

JERICHO PROJECT AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

MARCH 31, 2021

JERICHO 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, 2021, 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, 2021, 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 12, 2021, 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.



GELTRUDE & COMPANY, LLC

Nutley, New Jersey
November 12, 2021

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,462,006
Accounts receivable - tenants	729,742
Accounts receivable - other	2,059,193
Prepaid expenses	<u>205,673</u>

Total Current Assets 4,456,614

PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION

67,959,763

OTHER ASSETS

Security deposits	436,818
Investments	3,535,726
Investments in joint ventures	807,998
Replacement and other reserves	5,359,779
Deferred start-up costs, net of accumulated amortization of \$50,644	<u>95,895</u>

Total Other Assets 10,236,216

TOTAL ASSETS

\$ 82,652,593

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 816,379
Deferred revenue	1,407,092
Due to related parties	18,003
Mortgages and notes payable - current portion	<u>2,631,270</u>

Total Current Liabilities 4,872,744

LONG-TERM LIABILITIES

Mortgages and notes payable - net of current portion	56,491,354
Accrued interest payable	4,644,028
Due to contractor	925,711
Security deposits	<u>79,112</u>

Total Long-Term Liabilities 62,140,205

Total Liabilities 67,012,949

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions:

Undesignated	1,571,969
Designated by Board of Directors (Jericho Fund)	<u>3,535,726</u>

Total Net Assets Without Donor Restrictions 5,107,695

Noncontrolling interests in limited partnerships 10,531,949

Total Net Assets and Noncontrolling Interests 15,639,644

TOTAL LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS \$ 82,652,593

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Rental income - subsidy and tenant	\$ 6,179,704	\$ -	\$ 6,179,704
Supportive services	2,767,911	11,871,610	14,639,521
Foundations and other organizations	178,800	467,500	646,300
Corporations	56,636	-	56,636
Individuals	159,545	-	159,545
Fundraising events	312,400	-	312,400
Interest and dividends	893,330	-	893,330
Other	88,785	-	88,785
Paycheck Protection Program	1,893,847	-	1,893,847
TOTAL REVENUE AND SUPPORT	12,530,958	12,339,110	24,870,068
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of program restrictions	12,339,110	(12,339,110)	-
	<u>24,870,068</u>	<u>-</u>	<u>24,870,068</u>
EXPENSES:			
Program Services			
Housing services	14,182,496	-	14,182,496
Social services	8,751,807	-	8,751,807
Supporting Services			
Management and general	1,865,841	-	1,865,841
Fundraising	422,424	-	422,424
TOTAL EXPENSES	25,222,568	-	25,222,568
Change in Net Assets including Noncontrolling Interests	(352,500)	-	(352,500)
Change in net assets attributable to Noncontrolling Interests	2,104,572	-	2,104,572
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,752,072	-	1,752,072
Net Assets Without Donor Restrictions – beginning of year	3,355,623	-	3,355,623
Net Assets Without Donor Restrictions – end of year	<u>\$ 5,107,695</u>	<u>\$ -</u>	<u>\$ 5,107,695</u>
Noncontrolling interests - beginning of year	\$ 12,638,521	\$ -	\$ 12,638,521
Distributions to noncontrolling interests	(2,000)	-	(2,000)
Change in net assets attributable to noncontrolling interest	<u>(2,104,572)</u>	<u>-</u>	<u>(2,104,572)</u>
Noncontrolling interests - end of year	<u>\$ 10,531,949</u>	<u>\$ -</u>	<u>\$ 10,531,949</u>

See Notes to Consolidated Financial Statements.

