

**JERICHO PROJECT AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**

**MARCH 31, 2020**

# JERICO PROJECT AND AFFILIATES

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## **INDEPENDENT AUDITORS' REPORT**

To The Board of Directors  
Jericho Project and Affiliates  
New York, NY

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Jericho Project and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of March 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of certain affiliates were not audited in accordance with *Government Auditing Standards* as discussed in Note A in the Notes to Schedule of Expenditures of Federal Awards.

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 Jericho Project and Affiliates as of March 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

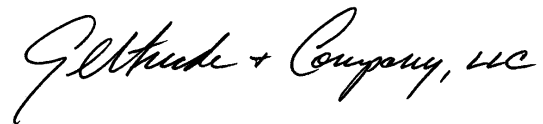
## **Other Matters**

### **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and consolidating statements of activities are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. The supplementary information included on the Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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 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 November 30, 2020, on our consideration of Jericho Project and Affiliates' 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 Jericho Project and Affiliates' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Geltrude & Company, LLC". The signature is written in a cursive, flowing style.

GELTRUDE & COMPANY, LLC

Nutley, New Jersey  
November 30, 2020

# JERICHO PROJECT AND AFFILIATES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

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### ASSETS

#### CURRENT ASSETS

|                               |                |
|-------------------------------|----------------|
| Cash and cash equivalents     | \$ 1,157,473   |
| Accounts receivable - tenants | 386,223        |
| Accounts receivable - other   | 1,582,262      |
| Prepaid expenses              | <u>130,131</u> |

|                      |                  |
|----------------------|------------------|
| Total Current Assets | <u>3,256,089</u> |
|----------------------|------------------|

#### PROPERTY AND EQUIPMENT, AT COST,

|                                                 |                   |
|-------------------------------------------------|-------------------|
| NET OF ACCUMULATED DEPRECIATION OF \$16,980,141 | <u>69,567,231</u> |
|-------------------------------------------------|-------------------|

#### OTHER ASSETS

|                                                                      |                |
|----------------------------------------------------------------------|----------------|
| Security deposits                                                    | 427,448        |
| Investments                                                          | 2,638,422      |
| Investments in joint ventures                                        | 634,884        |
| Replacement and other reserves                                       | 5,183,263      |
| Deferred start-up costs, net of accumulated amortization of \$40,875 | <u>105,664</u> |

|                    |                  |
|--------------------|------------------|
| Total Other Assets | <u>8,989,681</u> |
|--------------------|------------------|

|              |                             |
|--------------|-----------------------------|
| TOTAL ASSETS | <u><u>\$ 81,813,001</u></u> |
|--------------|-----------------------------|

*See Notes to Consolidated Financial Statements.*

# **JERICOHO PROJECT AND AFFILIATES**

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2020**

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### LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS

#### **CURRENT LIABILITIES**

|                                               |                  |
|-----------------------------------------------|------------------|
| Accounts payable and accrued expenses         | \$ 615,937       |
| Deferred revenue                              | 1,142,724        |
| Due to related parties                        | 51,330           |
| Note payable, bank                            | 500,000          |
| Mortgages and notes payable - current portion | <u>1,931,270</u> |
| Total Current Liabilities                     | <u>4,241,261</u> |

#### **LONG-TERM LIABILITIES**

|                                                      |                   |
|------------------------------------------------------|-------------------|
| Mortgages and notes payable - net of current portion | 56,574,733        |
| Accrued interest payable                             | 4,006,575         |
| Due to contractor                                    | 925,711           |
| Security deposits                                    | <u>70,577</u>     |
| Total Long-Term Liabilities                          | <u>61,577,596</u> |

|                   |                   |
|-------------------|-------------------|
| Total Liabilities | <u>65,818,857</u> |
|-------------------|-------------------|

#### **COMMITMENTS AND CONTINGENCIES**

#### **NET ASSETS**

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Without donor restrictions:                      |                   |
| Undesignated                                     | 717,201           |
| Designated by Board of Directors (Jericho Fund)  | <u>2,638,422</u>  |
| Total Net Assets Without Donor Restrictions      | 3,355,623         |
| Noncontrolling interests in limited partnerships | <u>12,638,521</u> |
| Total Net Assets and Noncontrolling Interests    | <u>15,994,144</u> |

|                                                            |                             |
|------------------------------------------------------------|-----------------------------|
| TOTAL LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS | <u><u>\$ 81,813,001</u></u> |
|------------------------------------------------------------|-----------------------------|

*See Notes to Consolidated Financial Statements.*

**JERICHO PROJECT AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MARCH 31, 2020**

|                                                               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---------------------------------------------------------------|-------------------------------|----------------------------|---------------|
| REVENUE AND SUPPORT:                                          |                               |                            |               |
| Rental income - subsidy and tenant                            | \$ 6,100,699                  | \$ -                       | \$ 6,100,699  |
| Supportive services                                           | 2,623,650                     | 8,680,866                  | 11,304,516    |
| Foundations and other organizations                           | 234,622                       | 222,700                    | 457,322       |
| Corporations                                                  | 205,861                       | -                          | 205,861       |
| Individuals                                                   | 139,599                       | -                          | 139,599       |
| Fundraising events                                            | 422,927                       | -                          | 422,927       |
| Interest and dividends                                        | (143,046)                     | -                          | (143,046)     |
| Other                                                         | 69,419                        | -                          | 69,419        |
| TOTAL REVENUE AND SUPPORT                                     | 9,653,731                     | 8,903,566                  | 18,557,297    |
| NET ASSETS RELEASED FROM RESTRICTIONS:                        |                               |                            |               |
| Satisfaction of program restrictions                          | 8,903,566                     | (8,903,566)                | -             |
|                                                               | 18,557,297                    | -                          | 18,557,297    |
| EXPENSES:                                                     |                               |                            |               |
| Program Services                                              |                               |                            |               |
| Housing services                                              | 10,677,312                    | -                          | 10,677,312    |
| Social services                                               | 8,120,399                     | -                          | 8,120,399     |
| Supporting Services                                           |                               |                            |               |
| Management and general                                        | 1,754,006                     | -                          | 1,754,006     |
| Fundraising                                                   | 420,297                       | -                          | 420,297       |
| TOTAL EXPENSES                                                | 20,972,014                    | -                          | 20,972,014    |
| Change in Net Assets including Noncontrolling Interests       | (2,414,717)                   | -                          | (2,414,717)   |
| Change in net assets attributable to Noncontrolling Interests | 2,152,251                     | -                          | 2,152,251     |
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS              | (262,466)                     | -                          | (262,466)     |
| Net Assets Without Donor Restrictions – beginning of year     | 3,618,089                     | -                          | 3,618,089     |
| Net Assets Without Donor Restrictions – end of year           | \$ 3,355,623                  | \$ -                       | \$ 3,355,623  |
| Noncontrolling interests - beginning of year                  | \$ 996,063                    | \$ -                       | \$ 996,063    |
| Contributions to noncontrolling interests                     | 13,794,710                    | -                          | 13,794,710    |
| Change in net assets attributable to noncontrolling interest  | (2,152,251)                   | -                          | (2,152,251)   |
| Noncontrolling interests - end of year                        | \$ 12,638,522                 | \$ -                       | \$ 12,638,522 |

