceeds from the sale of the Project
- 10% of the development fee in excess of $500,000

Since the donations are based on future events and the amounts are not determinable, GCI only recognizes these amounts as the revenue based on information provided by the owners.

Missouri Development Finance Board (MDFB)

In July 2015, GCI's agreement was approved with MDFB and the Land Clearance Redevelopment Authority (LCRA) of the City of St. Louis to be reimbursed for approved expenditures and costs for several approved projects of GCI. These projects include funding of capital improvements for the Grand Center District, including wider sidewalks and narrower streets; more trees, greenery, and plantings; consistent District-wide lighting; updated paving and storm water runoff management; and Environmental Protection Agency practices. The MDFB project agreement provides for the receipt of contributions through December 31, 2018. GCI is required to provide matching funds and are required to comply with various covenants.

MDFB has received contributions of $762,783 from individuals through December 31, 2016. MDFB reduces the contributions by a 4% administrative fee. During the year ended December 31, 2016, GCI recognized revenues on MDFB project costs and expenses of $211,000 (included in unrestricted contributions and grants). As of December 31, 2016, the MDFB had $521,272 of contributed funds (net of the 4% administrative fees) being held on account for the GCI's defined projects.

NOTE 15 — GAIN (LOSS) ON PROPERTIES

Gain (loss) on properties consisted of the following:

	Years Ended December 31, 2016	Years Ended December 31, 2015
Sales of Properties		
617 N. Grand - real estate (a)	$ -	$ 284,188
Other Property Sales	-	318,239
Olive Street Properties (14 parcels sold in 2015)	-	793,595
Other - below $25,000	(18,491)	(30,278)
Gain on Properties	$ (18,491)	$ 1,365,744

(a) This property (617 N. Grand with net book value of $15,802 and fair value of $299,990) was donated to the City of St. Louis in 2015 (Note 8).

NOTE 16 — RELATED PARTY TRANSACTIONS

The Corporation has policies on conflicts of interest that are followed by its Board members and management. The Corporation's Board of Directors annually disclose any conflicts or possible conflicts of interest. Additionally, if a Board member has a conflict of interest, they are excluded from voting on that matter. The accompanying consolidated financial statements and footnotes include disclosures of related party transactions (Notes 4 and 13).

Members of the Board of Directors and their related employers contributed $399,045 and $459,890 to the Corporation during the years ended December 31, 2016 and 2015, respectively. These amounts are included in contributions and grants in the accompanying consolidated statements of activities. Also, unconditional promises-to-give from members of the Board of Directors included $-0- and $26,250 as of December 31, 2016 and 2015, respectively (Note 3).

NOTE 17 — SUBSEQUENT EVENTS

In April 2017, the Corporation renewed the lease agreement with Fox Associates of 143 parking spaces with a ten year term expiring in March 2027. The lease specifies rent of $106,960 for the first year with base rent escalating annually in accordance with the base rent schedule provided in the agreement that increases to $133,848 in the final year.

In May 2017, the Corporation renewed a note payable with a bank with interest at 5% and 35 monthly principal and interest payments of $11,800 with a final balloon payment of $1,441,592.