JERICO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2021

	Program Services		Supporting Services		Total
	Social Services	Housing Services	Management and general	Fund-raising	
Personnel Expenses:					
Salaries	\$ 5,709,894	\$ 3,152,175	\$ 1,131,268	\$ 278,010	\$ 10,271,347
Benefits & payroll taxes	1,399,170	861,007	290,441	64,205	2,614,823
Total Personnel Expenses	<u>7,109,064</u>	<u>4,013,182</u>	<u>1,421,709</u>	<u>342,215</u>	<u>12,886,170</u>
Professional Services:					
Consultants & contractors	133,999	7,125	2,677	-	143,801
Accounting & auditing	-	78,324	30,075	-	108,399
Legal & other professional	134,646	64,227	2,374	-	201,247
Total Professional Services	<u>268,645</u>	<u>149,676</u>	<u>35,126</u>	<u>-</u>	<u>453,447</u>
Program Expenses:					
Public relations	-	-	-	62,783	62,783
Program activities	68,472	-	-	-	68,472
Member assistance	160,563	2,722,052	-	-	2,882,615
Total Program Expenses	<u>229,035</u>	<u>2,722,052</u>	<u>-</u>	<u>62,783</u>	<u>3,013,870</u>
Occupancy Expenses:					
Tenant rent	-	1,597,439	-	-	1,597,439
Utilities	4,058	749,107	3,991	-	757,156
Repairs & maintenance	52,526	635,835	34,052	4,113	726,526
Insurance	4,750	491,990	16,746	956	514,442
Total Occupancy Expenses	<u>61,334</u>	<u>3,474,371</u>	<u>54,789</u>	<u>5,069</u>	<u>3,595,563</u>
Office Expenses:					
Office rent	559,587	-	228,013	-	787,600
Telephone & internet	114,398	52,746	12,073	1,414	180,631
Equipment rental	38,232	20,017	12,145	-	70,394
Postage & delivery	14,314	910	5,366	1,510	22,100
Office supplies	216,082	55,819	17,304	4,753	293,958
Total Office Expenses	<u>942,613</u>	<u>129,492</u>	<u>274,901</u>	<u>7,677</u>	<u>1,354,683</u>
Other Expenses:					
Travel & entertainment	67,756	19,429	20,797	854	108,836
Interest	-	1,003,484	-	-	1,003,484
Interest - debt issuance costs	-	15,240	-	-	15,240
Uncollected rents & advances	-	1,086	-	-	1,086
Filing fees	25	47,299	1,230	-	48,554
Miscellaneous	73,065	340,547	33,936	3,826	451,374
Bad debts	-	60,736	-	-	60,736
Bank fees	270	-	23,353	-	23,623
Depreciation and amortization	-	2,205,902	-	-	2,205,902
Total Other Expenses	<u>141,116</u>	<u>3,693,723</u>	<u>79,316</u>	<u>4,680</u>	<u>3,918,835</u>
Total Expenses	<u>\$ 8,751,807</u>	<u>\$ 14,182,496</u>	<u>\$ 1,865,841</u>	<u>\$ 422,424</u>	<u>\$ 25,222,568</u>

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 1,752,072
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of start-up costs	2,205,902
Amortization of debt issuance costs	15,240
Loss allocated to noncontrolling interests	(2,104,572)
Bad debt expense	60,736
Net realized and unrealized gain on securities	(851,006)
Accrued interest payable	637,453
(Increase)/decrease in assets	
Accounts receivable- other	(476,931)
Accounts receivable- tenants	(404,255)
Prepaid expenses	(75,542)
Increase/(decrease) in liabilities	
Accounts payable and accrued expenses	200,442
Deferred revenue	264,368
Due to related parties	(33,327)
Security deposits payable	8,535
Net Cash Provided by Operating Activities	<u>1,199,115</u>
Cash Flows from Investing Activities	
Acquisition of property and equipment	(588,665)
Purchase of investments	(50,249)
Proceeds from sale of investments	3,951
Investment in limited partnership	(173,114)
Net Cash Used in Investing Activities	<u>(808,077)</u>
Cash Flows from Financing Activities	
Payments of mortgages payable	601,381
Repayment of note payable, bank	(500,000)
Capital distributions from limited partners	(2,000)
Net Cash Provided by Financing Activities	<u>99,381</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	490,419
Cash and cash equivalents and restricted cash, beginning of year	<u>6,768,184</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 7,258,603</u>
Reconciliation to Cash and Restricted Cash on the Consolidated Statement of Financial Position	
Cash and cash equivalents	\$ 1,462,006
Security deposits	436,818
Replacement and other reserves	5,359,779
Cash and Restricted Cash on the Consolidated Statement of Cash Flows	<u>\$ 7,258,603</u>