*See Notes to Consolidated Financial Statements.*

# **JERICHO PROJECT AND AFFILIATES**

## **CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2020**

|                                | Program Services |                  | Supporting Services    |              |               |
|--------------------------------|------------------|------------------|------------------------|--------------|---------------|
|                                | Social Services  | Housing Services | Management and general | Fund-raising | Total         |
| Personnel Expenses:            |                  |                  |                        |              |               |
| Salaries                       | \$ 4,879,088     | \$ 2,446,199     | \$ 1,032,267           | \$ 250,452   | \$ 8,608,006  |
| Benefits & payroll taxes       | 1,289,093        | 625,601          | 274,710                | 66,651       | 2,256,055     |
| Total Personnel Expenses       | 6,168,181        | 3,071,800        | 1,306,977              | 317,103      | 10,864,061    |
| Professional Services:         |                  |                  |                        |              |               |
| Consultants & contractors      | 128,376          | 11,670           | 8,664                  | -            | 148,710       |
| Accounting & auditing          | -                | 95,027           | 50,107                 | -            | 145,134       |
| Legal & other professional     | 140,000          | 104,761          | 3,261                  | -            | 248,022       |
| Total Professional Services    | 268,376          | 211,458          | 62,032                 | -            | 541,866       |
| Program Expenses:              |                  |                  |                        |              |               |
| Fundraising                    | -                | -                | -                      | 44,092       | 44,092        |
| Public relations               | -                | -                | -                      | 41,383       | 41,383        |
| Program activities             | 52,005           | -                | -                      | -            | 52,005        |
| Member assistance              | 465,711          | 998,322          | -                      | -            | 1,464,033     |
| Total Program Expenses         | 517,716          | 998,322          | -                      | 85,475       | 1,601,513     |
| Occupancy Expenses:            |                  |                  |                        |              |               |
| Tenant rent                    | -                | 1,212,963        | -                      | -            | 1,212,963     |
| Utilities                      | 9,144            | 683,443          | 7,036                  | -            | 699,623       |
| Repairs & maintenance          | 59,582           | 589,180          | 19,418                 | 3,601        | 671,781       |
| Insurance                      | 22,454           | 407,456          | 10,150                 | 840          | 440,900       |
| Total Occupancy Expenses       | 91,180           | 2,893,042        | 36,604                 | 4,441        | 3,025,267     |
| Office Expenses:               |                  |                  |                        |              |               |
| Office rent                    | 466,770          | -                | 185,066                | -            | 651,836       |
| Telephone & internet           | 100,239          | 51,657           | 19,133                 | 1,464        | 172,493       |
| Equipment rental               | 33,749           | 15,484           | 10,730                 | -            | 59,963        |
| Postage & delivery             | 6,614            | 808              | 4,407                  | 1,425        | 13,254        |
| Office supplies                | 317,940          | 25,263           | 27,094                 | 4,452        | 374,749       |
| Total Office Expenses          | 925,312          | 93,212           | 246,430                | 7,341        | 1,272,295     |
| Other Expenses:                |                  |                  |                        |              |               |
| Travel & entertainment         | 78,099           | 14,789           | 38,744                 | 1,224        | 132,856       |
| Interest                       | -                | 814,575          | -                      | -            | 814,575       |
| Interest - debt issuance costs | -                | 15,870           | -                      | -            | 15,870        |
| Uncollected rents & advances   | -                | 2,045            | -                      | -            | 2,045         |
| Filing fees                    | -                | 55,602           | 3,176                  | -            | 58,778        |
| Miscellaneous                  | 71,415           | 267,265          | 26,896                 | 4,713        | 370,289       |
| Bad debts                      | -                | 59,063           | -                      | -            | 59,063        |
| Bank fees                      | 120              | -                | 12,302                 | -            | 12,422        |
| Depreciation and amortization  | -                | 2,180,269        | 20,845                 | -            | 2,201,114     |
| Total Other Expenses           | 149,634          | 3,409,478        | 101,963                | 5,937        | 3,667,012     |
| Total Expenses                 | \$ 8,120,399     | \$ 10,677,312    | \$ 1,754,006           | \$ 420,297   | \$ 20,972,014 |

See Notes to Consolidated Financial Statements.

# JERICOHO PROJECT AND AFFILIATES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

|                                                                                                |                     |
|------------------------------------------------------------------------------------------------|---------------------|
| Cash Flows from Operating Activities                                                           |                     |
| Change in net assets                                                                           | \$ (262,466)        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:    |                     |
| Depreciation and amortization of start-up costs                                                | 2,201,114           |
| Amortization of debt issuance costs                                                            | 15,870              |
| Loss allocated to noncontrolling interests                                                     | (2,152,251)         |
| Bad debt expense                                                                               | 59,063              |
| Net realized and unrealized gain on securities                                                 | 227,335             |
| Accrued interest payable                                                                       | 554,035             |
| (Increase)/decrease in assets                                                                  |                     |
| Accounts receivable- other                                                                     | 726,338             |
| Accounts receivable- tenants                                                                   | (105,003)           |
| Prepaid expenses                                                                               | (55,902)            |
| Increase/(decrease) in liabilities                                                             |                     |
| Accounts payable and accrued expenses                                                          | (267,973)           |
| Deferred revenue                                                                               | 296,783             |
| Due from related parties                                                                       | 80,043              |
| Security deposits payable                                                                      | (3,836)             |
| Net Cash Provided by Operating Activities                                                      | <u>1,313,150</u>    |
| Cash Flows from Investing Activities                                                           |                     |
| Acquisition of property and equipment                                                          | (2,799,084)         |
| Purchase of investments                                                                        | (69,568)            |
| Proceeds from sale of investments                                                              | (215,124)           |
| Investment in limited partnership                                                              | (17,577)            |
| Net Cash Used in Investing Activities                                                          | <u>(3,101,353)</u>  |
| Cash Flows from Financing Activities                                                           |                     |
| Payments of mortgages payable                                                                  | (9,942,487)         |
| Proceeds from note payable, bank                                                               | 500,000             |
| Payments to related parties                                                                    | (1,105,262)         |
| Capital contributions from limited partners                                                    | 13,794,710          |
| Net Cash Provided by Financing Activities                                                      | <u>3,246,961</u>    |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                                                      | 1,458,758           |
| Cash and cash equivalents and restricted cash, beginning of year                               | <u>5,309,426</u>    |
| Cash and cash equivalents and restricted cash, end of year                                     | <u>\$ 6,768,184</u> |
| Reconciliation to Cash and Restricted Cash on the Consolidated Statement of Financial Position |                     |
| Cash and cash equivalents                                                                      | \$ 1,157,473        |
| Security deposits                                                                              | 427,448             |
| Replacement and other reserves                                                                 | 5,183,263           |
| Cash and Restricted Cash on the Consolidated Statement of Financial                            | <u>\$ 6,768,184</u> |
| Supplemental disclosure of cash flow information                                               |                     |
| Cash paid during the year for interest                                                         | <u>\$ 2,825</u>     |

See Notes to Consolidated Financial Statements.

# JERICOHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 1. ORGANIZATION AND OPERATIONS

Jericho Project (the “Organization”) was formed to receive and administer funds for charitable purposes, as defined under Section 501(c) (3) of the Internal Revenue Code.

The Organization provides supportive housing for homeless men and women, including many homeless or low-income veterans, in New York City, many of whom are in recovery from substance abuse. The Organization owns, manages, and/or provides services at seven congregate supportive housing projects with a total of 468 units and a scatter-site program with 80 units.

The mission of Jericho Project is to end homelessness at its roots by creating a community that inspires individual change, fosters sustainable independence, and motivates men and women to reach their greatest potential. Its national model combines supportive housing, customized counseling, and ongoing aftercare. This comprehensive model enables at-risk and homeless people to succeed in jobs, reunite with their families and lead fulfilling lives.

Funding for the Organization is provided by grant contracts with the New York City Department of Homeless Services, New York City Office of Mental Health and Hygiene, New York City Department of Youth and Community Development, New York City Human Resources Administration, New York City Housing Authority, Department of Veterans Affairs, Section 8 and Shelter Plus Care contracts with the U.S. Department of Housing and Urban Development, and rent paid by tenants, as well as various donations by individuals, corporations, and foundations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Statement Presentation** – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America, the FASB Accounting Standards Codification (ASC) 958, Not-for-profit Entities, and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Assets accumulated and resources received and expenses by Organization are either without donor restrictions or restricted by the donor for a particular purpose. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restriction. None of the Organization’s net assets are subject to donor imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

**Cash and cash equivalents** - For purposes of the consolidated statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**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 certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# JERICO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Principles of consolidation** - The consolidated financial statements include the accounts of Jericho Project (which includes the Jericho Fund), Jericho Residence I Housing Development Fund Corporation, located at 1846 Anthony Avenue, Jericho Residence II Housing Development Fund Corporation located at 1840 Anthony Avenue, Jericho Anthony Avenue Housing Development Fund Corporation located at 1842 Anthony Avenue, Jericho Project Housing Development Fund Corporation, located at 2013 Adam Clayton Powell Boulevard, Jericho Residence V Housing Development Fund Corporation, located at 1928 Loring Place, Jericho West Tremont Housing Development Fund Corporation, located at 89-101 West Tremont, and three entities formed specifically for programs and housing of veterans: 355-359 East 194<sup>th</sup> Street Housing Development Corporation, 2701 Kingsbridge Terrace Housing Development Corporation and 2065 Walton Avenue Associates LLC. Material inter-organization balances and transactions have been eliminated.