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

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 eight congregate supportive housing projects with a total of 466 units and a scatter-site program with 115 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 Department of Youth and Community Development, New York City Human Resources Administration, New York State Office of Mental Health, Dormitory Authority of the State of New York, 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 (“GAAP”) in the United States of America. Accounting principles 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 expended 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

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 194th 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, 2021, 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 th Street HDFC	355-359 East 194 th 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 th Street Corp.	355-359 E. 194 th 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and Grants - Contributions, including unconditional promises to give, are reported as revenue in the period received. Contributions are recorded at fair value, net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Revenues from grants and contracts for specific programs are recognized in the period when expenditures have been incurred in compliance with the respective contract. Amounts received in advance are recorded as deferred revenue. Contracts awarded for the acquisition of long-lived assets are reported as revenue without donor restrictions during the fiscal year in which the assets are acquired. Governmental grants and contracts are subject to audit and potential disallowance. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

Rental Income - Rental revenue is recognized as earned. Rental income relating to the current year is recognized as revenue in the current year. The recognition of revenue related to rents received in advance is deferred until the following year. All leases between the Organization and the tenants of the properties are operating leases.

Management and Other Fees Revenue - Management and other fees are recognized based upon services rendered in accordance with contractual provisions.

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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2021.

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 consolidated 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. 194th 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, 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, 2018.

Recent Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09: “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 was issued to; (i) remove inconsistencies and weaknesses in revenue recognition requirements; (ii) provide a more robust framework for addressing revenue issues; (iii) improve comparability of revenue recognition practices between entities, industries, jurisdictions, and capital markets; (iv) provide more useful information to users of financial statements through improved disclosures; and (v) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. ASU No. 2014-09 is effective for the Organization’s fiscal years beginning after December 15, 2019. The implementation did not have a material impact upon the Organization’s consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. The guidance will be effective for the Organization’s fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently assessing the impact this will have on their consolidated financial statements.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building and improvements	\$ 78,863,443
Furniture	2,300,294
Information systems	<u>271,203</u>
	81,434,940
Less: Accumulated depreciation	<u>19,186,044</u>
	<u>62,248,896</u>
Construction in progress	6,500
Land - E. 194 th Street	1,175,000
Land - Kingsbridge Terrace	1,993,733
Land - 2065 Walton Avenue Associates	1,502,183
Land - Other	<u>1,033,451</u>
Net Property and Equipment	\$ <u>67,959,763</u>

Depreciation expense was \$2,205,902 for the year ended March 31, 2021.

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, 2021 is as follows:

2021	\$ 9,769
2022	9,769
2023	9,769
2024	9,769
2025	9,769
Thereafter	<u>47,050</u>
	\$ <u>95,895</u>

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

5. MORTGAGES AND NOTES PAYABLE

The mortgages and notes payable at March 31, 2021, 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, 2021, \$5,667,937 has been funded.	5,667,937

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

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, 2021, \$2,454,300 has been funded.	\$ 2,454,300
355-359 E. 194 th 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, 2021, \$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.	5,488,587
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, 2022. The loan is guaranteed by Jericho Project, Inc.	2,600,000
Total Debt	<u>59,596,074</u>

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

Total Debt	\$ 59,596,074
Less: unamortized debt issuance costs	<u>473,450</u>
	59,122,624
Less: current portion of mortgages and notes payable	<u>2,631,270</u>
	<u>\$ 56,491,354</u>

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

2022	\$ 2,631,270
2023	31,582
2024	31,898
2025	32,216
2026	32,538
Thereafter	<u>56,836,570</u>
	<u>\$ 59,596,074</u>

6. 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, 2021, line of credit had an outstanding balance of \$0. The interest rate was 5.25% at March 31, 2021.

7. PAYCHECK PROTECTION PROGRAM GRANT

On April 20, 2020, the Organization ("Borrower") was granted a loan (the "PPP Loan") from TD Bank, N.A. in the aggregate amount of \$1,893,847, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP Loan, which was in the form of a note dated April 20, 2020 issued by the Borrower, matures on April 20, 2022 and bears interest at a rate of 1.00% per annum. The Note may be prepaid by the Borrower at any time prior to maturity with no repayment penalties. Funds from the PPP Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest payments on any other debt obligations incurred before February 15, 2020.

Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On July 30, 2021, the Organization was issued forgiveness of the PPP Loan. The Company has accounted for the PPP Loan under the guidance of FASB 958-605, Not-for-profit Entities – Revenue Recognition. Governmental assistance in the form of loan forgiveness would be considered a nonreciprocal or non-exchange transaction referred to in the guidance as a contribution. Because the PPP Loan is forgiveness is dependent on meeting certain conditions, it would be considered a conditional contribution. Conditional contributions are recognized as income when the conditions on which they depend are met. Under the guidance, the Organization relieved the PPP Loan through income on a systematic and rational basis in those periods over which the Organization recognized the expenses that the grant was intended to offset. For the year ended March 31, 2021, the Organization recognized grant income of \$1,893,847 reflected on the Statement of Activities.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

8. DEFERRED REVENUE

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

9. 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. 194th 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, 2021, the total operating reserve balance for these entities was \$2,257,378 which is included in replacement and other reserves.

Replacement reserves - 355-359 E. 194th 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, 2021, the total replacement reserve balance for these entities was \$307,819, which is included in replacement and other reserves.

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, 2021, the total social services reserve balance for these entities was \$821,460, 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, 2021, the total escrow deposit account balance for these entities was \$1,973,122, which is included in replacement and other reserves.

10. 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 from 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, 2021, the consolidated balance not subject to elimination of such advances totaled \$18,003.

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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

11. INVESTMENTS

The Organization has investments in marketable securities which are being reported at fair value. The unrealized gain from investments recorded at fair value for the year ended March 31, 2021 is \$813,501. Realized gains from the sale of investments totaled \$37,504 for the year ended March 31, 2021. These investments are held under The Jericho Fund. The balance of these investments at March 31, 2021 was \$3,535,726.

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.

Investments are stated at fair value. Fair values and unrealized appreciation at March 31, 2021 are as follows:

	Fair Value	Original Costs	Unrealized Appreciation
Mutual Funds/ETFs	\$ 3,174,655	\$ 2,491,012	\$ 683,643
Money Market Funds	349,344	349,344	-
Stocks	11,727	168	11,559
Total	<u>\$ 3,535,726</u>	<u>\$ 2,840,524</u>	<u>\$ 695,202</u>

12. 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

12. FAIR VALUE MEASUREMENTS (CONTINUED)

- 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, 2021.

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.

The following table sets forth the plan investment assets at fair value by level within the fair value hierarchy as of March 31, 2021:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Level 3	Total
Mutual funds:				
International Equity	\$ 2,502,870	\$ -	\$ -	\$ 2,502,870
US Bonds	683,512	-	-	683,512
Money market funds	349,344	-	-	349,344
Total	<u>\$ 3,535,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,535,726</u>

13. 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

13. COMMITMENTS (CONTINUED)

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, 2021 was \$2,385,040. The amount of \$868,077 was attributed to the four leases for office space and the remainder of \$1,239,849 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:

2022	\$	852,349
2023		626,592
2024		336,780
2025		230,311
2026		236,069
Thereafter		342,130
	\$	<u>2,624,231</u>

14. 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, 2021 totaled \$72,626.

15. PROPERTY PURCHASE OPTION

According to the Right of First Refusal agreement, certain affiliates of 89-101 West Tremont, LP, 355-359 E. 194th 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.

16. CONTINGENCY

89-101 West Tremont, LP's, 355-359 E. 194th 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

17. RISK AND UNCERTAINTIES

The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by various agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a public health emergency of international concern, which continues to spread throughout the world, including the United States and in the geographic area where the Organization is located. The Organization's operating results depend significantly on the occupancy levels and the rent subsidies that it receives. While the Organization has not seen a significant impact on rental revenue or operations resulting from the COVID-19 outbreak as of the date of this report, if the outbreak continues to cause weakness in national, regional and local economies that could negatively impact the occupancy levels, rent subsidies, and or increase bad debts, or if there is an outbreak that directly impacts the Organization, then the Organization's financial condition, liquidity and results of operations could be adversely impacted. The financial statements do not include any adjustments to reflect the potential impact from the COVID-19 outbreak, given the dynamic nature of the situation.