The accounts of certain affiliates are consolidated as of their fiscal year-end of December 31. No events occurred between December 31 and March 31 that materially affected the Organization's consolidated financial position, changes in net assets or cash flows.

As of March 31, 2020, the affiliate entities owned were as follows:

| <u>Affiliates</u>                          | <u>Entity Owned</u>                         | <u>% Ownership</u> |
|--------------------------------------------|---------------------------------------------|--------------------|
| Jericho Residence I HDFC                   | None                                        |                    |
| Jericho Residence II HDFC                  | None                                        |                    |
| Jericho Project HDFC                       | None                                        |                    |
| Jericho Anthony Avenue HDFC                | None                                        |                    |
| Jericho Residence V HDFC                   | None                                        |                    |
| Jericho 2065 Walton Avenue HDFC            | 2065 Walton Avenue Associates, LLC          | 100%               |
| Jericho West Tremont HDFC                  | 89-101 West Tremont Corp.                   | 100%               |
| 355-359 East 194 <sup>th</sup> Street HDFC | 355-359 East 194 <sup>th</sup> Street Corp. | 100%               |
| 2701 Kingsbridge Terrace HDFC              | 2701 Kingsbridge Terrace Corp.              | 100%               |

Additionally, through the Affiliates, the following Operating Partnerships owned were as follows:

| <u>General Partner</u>                    | <u>Operating Partnership/Entity</u>       | <u>Ownership</u>         |
|-------------------------------------------|-------------------------------------------|--------------------------|
| 89-101 West Tremont Corp.                 | 89-101 West Tremont, LP                   | General Partner – 0.01%  |
| 355-359 E. 194 <sup>th</sup> Street Corp. | 355-359 E. 194 <sup>th</sup> St. Bronx LP | General Partner – 0.01%  |
| 2701 Kingsbridge Terr. Corp               | 2701 Kingsbridge Terr. Bronx LP           | General Partner – 0.01%  |
| Jericho Project                           | 2065 Walton Avenue Associates, LLC        | Managing Member – 0.001% |

The Organization has entered into a joint venture to construct a 90 unit affordable housing building located at 2065 Walton Avenue, Bronx New York. The Organization has a .0001% interest in the joint venture. Upon completion of the project the building will be contributed to an operating partnership in which the Organization will be the general partner.

The Organization has evaluated its general partnership interests noted above and determined that, based on the rights afforded to it in the agreements, the Organization through the general partners controls the Operating Partnerships and has included them in its consolidated financial statements. The noncontrolling interest reflected on the consolidated statement of financial position is the limited partners' ownership in the operating partnerships.

# JERICO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Contributions and promises to give** - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Tenant rent** - Rents are recognized as income on the accrual basis as they are earned. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the property are considered to be operating leases.

**Supportive services** - The Organization receives government agency grants and recognizes contract revenue to the extent of expenses. Management fees, rental income and interest income are recognized when earned.

**Accounts receivable and bad debts** - Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Functional expenses** - The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated between the program and support services in reasonable ratios determined by management.

**Property and Equipment** - The Organization capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Depreciation** - Depreciation is provided on the straight-line method to amortize the cost of the various classes of depreciable assets over their estimated useful lives.

Estimated useful lives are as follows:

|                           | <u>Years</u> |
|---------------------------|--------------|
| Building and improvements | 15 - 40      |
| Furnishings and equipment | 5 - 7        |

# JERICOHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Debt Issuance Costs** - Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the face amount of debt.

The Company includes amortization of debt issuance costs as interest expense. The debt issuance costs are amortized on a straight-line basis over the life of the related debt.

**Impairment of long-lived assets** - The Organization reviews its rental property and other long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. No impairment losses have been recognized for the year ended March 31, 2020.

**Marketable securities** - The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statement of financial position.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Contributed services** - No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition as contributed services.

**Income tax status** - The Organization and all affiliates, except for Jericho Residence II Housing Development Fund Corporation, have obtained a determination of tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reflected in the accompanying financial statements. Jericho Residence II Housing Development Fund Corporation is a taxable entity. However, due to the nature of its activities, all grants are expended annually for social services, resulting in no taxable income.

89-101 West Tremont, LP, 355-359 E. 194<sup>th</sup> St Bronx, LP, 2605 Walton Avenue Associates, LLC and 2701 Kingsbridge Terrace Bronx, LP, are not subject to federal income tax because their income and expenses are includable in the tax returns of their partners (members), but may be subject to certain state taxes.

Accounting principles generally accepted in the United States of America require the Organization to evaluate uncertain tax positions taken. The financial statement effects of an uncertain tax position are recognized when the tax position is more likely than not, based on the technical merits, not to be sustained upon examination by the IRS or Treasury. The Organization has analyzed the tax positions taken and has concluded that as of March 31, 2020, there were no uncertain positions taken or expected to be taken by the Organization. The Organization has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to income tax examinations for years prior to the year ended March 31, 2017.

# JERICHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Accounting Pronouncements** – During 2019, the Organization adopted ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU is intended to provide guidance on the presentation of restricted cash or restricted cash equivalents and reduce the diversity in practice. ASU 2016-18 requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts on the statements of cash flows. The Organization elected, as permitted by the standard, to adopt ASU 2016-18 retrospectively as of April 1, 2019. The adoption of ASU 2016-18 did not have a material effect on the financial statements, however, prior period restricted cash was added to the beginning and ending cash and cash equivalents in the statements of cash flows to conform to the current presentation.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|                                        |                      |
|----------------------------------------|----------------------|
| Building and improvements              | \$ 77,478,888        |
| Furniture                              | 2,082,400            |
| Information systems                    | 271,203              |
|                                        | <u>79,832,491</u>    |
| Less: Accumulated depreciation         | <u>16,980,141</u>    |
|                                        | <u>62,852,350</u>    |
| <br>Construction in progress           | <br>1,010,514        |
| <br>Land - E. 194 <sup>th</sup> Street | <br>1,175,000        |
| Land - Kingsbridge Terrace             | 1,993,733            |
| Land- 2065 Walton Avenue Associates    | 1,502,183            |
| Land- Other                            | 1,033,451            |
| Net Property and Equipment             | \$ <u>69,567,231</u> |

Depreciation expense was \$2,191,344 for the year ended March 31, 2020.

Assets, such as furniture and equipment, acquired by the Organization, the costs of which are to be reimbursed under grant contracts with the Department of Health and Mental Hygiene of the City of New York ("DMH"), shall immediately vest in the DMH upon termination of the grant contracts.