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.

18. 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2021

19. 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	\$	1,462,006
Accounts receivable - tenants		729,742
Accounts receivable - other		<u>2,059,193</u>
Total	\$	<u>4,250,941</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 \$3,535,726 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.

20. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 12, 2021, the date which the financial statements were available to be issued.

JERICHO PROJECT AND AFFILIATES

MARCH 31, 2021

SUPPLEMENTAL INFORMATION

JERICO PROJECT AND AFFILIATES

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021**

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	Jericho Anthony Ave HDFC	Jericho Residence V HDFC	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	2605 Walton Ave Associates LLC	Sub-Total	Consolidating Eliminations	Total
Assets													
Cash and cash equivalents	\$ 647,546	\$ 27,590	\$ 28,339	\$ 31,310	\$ 41,186	\$ 65,948	\$ 49,729	\$ 427,222	\$ 8,186	\$ 134,950	\$ 1,462,006	\$ -	\$ 1,462,006
Accounts receivable - tenants	307,442	13,710	28,715	33,164	-	44,853	45,801	49,036	98,003	109,018	729,742	-	729,742
Accounts receivable - other	1,750,752	11,064	5,804	6,254	-	14,251	76,974	75,984	118,110	-	2,059,193	-	2,059,193
Note and interest receivable - related party	1,489,150	-	-	-	-	-	-	-	-	-	1,489,150	(1,489,150)	-
Prepaid expenses	79,097	14,762	7,786	7,786	8,557	12,416	17,624	20,646	18,098	18,901	205,673	-	205,673
Property and equipment - net	1,405,953	162,282	501,593	177,720	2,858,284	2,023,254	6,790,752	10,483,369	15,667,703	32,595,971	72,666,881	(4,713,618)	67,953,263
Construction in progress	-	-	3,250	3,250	-	-	-	-	-	-	6,500	-	6,500
Security deposits	325,632	5,180	1,728	1,079	-	3,132	9,040	30,461	32,473	28,093	436,818	-	436,818
Investments	3,535,726	-	-	-	-	-	-	-	-	-	3,535,726	-	3,535,726
Investment in joint ventures	(887,745)	-	-	-	-	-	-	-	-	-	(887,745)	1,695,743	807,998
Replacement, other reserves and escrow deposits	-	-	-	492,888	-	329,562	1,147,125	766,593	1,875,968	747,643	5,359,779	-	5,359,779
Intangible assets - net	-	-	-	-	-	-	-	18,838	-	77,057	95,895	-	95,895
Total Assets	\$ 8,653,553	\$ 234,588	\$ 577,215	\$ 753,451	\$ 2,908,027	\$ 2,493,416	\$ 8,137,045	\$ 11,872,149	\$ 17,818,541	\$ 33,711,633	\$ 87,159,618	\$ (4,507,025)	\$ 82,652,593
Liabilities, Net Assets and Noncontrolling Interests													
Liabilities													
Accounts payable and accrued expenses	\$ 465,836	\$ 32,490	\$ 13,565	\$ 14,106	\$ 35,054	\$ 13,500	\$ 33,332	\$ 23,013	\$ 146,530	\$ 38,953	\$ 816,379	\$ -	\$ 816,379
Due to contractor	-	-	-	-	-	-	-	-	925,711	-	925,711	-	925,711
Deferred revenue	935,058	9,623	921	1,330	-	32,262	111,917	125,639	170,688	19,654	1,407,092	-	1,407,092
Accrued interest	-	-	49,089	309,727	198,450	482,829	1,284,498	2,278,476	89,390	519,623	5,212,082	(568,054)	4,644,028
Mortgages and notes payable- long and short term	-	-	477,011	1,977,856	2,540,000	3,704,407	8,095,285	8,078,410	15,941,051	19,829,700	60,643,720	(1,521,096)	59,122,624
Security deposits	2,963	5,232	1,723	1,074	-	2,580	8,984	20,399	9,517	26,640	79,112	-	79,112
Due to related parties	(7,511,797)	3,919,955	27,160	827,716	177,788	311,208	1,414,847	53,479	390,824	(193,177)	(581,997)	600,000	18,003
Developer fee payable	-	-	-	-	-	-	-	-	912,000	652,036	1,564,036	(1,564,036)	-
Total Liabilities	(6,107,940)	3,967,300	569,469	3,131,809	2,951,292	4,546,786	10,948,863	10,579,416	18,585,711	20,893,429	70,066,135	(3,053,186)	67,012,949
Commitments and Contingencies													
Net Assets													
Unrestricted:													
Operations, undesignated	11,225,767	(3,732,712)	7,746	(2,378,358)	(43,265)	(2,053,370)	-	-	-	-	3,025,808	(1,453,839)	1,571,969
Operations, designated by Board of Directors	3,535,726	-	-	-	-	-	-	-	-	-	3,535,726	-	3,535,726
Total Net Assets	14,761,493	(3,732,712)	7,746	(2,378,358)	(43,265)	(2,053,370)	-	-	-	-	6,561,534	(1,453,839)	5,107,695
Noncontrolling interests in limited partnerships	-	-	-	-	-	-	(2,811,818)	1,292,733	(767,170)	12,818,204	10,531,949	-	10,531,949
Total Net Assets and noncontrolling interests	14,761,493	(3,732,712)	7,746	(2,378,358)	(43,265)	(2,053,370)	(2,811,818)	1,292,733	(767,170)	12,818,204	17,093,483	(1,453,839)	15,639,644
Total Liabilities, Net Assets and Noncontrolling Interests	\$ 8,653,553	\$ 234,588	\$ 577,215	\$ 753,451	\$ 2,908,027	\$ 2,493,416	\$ 8,137,045	\$ 11,872,149	\$ 17,818,541	\$ 33,711,633	\$ 87,159,618	\$ (4,507,025)	\$ 82,652,593

See Independent Auditors' Report.

JERICO PROJECT AND AFFILIATES

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021**

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	Jericho Residence V HDFC	Jericho Anthony Ave HDFC	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	2605 Walton Ave Associates LLC	Sub - Total	Consolidating Eliminations	Total
Revenue and Support													
Rental revenue - subsidy and tenant	\$ 236,021	\$ 526,219	\$ 309,109	\$ 240,368	\$ 465,077	\$ -	\$ 986,648	\$ 863,446	\$ 948,033	1,604,783	\$ 6,179,704	\$ -	\$ 6,179,704
Supportive services	12,600,093	184,284	79,577	91,354	191,763	-	438,465	443,434	610,551	-	14,639,521	-	14,639,521
Foundations	646,300	-	-	-	-	-	-	-	-	-	646,300	-	646,300
Corporations	56,636	-	-	-	-	-	-	-	-	-	56,636	-	56,636
Individuals	159,545	-	-	-	-	-	-	-	-	-	159,545	-	159,545
Fundraising events	312,400	-	-	-	-	-	-	-	-	-	312,400	-	312,400
Investment income	965,382	13	5	-	7	-	204	-	402	-	966,013	(72,683)	893,330
Other	66,500	61	-	3	-	-	-	4,441	9,860	7,920	88,785	-	88,785
Paycheck Protection Program	1,893,847	-	-	-	-	-	-	-	-	-	1,893,847	-	1,893,847
Management and development fees	1,465,025	-	-	-	-	-	-	-	-	-	1,465,025	(1,465,025)	-
Total Revenue and Support	18,401,749	710,577	388,691	331,725	656,847	-	1,425,317	1,311,321	1,568,846	1,612,703	26,407,776	(1,537,708)	24,870,068
Expenses													
Housing service	6,331,918	630,129	411,939	427,545	701,209	43,265	1,243,734	1,361,168	1,378,725	2,538,826	15,068,458	(885,962)	14,182,496
Social service	6,906,092	312,872	175,663	168,188	340,432	-	455,172	410,251	634,883	-	9,403,553	(651,746)	8,751,807
Supporting services													
Management and General	1,865,841	-	-	-	-	-	-	-	-	-	1,865,841	-	1,865,841
Fundraising	422,424	-	-	-	-	-	-	-	-	-	422,424	-	422,424
Total Expenses	15,526,275	943,001	587,602	595,733	1,041,641	43,265	1,698,906	1,771,419	2,013,608	2,538,826	26,760,276	(1,537,708)	25,222,568
Change in net assets including noncontrolling interest	2,875,474	(232,424)	(198,911)	(264,008)	(384,794)	(43,265)	(273,589)	(460,098)	(444,762)	(926,123)	(352,500)	-	(352,500)
Change in net assets attributable to noncontrolling interest	-	-	-	-	-	-	273,589	460,098	444,762	926,123	2,104,572	-	2,104,572
Change in Net Assets Without Donor Restrictions	2,875,474	(232,424)	(198,911)	(264,008)	(384,794)	(43,265)	-	-	-	-	1,752,072	-	1,752,072
Net Assets Without Donor Restrictions, beginning of year	11,886,019	(3,500,288)	206,657	(2,114,350)	(1,668,576)	-	-	-	-	-	4,809,462	(1,453,839)	3,355,623
Net Assets Without Donor Restrictions, end of year	\$ 14,761,493	\$ (3,732,712)	\$ 7,746	\$ (2,378,358)	\$ (2,053,370)	\$ (43,265)	\$ -	\$ -	\$ -	\$ -	\$ 6,561,534	\$ (1,453,839)	\$ 5,107,695
Noncontrolling interests, beginning of year							(2,538,229)	1,754,831	(322,408)	13,744,327	12,638,521	-	12,638,521
Distributions to noncontrolling interests							-	(2,000)	-	-	(2,000)	-	(2,000)
Change in net assets attributable to noncontrolling interest							(273,589)	(460,098)	(444,762)	(926,123)	(2,104,572)	-	(2,104,572)
Noncontrolling interests, end of year							\$ (2,811,818)	\$ 1,292,733	\$ (767,170)	\$ 12,818,204	\$ 10,531,949	\$ -	\$ 10,531,949