### 4. INTANGIBLE ASSETS

The future estimated amortization expense on intangible assets for each of the next five years as of March 31, 2020 is as follows:

|            |                   |
|------------|-------------------|
| 2020       | \$ 9,769          |
| 2021       | 9,769             |
| 2022       | 9,769             |
| 2023       | 9,769             |
| 2024       | 9,769             |
| Thereafter | 56,819            |
|            | <u>\$ 105,664</u> |

## JERICOHO PROJECT AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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#### 5. MORTGAGES AND NOTES PAYABLE

The mortgages and notes payable at March 31, 2020, consisted of the following:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Jericho Residence I HDFC – mortgage payable held by the City of New York, Department of Housing Preservation and Development (HPD), secured by the property, in the amount of \$1,061,941. A portion of the loan in the amount of \$882,348 is payable in monthly installments of \$2,838, including interest at 1% through maturity. The remaining \$179,593 accrues interest at 1% only for years 1 through 25. For years 26 through 30, 20% of the principal and accrued interest will be extinguished providing there has been no default. Maturity is in October 2022. | \$ 477,011 |
| Jericho Residence II HDFC – mortgage payable held by HPD, secured by property. Under the original agreement, interest accrued at 1% per annum. The agreement was amended and effective July 1, 2010, this note became noninterest bearing. Principal and all previously accrued interest are payable on January 1, 2042.                                                                                                                                                                                                                                                    | 1,633,753  |
| Jericho Residence II HDFC – mortgage payable held by HPD, secured by property. Under the original agreement, interest accrued at 8% per annum. The agreement was amended and effective July 1, 2010, this note became noninterest bearing. Principal and all previously accrued interest are payable on January 1, 2042.                                                                                                                                                                                                                                                    | 167,235    |
| Jericho Residence II HDFC – mortgage payable held by the HPD, secured by property and is maturing on January 1, 2042. The note is noninterest bearing.                                                                                                                                                                                                                                                                                                                                                                                                                      | 106,370    |
| Jericho Residence II HDFC – mortgage payable held by the HPD, secured by property and is maturing on January 1, 2042. The note is noninterest bearing.                                                                                                                                                                                                                                                                                                                                                                                                                      | 70,498     |
| Jericho Residence V HDFC – mortgage payable held by HPD, secured by property and is payable in July 2050. Interest of 3.01% per annum accrues monthly.                                                                                                                                                                                                                                                                                                                                                                                                                      | 2,835,673  |
| Jericho Residence V HDFC – mortgage payable held by HPD, secured by property and is payable in July 2050. Interest of 3.01% per annum accrues monthly.                                                                                                                                                                                                                                                                                                                                                                                                                      | 675,851    |
| Jericho Residence V HDFC – mortgage payable held by HDC, secured by property and is payable in July 2037. Interest of 3.01% per annum accrues monthly.                                                                                                                                                                                                                                                                                                                                                                                                                      | 281,324    |
| 89-101 West Tremont, LP – mortgage payable held by HPD in the amount of \$5,740,155, secured by the property, and payable in May 2033. Interest of 1% per annum accrues monthly and is payable at maturity. As of March 31, 2020, \$5,667,937 has been funded.                                                                                                                                                                                                                                                                                                              | 5,667,937  |

# JERICHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

|                                                                                                                                                                                                                                                                                                                                                                          |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 89-101 West Tremont, LP – mortgage payable held by the New York State Homeless Housing and Assistance Corporation in the amount of \$2,471,700, secured by the property and payable in March 2032. Interest of 1% per annum accrues monthly and is payable at maturity. As of March 31, 2020, \$2,454,300 has been funded.                                               | \$ 2,454,300      |
| 355-359 E. 194 <sup>th</sup> Street, LP - mortgage payable held by HPD, secured by the property, and is payable in June 2056. Interest of 2.5% annum accrues monthly and is payable at maturity.                                                                                                                                                                         | 7,466,236         |
| 2701 Kingsbridge Terrace, LP - mortgage payable held by HPD in the amount of \$16,400,000, secured by the property. The loan is noninterest bearing and payable in 2057. As of March 31, 2020, \$15,718,299 has been funded.                                                                                                                                             | 15,718,299        |
| 2605 Walton Avenue Associates, LLC – mortgage payable with Wells Fargo Bank, NA in the amount of \$5,630,000, payable in monthly installments of \$31,089, including interest at 5.25%. Outstanding borrowings are secured by a mortgage on the rental property. Outstanding borrowings along with any accrued and unpaid interest are due at maturity on March 6, 2049. | 5,570,852         |
| 2605 Walton Avenue Associates, LLC – building loan agreement with HPD in the amount of \$9,523,000. Outstanding borrowings are secured by a mortgage on the rental property and bear interest at a rate of 2.47% per annum which is payable monthly. Outstanding borrowings along with any accrued and unpaid interest are due at maturity on March 6, 2079.             | 9,523,000         |
| 2605 Walton Avenue Associates, LLC – mortgage with New York State Homeless Housing and Assistance Corporation (“HHAC”) in the amount of \$3,596,000, secured by the property. Interest accrues at a rate of 2.5% per annum. Principal and all previously accrued interest are payable on September 19, 2078.                                                             | 3,596,000         |
| 2605 Walton Avenue Associates, LLC – mortgage with HHAC in the amount of \$84,000, secured by the property. Interest accrues at a rate of 2.5% per annum. Principal and all previously accrued interest are payable on September 19, 2078.                                                                                                                               | 84,000            |
| 2605 Walton Avenue Associates, LLC – mortgage with HHAC in the amount of \$750,000, secured by the property. Interest accrues at a rate of 1.0% per annum. Principal and all previously accrued interest are payable on September 19, 2078.                                                                                                                              | 750,000           |
| Jericho Anthony Avenue HDFC – mortgage payable held by Supportive Housing Solutions Fund, LLC (“CSH”), secured by property. Under the agreement, interest accrued at 6% per annum. Principal and all previously accrued interest are payable on January 1, 2021. The loan is guaranteed by Jericho Project, Inc.                                                         | 1,900,000         |
| Total Debt                                                                                                                                                                                                                                                                                                                                                               | <u>58,978,339</u> |

# JERICOHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

|                                                      |                      |
|------------------------------------------------------|----------------------|
| Total Debt                                           | \$ 58,978,339        |
| Less: unamortized debt issuance costs                | <u>472,336</u>       |
|                                                      | 58,506,003           |
| Less: current portion of mortgages and notes payable | <u>1,931,270</u>     |
|                                                      | <u>\$ 56,574,733</u> |

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

|            |                      |
|------------|----------------------|
| 2021       | \$ 1,931,270         |
| 2022       | 31,582               |
| 2023       | 31,898               |
| 2024       | 32,216               |
| 2025       | 32,538               |
| Thereafter | <u>56,918,835</u>    |
|            | <u>\$ 58,978,339</u> |

### 6. DEFERRED REVENUE

The balance includes advances from various New York State and City funding sources for which the Organization has yet to provide services.

### 7. NOTE PAYABLE, BANK

Jericho Project maintains a \$500,000 revolving line of credit from TD Bank, N.A. to help finance its short-term capital needs. This line is collateralized by all of the Organization's accounts receivable and equipment, and interest is payable monthly on outstanding balances at an interest rate of 0.740% over the "Wall Street Journal" Prime Rate. At March 31, 2020, line of credit had an outstanding balance of \$500,000. The interest rate was 5.25% at March 31, 2020.

### 8. RESTRICTED FUNDS

The Organization includes several entities that are required to maintain various reserve accounts or escrow deposit accounts, in accordance with their partnership agreements, as follows:

**Operating reserves** - 355-359 E. 194<sup>th</sup> St, LP, 89-101 West Tremont, LP, 2701 Kingsbridge Terrace, LP, Jericho Residence II HDFC, Jericho Residence V HDFC and 2065 Walton Avenue Associates, LLC are required to maintain operating reserve accounts. As of March 31, 2020, the total operating reserve balance for these entities was \$2,503,378 which is included in replacement and other reserves.

**Replacement reserves** - 355-359 E. 194<sup>th</sup> St, LP, 89-101 West Tremont, LP, Jericho Residence II HDFC, Jericho Residence V HDFC and 2065 Walton Avenue Associates, LLC are each required to maintain replacement reserve accounts. As of March 31, 2020, the total replacement reserve balance for these entities was \$296,597, which is included in replacement and other reserves.

# JERICHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 8. RESTRICTED FUNDS (CONTINUED)

**Social services reserves** - 89-101 West Tremont, LP and 2701 Kingsbridge Terrace, LP, and Jericho Residence V HDFC are each required to maintain social services reserve accounts. As of March 31, 2020, the total social services reserve balance for these entities was \$541,095, which is included in replacement and other reserves.

**Escrow Deposits** - 2701 Kingsbridge Terrace, LP and 2065 Walton Avenue Associates, LLC are required to maintain escrow deposit accounts with the City of New York, Housing Development Corporation. As of March 31, 2020, the total escrow deposit account balance for these entities was \$1,842,193, which is included in replacement and other reserves.

### 9. RELATED PARTY TRANSACTIONS

**Due from/to Related Parties** – Funds are periodically advanced from (to) entities affiliated with the limited partnerships. These advances are unsecured, non-interest bearing and have no specific repayment terms.

**Developer Fee** - The Organization has entered into a development agreement with 2065 Walton Avenue Associates LLC for their services in connection with the development and construction of the Project.

**Advances to affiliates** - The Company from time to time receives short term advances from affiliates. The advances are noninterest bearing and due on demand. As of March 31, 2020, the consolidated balance not subject to elimination of such advances totaled \$51,330.

**Advances to Walton** – In 2017 Jericho Project received a \$600,000 grant under the Affordable Housing Program (“AHP”). The grant proceeds were required to be used for hard costs to construct the apartment complex located at 2065 Walton Avenue, Bronx New York. The grant restricts the sale of the property and the use of the property as affordable housing for a 15-year period. The grant also has various reporting requirements. AHP can require repayment of the grant if the Organization violates any of the grant restrictions. The advances to Walton are noninterest bearing and have no formal repayment terms.

### 10. INVESTMENTS

The Organization has investments in marketable securities which are being reported at fair value. The unrealized loss from investments recorded at fair value for the year ended March 31, 2020 is \$242,889. Realized gains from the sale of investments totaled \$15,554 for the year ended March 31, 2020. These investments are held under The Jericho Fund. The balance of these investments at March 31, 2020 was \$2,638,422.

The Jericho Project’s Board of Directors established The Jericho Fund, without donor restrictions, Board-designated fund that will ensure Jericho’s programs have the ongoing financial resources to serve more homeless men and women and their families in the long-term. Specifically, The Jericho Fund will: 1) sustain the broad array of supplemental services (such as Workforce Opportunities and Family Reunification programs) that make Jericho unique; and 2) develop and provide new programs and services for current residents and new populations including people with mental illness, families and veterans.

Contributors to The Jericho Fund include individuals, foundations, corporations and churches. Fundraising is ongoing. The Jericho Project’s Board of Directors will distribute funds on an annual basis, or as needed, to support ongoing or new program initiatives consistent with the mission of The Jericho Project.

# JERICO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 10. INVESTMENTS (CONTINUED)

Investments are stated at fair value. Fair values and unrealized appreciation (depreciation) at March 31, 2020 are as follows:

|                    | Fair Value          | Original<br>Costs   | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------------|---------------------|---------------------|----------------------------------------------|
| Mutual Funds       | \$ 2,299,433        | \$ 2,435,831        | \$ (136,398)                                 |
| Money Market Funds | 338,950             | 338,950             | -                                            |
| Total              | <u>\$ 2,638,383</u> | <u>\$ 2,774,781</u> | <u>\$ (136,398)</u>                          |

### 11. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- 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 in inactive markets;
  - 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 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 March 31, 2020.

**Mutual and Money Market Funds:** Valued at the daily closing price as reported by the fund. Funds held by the Plan are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded.

# JERICHO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

### 11. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the plan investment assets at fair value by level within the fair value hierarchy as of March 31, 2020:

|                      | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Level 3     | Total               |
|----------------------|-------------------------------------------------------|-----------------------------------------------------------|-------------|---------------------|
| Mutual funds:        |                                                       |                                                           |             |                     |
| International Equity | \$ 1,619,560                                          | \$ -                                                      | \$ -        | \$ 1,619,560        |
| US Bonds             | 679,873                                               | -                                                         | -           | 679,873             |
| Money market funds   | 335,950                                               | -                                                         | -           | 335,950             |
| Total                | <u>\$ 2,635,383</u>                                   | <u>\$ -</u>                                               | <u>\$ -</u> | <u>\$ 2,635,383</u> |

### 12. COMMITMENTS

**Program Audits** - The Organization has contracted with various governmental agencies to perform certain supportive services, and receives contract revenue from the State and City of New York and the federal government. Reimbursements received under these contracts and payments under welfare are subject to audit by the federal and state governments. Upon audit, if discrepancies are discovered, the Organization could be responsible for reimbursing the agencies for the amount in question.

**Lease Agreements** - The Organization occupies office space under four separate leases. The first and second, for the main administrative offices located in Manhattan, NY, have terms from May 1, 2017 through April 30, 2027, and May 15, 2019 through April 14, 2028. The third, for the scatter site program office located in Bronx, NY, has a term from August 1, 2016 through November 30, 2023. The fourth, for the RRH and SSVF program office located in Manhattan, NY, and has a term from January 1, 2020 through September 30, 2022. Rental expense for the year ended March 31, 2020 was \$1,864,799. The amount of \$692,731 was attributed to the four leases for office space and the remainder of \$1,172,068 to the program that provides scatter-site housing to veterans and to individuals with special needs in New York City.

The future minimum lease payments for the next five years and thereafter are as follows:

|            |                     |
|------------|---------------------|
| 2021       | \$ 825,693          |
| 2022       | 852,349             |
| 2023       | 626,592             |
| 2024       | 336,780             |
| 2025       | 230,311             |
| Thereafter | 578,199             |
|            | <u>\$ 3,449,924</u> |

# **JERICO PROJECT AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020**

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### **13. EMPLOYEE BENEFITS PLANS**

The Organization maintains a tax deferred annuity plan where employees can defer a portion of their income through contributions to the plan. Full time employees become eligible after one year of continuous employment. The Organization will match 50% of the employee's contribution, up to 3% of their total annual salary. Company contributions to this plan are discretionary. Pension expense for the year ended March 31, 2020 totaled \$77,007.

### **14. PROPERTY PURCHASE OPTION**

According to the Right of First Refusal agreement, certain affiliates of 89-101 West Tremont, LP, 355-359 E. 194<sup>th</sup> St Bronx, LP, 2701 Kingsbridge Terrace Bronx, LP, and 2605 Walton Avenue Associates, LLC have an option to purchase partnership property at the end of the low-income tax credit compliance period at a price which would facilitate the purchase while protecting the Partnership's tax benefits from the Project. Such option is based upon the affiliate maintaining the low-income occupancy of the Project and is in a form satisfactory to legal and accounting counsel.

### **15. CONTINGENCY**

89-101 West Tremont, LP's, 355-359 E. 194<sup>th</sup> St Bronx, LP's, 2605 Walton Avenue Associates, LLC and 2701 Kingsbridge Terrace Bronx, LP's low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or correct noncompliance within a specific time period, could result in recapture of previously taken tax credits plus interest.

### **16. RISK AND UNCERTAINTIES**

The Organization is subject to various risks and uncertainties in the ordinary course of business that could have an adverse impact on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in state or federal low-income housing subsidies or the demand for such housing.

The Organization invests in various securities including mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the participants' account balances and the amounts reported in the consolidated statement of financial position.

### **17. CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance.

Investments are not bank deposits or FDIC insured and are not guaranteed by the brokerage house. These funds are subject to investment risk due to market fluctuations including possible loss of the principal amount invested.

# JERICO PROJECT AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2020

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### 18. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

|                               |    |                  |
|-------------------------------|----|------------------|
| Cash and cash equivalents     | \$ | 1,157,473        |
| Accounts receivable - tenants |    | 386,223          |
| Accounts receivable - other   |    | <u>1,582,262</u> |
| Total                         | \$ | <u>3,125,958</u> |

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next year, Jericho Project and Affiliates anticipates collecting sufficient revenue to cover general expenditures.

The board designated Jericho Fund of \$2,638,422 is subject to spending appropriations directed by the Board of Directors. Although the Organization does not intend on spending from Jericho Fund unless it is for certain programs or services, this amount could be made available if necessary.

### 19. SUBSEQUENT EVENTS

In late January 2020, the Organization began to monitor the global effects of “COVID-19,” an infectious disease caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS CoV-2) that was first detected in November 2019 in the city of Wuhan, China.

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security (the “CARES Act”), which, among other things, outlines the provisions of the Paycheck Protection Program (the “PPP”). The Organization determined that it met the criteria to be eligible to obtain a loan under the PPP because, among other reasons, in light of COVID-19 outbreak and the uncertainty of economic conditions related thereto, the loan was necessary to support the Organization’s ongoing operations. Under the PPP, the Organization could obtain a U.S. Small Business Administration loan in an amount equal to the average of the Organization’s monthly payroll costs (as defined under the PPP) for calendar 2019 multiplied by 2.5 (approximately 10 weeks of payroll costs). Section 1106 of the CARES Act contains provisions for the forgiveness of all or a portion of a PPP loan, subject to the satisfaction of certain requirements. The amount eligible for forgiveness is, subject to certain limitations, the sum of the Organization’s payroll costs, rent and utilities paid by the Organization during the eight or twenty-four week period beginning on the funding date of the PPP loan.