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED MARCH 31, 2021

Grantor/Program or Cluster Title	Federal CFDA Number/Grant ID number	Federal Expenditures
<u>Federal Awards:</u>		
U. S. Department of Housing and Urban Development - Supportive Housing Program	14.235/Section 8	\$ 3,125,027
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/Section 8	1,313,792
Department of Veterans Affairs - Supportive Services for Veterans Families	64.033/14-NY-250	4,204,594
Department of Veterans Affairs- Supportive Services for Veterans Families	64.033/S20-NY-600A	399,947
Department of Veterans Affairs-Homeless Providers Grant and Per Diem Program	64.024/JERP525-1123-526-CM-20	66,188
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/NY0303	56,089
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/NY1044	<u>3,590,146</u>
Total expenditures of Federal awards		<u>12,755,783</u>
<u>State and City Awards:</u>		
N.Y.S. Office of Mental Health		4,600,659
Dormitory Authority of the State of New York		94,492
N.Y.C Department of Homeless Services		630,725
N.Y.C Department of Youth and Community Development		216,527
N.Y.C Human Resources Administration (HRA)- Subcontract Home Base		<u>735,187</u>
Total expenditures of State and City awards		<u>6,277,590</u>
Total expenditures of Federal and State awards		<u><u>\$ 19,033,373</u></u>

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

JERICHO PROJECT AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS MARCH 31, 2021

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, 2021. 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, 2021, 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 12, 2021. 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.

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 12, 2021



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, 2021. 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, 2021.

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

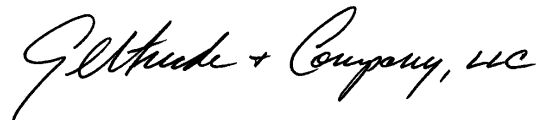
auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness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



GELTRUDE & COMPANY, LLC

Nutley, New Jersey
November 12, 2021

JERICHO PROJECT AND AFFILIATES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2021**

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

<u>C DFA Number</u>	<u>Name of Federal Program or Cluster</u>
64.033	Department of Veterans' Affairs Supportive Services for Veterans' Families
14.235/Section 8	U. S. Department of Housing and Urban Development - Supportive Housing Program
14.267/Section 8	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

None