On April 19, 2020, the Organization closed on a PPP loan in the amount of \$1,893,847, which was funded on April 22, 2020 and which was transferred by the Organization into an account dedicated to allowable uses of the PPP loan proceeds.

The Organization has evaluated subsequent events through November 30, 2020, the date which the financial statements were available to be issued.

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# **JERICO PROJECT AND AFFILIATES**

**MARCH 31, 2020**

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SUPPLEMENTAL INFORMATION

**JERICO PROJECT AND AFFILIATES**
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2020**

|                                                                       | Jericho<br>Project,<br>Inc. | Jericho<br>Project<br>HDFC | Jericho<br>Residence I<br>HDFC | Jericho<br>Residence II<br>HDFC | Jericho<br>Anthony Ave<br>HDFC | Jericho<br>Residence V<br>HDFC | 89-101<br>West<br>Tremont, LP | 355-359<br>E. 194th Street<br>LP | 2701<br>Kingsbridge<br>Terrace<br>LP | 2605<br>Walton Ave<br>Associates<br>LLC | Sub-Total            | Consolidating<br>Eliminations | Total                |
|-----------------------------------------------------------------------|-----------------------------|----------------------------|--------------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|----------------------------------|--------------------------------------|-----------------------------------------|----------------------|-------------------------------|----------------------|
| <b>Assets</b>                                                         |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| Cash and cash equivalents                                             | \$ 438,135                  | \$ 7,340                   | \$ 37,715                      | \$ 26,331                       | \$ 1,940                       | \$ 57,118                      | \$ 9,701                      | \$ 420,267                       | \$ 20,566                            | \$ 138,360                              | \$ 1,157,473         | \$ -                          | \$ 1,157,473         |
| Accounts receivable - tenants                                         | 180,220                     | 11,906                     | 17,227                         | 19,458                          | -                              | 32,975                         | 15,738                        | 26,366                           | 68,030                               | 14,303                                  | 386,223              | -                             | 386,223              |
| Accounts receivable - other                                           | 1,185,837                   | 13,592                     | 3,648                          | 3,958                           | -                              | 19,511                         | 87,297                        | 102,443                          | 165,976                              | -                                       | 1,582,262            | -                             | 1,582,262            |
| Note and interest receivable - related party                          | 1,416,467                   | -                          | -                              | -                               | -                              | -                              | -                             | -                                | -                                    | -                                       | 1,416,467            | (1,416,467)                   | -                    |
| Prepaid expenses                                                      | 53,920                      | 2,972                      | 1,655                          | 1,655                           | -                              | 2,978                          | 15,454                        | 19,215                           | 15,732                               | 16,550                                  | 130,131              | -                             | 130,131              |
| Property and equipment - net                                          | 501,114                     | 96,663                     | 535,696                        | 236,390                         | 2,504,703                      | 2,109,472                      | 7,087,658                     | 10,788,737                       | 15,944,058                           | 33,465,844                              | 73,270,335           | (4,713,618)                   | 68,556,717           |
| Construction in progress                                              | 792,920                     | -                          | 3,250                          | 3,250                           | -                              | -                              | -                             | -                                | 211,094                              | -                                       | 1,010,514            | -                             | 1,010,514            |
| Security deposits                                                     | 324,971                     | 5,168                      | 1,723                          | 1,076                           | -                              | 3,124                          | 9,018                         | 24,441                           | 29,900                               | 28,027                                  | 427,448              | -                             | 427,448              |
| Investments                                                           | 2,638,422                   | -                          | -                              | -                               | -                              | -                              | -                             | -                                | -                                    | -                                       | 2,638,422            | -                             | 2,638,422            |
| Investment in joint ventures                                          | (1,060,859)                 | -                          | -                              | -                               | -                              | -                              | -                             | -                                | -                                    | -                                       | (1,060,859)          | 1,695,743                     | 634,884              |
| Replacement, other reserves and escrow deposits                       | -                           | -                          | -                              | 492,888                         | -                              | 375,843                        | 1,146,943                     | 675,292                          | 1,875,583                            | 616,714                                 | 5,183,263            | -                             | 5,183,263            |
| Intangible assets - net                                               | -                           | -                          | -                              | -                               | -                              | -                              | -                             | 22,401                           | -                                    | 83,263                                  | 105,664              | -                             | 105,664              |
| <b>Total Assets</b>                                                   | <b>\$ 6,471,147</b>         | <b>\$ 137,641</b>          | <b>\$ 600,914</b>              | <b>\$ 785,006</b>               | <b>\$ 2,506,643</b>            | <b>\$ 2,601,021</b>            | <b>\$ 8,371,809</b>           | <b>\$ 12,079,162</b>             | <b>\$ 18,330,939</b>                 | <b>\$ 34,363,061</b>                    | <b>\$ 86,247,343</b> | <b>\$ (4,434,342)</b>         | <b>\$ 81,813,001</b> |
| <b>Liabilities, Net Assets and Noncontrolling Interests</b>           |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| <b>Liabilities</b>                                                    |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| Accounts payable and accrued expenses                                 | \$ 249,522                  | \$ 7,357                   | \$ 5,053                       | \$ 6,283                        | \$ -                           | \$ 2,342                       | \$ 32,980                     | \$ 29,491                        | \$ 188,844                           | \$ 94,065                               | \$ 615,937           | \$ -                          | \$ 615,937           |
| Due to contractor                                                     | -                           | -                          | -                              | -                               | -                              | -                              | -                             | -                                | 925,711                              | -                                       | 925,711              | -                             | 925,711              |
| Deferred revenue                                                      | 598,987                     | 9,623                      | 20,116                         | 15,477                          | -                              | 32,404                         | 125,425                       | 172,650                          | 168,042                              | -                                       | 1,142,724            | -                             | 1,142,724            |
| Accrued interest                                                      | -                           | -                          | 47,293                         | 309,727                         | 266,000                        | 382,218                        | 1,203,276                     | 2,031,907                        | 76,620                               | 184,905                                 | 4,501,946            | (495,371)                     | 4,006,575            |
| Note payable, bank                                                    | 500,000                     | -                          | -                              | -                               | -                              | -                              | -                             | -                                | -                                    | -                                       | 500,000              | -                             | 500,000              |
| Mortgages and notes payable- long and short term                      | -                           | -                          | 477,011                        | 1,977,856                       | 1,857,500                      | 3,701,174                      | 8,093,372                     | 8,075,730                        | 15,940,168                           | 19,304,288                              | 59,427,099           | (921,096)                     | 58,506,003           |
| Security deposits                                                     | 2,963                       | 5,232                      | 1,723                          | 1,074                           | -                              | 2,580                          | 8,984                         | 14,419                           | 6,962                                | 26,640                                  | 70,577               | -                             | 70,577               |
| Due to related parties                                                | (6,766,344)                 | 3,615,717                  | (156,939)                      | 588,939                         | 383,143                        | 148,879                        | 1,446,001                     | 134                              | 435,000                              | 356,800                                 | 51,330               | -                             | 51,330               |
| Developer fee payable                                                 | -                           | -                          | -                              | -                               | -                              | -                              | -                             | -                                | 912,000                              | 652,036                                 | 1,564,036            | (1,564,036)                   | -                    |
| <b>Total Liabilities</b>                                              | <b>(5,414,872)</b>          | <b>3,637,929</b>           | <b>394,257</b>                 | <b>2,899,356</b>                | <b>2,506,643</b>               | <b>4,269,597</b>               | <b>10,910,038</b>             | <b>10,324,331</b>                | <b>18,653,347</b>                    | <b>20,618,734</b>                       | <b>68,799,360</b>    | <b>(2,980,503)</b>            | <b>65,818,857</b>    |
| <b>Commitments and Contingencie:</b>                                  |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| <b>Net Assets</b>                                                     |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| Unrestricted:                                                         |                             |                            |                                |                                 |                                |                                |                               |                                  |                                      |                                         |                      |                               |                      |
| Operations, undesignated                                              | 9,247,597                   | (3,500,288)                | 206,657                        | (2,114,350)                     | -                              | (1,668,576)                    | -                             | -                                | -                                    | -                                       | 2,171,040            | (1,453,839)                   | 717,201              |
| Operations, designated by Board of Directors                          | 2,638,422                   | -                          | -                              | -                               | -                              | -                              | -                             | -                                | -                                    | -                                       | 2,638,422            | -                             | 2,638,422            |
| <b>Total Net Assets</b>                                               | <b>11,886,019</b>           | <b>(3,500,288)</b>         | <b>206,657</b>                 | <b>(2,114,350)</b>              | <b>-</b>                       | <b>(1,668,576)</b>             | <b>-</b>                      | <b>-</b>                         | <b>-</b>                             | <b>-</b>                                | <b>4,809,462</b>     | <b>(1,453,839)</b>            | <b>3,355,623</b>     |
| Noncontrolling interests in limited partnerships                      | -                           | -                          | -                              | -                               | -                              | -                              | (2,538,229)                   | 1,754,831                        | (322,408)                            | 13,744,327                              | 12,638,521           | -                             | 12,638,521           |
| <b>Total Net Assets and noncontrolling interests</b>                  | <b>11,886,019</b>           | <b>(3,500,288)</b>         | <b>206,657</b>                 | <b>(2,114,350)</b>              | <b>-</b>                       | <b>(1,668,576)</b>             | <b>(2,538,229)</b>            | <b>1,754,831</b>                 | <b>(322,408)</b>                     | <b>13,744,327</b>                       | <b>17,447,983</b>    | <b>(1,453,839)</b>            | <b>15,994,144</b>    |
| <b>Total Liabilities, Net Assets and<br/>Noncontrolling Interests</b> | <b>\$ 6,471,147</b>         | <b>\$ 137,641</b>          | <b>\$ 600,914</b>              | <b>\$ 785,006</b>               | <b>\$ 2,506,643</b>            | <b>\$ 2,601,021</b>            | <b>\$ 8,371,809</b>           | <b>\$ 12,079,162</b>             | <b>\$ 18,330,939</b>                 | <b>\$ 34,363,061</b>                    | <b>\$ 86,247,343</b> | <b>\$ (4,434,342)</b>         | <b>\$ 81,813,001</b> |

*See Independent Auditors' Report.*

**JERICHO PROJECT AND AFFILIATES**
**CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2020**

|                                                                 | Jericho<br>Project,<br>Inc. | Jericho<br>Project<br>HDFC | Jericho<br>Residence I<br>HDFC | Jericho<br>Residence II<br>HDFC | Jericho<br>Residence V<br>HDFC | Jericho<br>Anthony Ave<br>HDFC | 1928<br>Loring<br>Place LP | 89-101<br>West<br>Tremont, LP | 355-359<br>E. 194th Street<br>LP | 2701<br>Kingsbridge<br>Terrace<br>LP | 2605<br>Walton Ave<br>Associates<br>LLC | Sub - Total          | Consolidating<br>Eliminations | Total                |
|-----------------------------------------------------------------|-----------------------------|----------------------------|--------------------------------|---------------------------------|--------------------------------|--------------------------------|----------------------------|-------------------------------|----------------------------------|--------------------------------------|-----------------------------------------|----------------------|-------------------------------|----------------------|
| <b>Revenue and Support</b>                                      |                             |                            |                                |                                 |                                |                                |                            |                               |                                  |                                      |                                         |                      |                               |                      |
| Rental revenue - subsidy and tenant                             | \$ 235,550                  | \$ 555,411                 | \$ 270,976                     | \$ 244,008                      | \$ 474,571                     | \$ -                           | \$ -                       | \$ 849,374                    | \$ 807,869                       | \$ 894,710                           | 1,768,230                               | \$ 6,100,699         | \$ -                          | \$ 6,100,699         |
| Supportive services                                             | 9,316,069                   | 178,692                    | 67,887                         | 71,797                          | 169,200                        | -                              | -                          | 449,905                       | 415,545                          | 635,421                              | -                                       | 11,304,516           | -                             | 11,304,516           |
| Foundations                                                     | 451,322                     | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 451,322              | -                             | 451,322              |
| Corporations                                                    | 205,861                     | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 205,861              | -                             | 205,861              |
| Individuals                                                     | 139,599                     | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 139,599              | -                             | 139,599              |
| Fundraising events                                              | 422,927                     | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 422,927              | -                             | 422,927              |
| Investment income                                               | (71,328)                    | 8                          | -                              | -                               | 14                             | -                              | -                          | 274                           | -                                | 669                                  | -                                       | (70,363)             | (72,683)                      | (143,046)            |
| Other                                                           | 46,963                      | 16,624                     | -                              | 2                               | -                              | -                              | -                          | -                             | 199                              | 1,193                                | 4,438                                   | 69,419               | -                             | 69,419               |
| Churches                                                        | 6,000                       | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 6,000                | -                             | 6,000                |
| Management and development fees                                 | 1,129,092                   | -                          | -                              | -                               | 40,600                         | -                              | -                          | -                             | -                                | -                                    | -                                       | 1,169,692            | (1,169,692)                   | -                    |
| <b>Total Revenue and Support</b>                                | <b>11,882,055</b>           | <b>750,735</b>             | <b>338,863</b>                 | <b>315,807</b>                  | <b>684,385</b>                 | <b>-</b>                       | <b>-</b>                   | <b>1,299,553</b>              | <b>1,223,613</b>                 | <b>1,531,993</b>                     | <b>1,772,668</b>                        | <b>19,799,672</b>    | <b>(1,242,375)</b>            | <b>18,557,297</b>    |
| <b>Expenses</b>                                                 |                             |                            |                                |                                 |                                |                                |                            |                               |                                  |                                      |                                         |                      |                               |                      |
| Housing service                                                 | 3,237,745                   | 536,553                    | 354,180                        | 286,862                         | 591,437                        | -                              | 0                          | 1,211,424                     | 1,249,414                        | 1,415,729                            | 2,568,529                               | 11,451,873           | (774,556)                     | 10,677,317           |
| Social service                                                  | 6,092,342                   | 310,871                    | 147,441                        | 188,464                         | 314,113                        | -                              | -                          | 431,328                       | 445,770                          | 636,655                              | 21,229.00                               | 8,588,213            | (467,819)                     | 8,120,394            |
| Supporting services                                             |                             |                            |                                |                                 |                                |                                |                            |                               |                                  |                                      |                                         |                      |                               |                      |
| Management and General                                          | 1,754,006                   | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 1,754,006            | -                             | 1,754,006            |
| Fundraising                                                     | 420,297                     | -                          | -                              | -                               | -                              | -                              | -                          | -                             | -                                | -                                    | -                                       | 420,297              | -                             | 420,297              |
| <b>Total Expenses</b>                                           | <b>11,504,390</b>           | <b>847,424</b>             | <b>501,621</b>                 | <b>475,326</b>                  | <b>905,550</b>                 | <b>-</b>                       | <b>-</b>                   | <b>1,642,752</b>              | <b>1,695,184</b>                 | <b>2,052,384</b>                     | <b>2,589,758</b>                        | <b>22,214,389</b>    | <b>(1,242,375)</b>            | <b>20,972,014</b>    |
| Change in net assets including noncontrolling interest          | 377,665                     | (96,689)                   | (162,758)                      | (159,519)                       | (221,165)                      | -                              | -                          | (343,199)                     | (471,571)                        | (520,391)                            | (817,090)                               | (2,414,717)          | -                             | (2,414,717)          |
| Change in net assets attributable to noncontrolling interest    | -                           | -                          | -                              | -                               | -                              | -                              | -                          | 343,199                       | 471,571                          | 520,391                              | 817,090                                 | 2,152,251            | -                             | 2,152,251            |
| <b>Change in Net Assets Without Donor Restrictions</b>          | <b>377,665</b>              | <b>(96,689)</b>            | <b>(162,758)</b>               | <b>(159,519)</b>                | <b>(221,165)</b>               | <b>-</b>                       | <b>-</b>                   | <b>-</b>                      | <b>-</b>                         | <b>-</b>                             | <b>-</b>                                | <b>(262,466)</b>     | <b>-</b>                      | <b>(262,466)</b>     |
| <b>Net Assets Without Donor Restrictions, beginning of year</b> | <b>11,508,354</b>           | <b>(3,403,599)</b>         | <b>369,415</b>                 | <b>(1,954,831)</b>              | <b>(1,447,411)</b>             | <b>-</b>                       | <b>-</b>                   | <b>-</b>                      | <b>-</b>                         | <b>-</b>                             | <b>-</b>                                | <b>5,071,928</b>     | <b>(1,453,839)</b>            | <b>3,618,089</b>     |
| <b>Net Assets Without Donor Restrictions, end of year</b>       | <b>\$ 11,886,019</b>        | <b>\$ (3,500,288)</b>      | <b>\$ 206,657</b>              | <b>\$ (2,114,350)</b>           | <b>\$ (1,668,576)</b>          | <b>\$ -</b>                    | <b>\$ -</b>                | <b>\$ -</b>                   | <b>\$ -</b>                      | <b>\$ -</b>                          | <b>\$ -</b>                             | <b>\$ 4,809,462</b>  | <b>\$ (1,453,839)</b>         | <b>\$ 3,355,623</b>  |
| <b>Noncontrolling interests, beginning of year</b>              |                             |                            |                                |                                 |                                |                                | -                          | (2,195,030)                   | 2,226,402                        | 197,983                              | 766,707                                 | 996,063              | -                             | 996,063              |
| Contributions to noncontrolling interests                       |                             |                            |                                |                                 |                                |                                | -                          | -                             | -                                | -                                    | 13,794,710                              | 13,794,710           | -                             | 13,794,710           |
| Change in net assets attributable to noncontrolling interest    |                             |                            |                                |                                 |                                |                                | -                          | (343,199)                     | (471,571)                        | (520,391)                            | (817,090)                               | (2,152,251)          | -                             | (2,152,251)          |
| <b>Noncontrolling interests, end of year</b>                    |                             |                            |                                |                                 |                                |                                | <b>\$ -</b>                | <b>\$ (2,538,229)</b>         | <b>\$ 1,754,831</b>              | <b>\$ (322,408)</b>                  | <b>\$ 13,744,327</b>                    | <b>\$ 12,638,522</b> | <b>\$ -</b>                   | <b>\$ 12,638,522</b> |

*See Independent Auditors' Report.*

# JERICHO PROJECT AND AFFILIATES

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED MARCH 31, 2020

| Grantor/Program or Cluster Title                                                  | Federal CFDA Number/Grant ID<br>number | Federal<br>Expenditures     |
|-----------------------------------------------------------------------------------|----------------------------------------|-----------------------------|
| <b><u>Federal Awards:</u></b>                                                     |                                        |                             |
| U. S. Department of Housing and Urban Development -<br>Supportive Housing Program | 14.235                                 | \$ 3,209,283                |
| U. S. Department of Housing and Urban Development -<br>Continuum of Care Program  | 14.267                                 | 1,215,520                   |
| U. S. Department of Housing and Urban Development -<br>Continuum of Care Program  | 14.267/NY1044                          | 2,695,372                   |
| Department of Veterans Affairs - Supportive Services for<br>Veterans Families     | 64.033/14-NY-250                       | 2,548,576                   |
| Department of Veterans Affairs- Supportive Services for<br>Veterans Families      | 64.033/NY-600B/S20-NY-600A             | 146,462                     |
| Department of Veterans Affairs-Homeless Providers Grant and<br>Per Diem Program   | 64.024/JERP525-1123-526-CM-20          | 16,202                      |
| U. S. Department of Housing and Urban Development -<br>Continuum of Care Program  | 14.267/NY0303                          | 47,290                      |
| Total expenditures of Federal awards                                              |                                        | <u>9,878,705</u>            |
| <b><u>State and City Awards:</u></b>                                              |                                        |                             |
| N.Y.S. Office of Mental Health                                                    |                                        | 3,623,554                   |
| N.Y.C Department of Homeless Services                                             |                                        | 576,879                     |
| Dormitory Authority of the State of New York                                      |                                        | 368,448                     |
| N.Y.S Taxation and Finance-NYSERDA                                                |                                        | 54,000                      |
| N.Y.C Department of Youth and Community Development                               |                                        | 250,572                     |
| N.Y.C Human Resources Administration (HRA)-<br>Subcontract Home Base              |                                        | 752,892                     |
| Total expenditures of State and City awards                                       |                                        | <u>5,626,345</u>            |
| Total expenditures of Federal and State awards                                    |                                        | <u><u>\$ 15,505,050</u></u> |

*See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal and State Awards*

# **JERICOHO PROJECT AND AFFILIATES**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS MARCH 31, 2020**

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### **A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Jericho Project and Affiliates under programs of the federal government for the year ended March 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Jericho Project and Affiliates, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Jericho Project and Affiliates. The financial statements of certain affiliates included in the consolidated financial statements were not audited in accordance with *Government Auditing Standards* as they are not subject to the requirements under the Uniform Guidance.

### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Jericho Project and Affiliates has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **C. SUBRECIPIENTS**

The Project did not provide state awards to any subrecipients.



## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To The Board of Directors  
Jericho Project and Affiliates  
New York, NY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Jericho Project and Affiliates which comprise the consolidated statement of financial position as of March 31, 2020, 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, and have issued our report thereon dated November 30, 2020. The financial statements of certain affiliates were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these affiliates.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Jericho Project and Affiliates' internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jericho Project and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

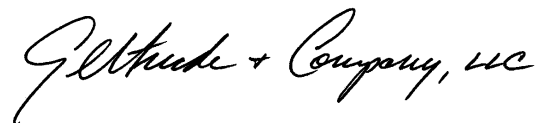
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jericho Project and Affiliates' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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GELTRUDE & COMPANY, LLC

Nutley, New Jersey  
November 30, 2020



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To The Board of Directors  
Jericho Project and Affiliates  
New York, NY

### **Report on Compliance for Each Major Federal Program**

We have audited Jericho Project and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jericho Project and Affiliates' major federal programs for the year ended March 31, 2020. Jericho Project and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Jericho Project and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jericho Project and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jericho Project and Affiliates' compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Jericho Project and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2020.

### **Report on Internal Control over Compliance**

Management of Jericho Project and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jericho Project and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jericho Project and Affiliates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Geltrude & Company, LLC". The script is cursive and fluid, with the company name written in a single line.

GELTRUDE & COMPANY, LLC

Nutley, New Jersey  
November 30, 2020

## JERICHO PROJECT AND AFFILIATES

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2020

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#### Section I - Summary of Auditor's Results

##### Financial Statements

Type of Auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ Yes          X     No

Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes          X     No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes          X     No

##### Federal Awards

Internal control over major programs:

Material weaknesses identified?

\_\_\_\_\_ Yes          X     No

Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes          X     No

Type of Auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

\_\_\_\_\_ Yes          X     No

##### Identification of Major Programs

###### CDFA Number

###### Name of Federal Program or Cluster

64.033

Department of Veterans' Affairs  
Supportive Services for Veterans' Families

14.235

U. S. Department of Housing and Urban Development -  
Supportive Housing Program

14.267

U. S. Department of Housing and Urban Development -  
Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs?

    \$750,000    

Auditee qualified as low-risk auditee?

    X     Yes      \_\_\_\_\_ No

#### Section II - Financial Statement Findings

None

#### Section III - Federal Award Findings and Questioned Costs

None

#### Section IV - Prior Audit Findings

##### **Finding 2019-001 - Material Weakness**

Year end Closing

##### **Condition:**

The year end closing process was not comprehensive and did not ensure that account balances were reconciled and correct. The trial balance was incomplete and contained errors.

##### **Recommendation:**

We recommended the Organization put in place policy to ensure adequate time is spent in reviewing and reconciling all accounts during the year end close to ensure accurate, timely information is reported to users of the financial information.

##### **Current Status:**

The recommendation was adopted. No similar findings were noted in the 2020 audit.