JERICHO PROJECT AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

MARCH 31, 2018

JERICHO PROJECT AND AFFILIATES

INDEX

GELTRUDE

INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2018, 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 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, 2018, 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.

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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 October 17, 2018, 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

GELTRUDE & COMPANY, LLC

Nutley, New Jersey
October 17, 2018

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	682,564
Accounts receivable - tenants		184,689
Accounts receivable - other		1,094,101
Due from related parties		216,861
Prepaid expenses		70,769
Total Current Assets		2,248,984
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION OF $12,926,716		37,144,214
OTHER ASSETS		
Security deposits		183,146
Due from related parties		1,100,000
Investments		2,662,343
Investments in joint ventures		72,633
Replacement and other reserves		4,151,162
Deferred start-up costs, net of accumulated amortization of $23,474		29,976
Total Other Assets		8,199,260
TOTAL ASSETS	$	47,592,458

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 510,821
Deferred revenue	547,343
Line of credit	200,000
Mortgages and notes payable - current portion	31,244
Total Current Liabilities	1,289,408
LONG-TERM LIABILITIES	
Mortgages and notes payable - net of current portion	37,516,309
Accrued interest payable	3,935,236
Due to contractor	925,711
Security deposits	46,823
Total Long-Term Liabilities	42,424,079
Total Liabilities	43,713,487
COMMITMENTS	
NET ASSETS	
Unrestricted:	
Operations, undesignated	1,184,963
Operations, designated by Board of Directors (Jericho Fund)	2,662,343
Total Net Assets	3,847,306
Noncontrolling interests in limited partnerships	31,665
Total Net Assets and Noncontrolling Interests	3,878,971
TOTAL LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS	$ 47,592,458

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Tenant rent	$ 4,166,248	$ -	$ 4,166,248
Supportive services	2,431,986	5,475,062	7,907,048
Foundations	354,251	247,045	601,296
Corporations	27,860	137,464	165,324
Individuals	162,209	-	162,209
Fundraising events	496,669	-	496,669
Interest and dividends	223,284	-	223,284
Other	46,325	-	46,325
Churches	3,500	-	3,500
TOTAL REVENUE AND SUPPORT	7,912,332	5,859,571	13,771,903
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of program restrictions	5,859,571	(5,859,571)	-
	13,771,903	-	13,771,903
EXPENSES:			
Program Services			
Housing services	7,287,551	-	7,287,551
Social services	5,419,558	-	5,419,558
Supporting Services			
Management and general	1,323,197	-	1,323,197
Fundraising	541,644	-	541,644
TOTAL EXPENSES	14,571,950	-	14,571,950
Change in Net Assets including Noncontrolling Interests	(800,047)	-	(800,047)
Change in net assets attributable to Noncontrolling Interests	1,643,269	-	1,643,269
CHANGES IN NET ASSETS	843,222	-	843,222
Net Assets – beginning of year	3,004,084	-	3,004,084
Net Assets – end of year	$ 3,847,306	$ -	$ 3,847,306
Noncontrolling interests - beginning of year	$ 1,674,934	$ -	$ 1,674,934
Change in net assets attributable to noncontrolling interest	(1,643,269)	-	(1,643,269)
Noncontrolling interests - end of year	$ 31,665	$ -	$ 31,665

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	Program Services		Supporting Services		
	Social Services	Housing Services	Management and general	Fund-raising	Total
Personnel Expenses:					
Salaries	$ 3,447,750	$ 1,830,156	$ 757,726	$ 323,591	$ 6,359,223
Benefits & payroll taxes	881,191	586,903	244,552	48,627	1,761,273
Total Personnel Expenses	4,328,941	2,417,059	1,002,278	372,218	8,120,496
Professional Services:					
Consultants & contractors	92,905	63,602	4,395	-	160,902
Accounting & auditing	-	57,000	50,172	-	107,172
Legal & other professional	140,109	20,906	(436)	-	160,579
Total Professional Services	233,014	141,508	54,131	-	428,653
Program Expenses:					
Fundraising	-	-	-	47,663	47,663
Public relations	566	-	-	91,803	92,369
Program activities	63,149	-	-	-	63,149
Member assistance	65,069	765,556	-	-	830,625
Total Program Expenses	128,784	765,556	-	139,466	1,033,806
Occupancy Expenses:					
Tenant rent	-	730,790	-	-	730,790
Utilities	8,454	557,686	9,291	-	575,431
Repairs & maintenance	49,249	364,334	11,243	5,346	430,172
Insurance	3,354	263,546	8,083	1,434	276,417
Total Occupancy Expenses	61,057	1,916,356	28,617	6,780	2,012,810
Office Expenses:					
Office rent	249,314	-	135,632	-	384,946
Telephone & internet	68,854	55,003	25,986	4,915	154,758
Equipment rental	23,274	28,936	6,262	-	58,472
Postage & delivery	2,773	113	5,065	2,153	10,104
Office supplies	229,671	95,304	15,642	5,640	346,257
Total Office Expenses	573,886	179,356	188,587	12,708	954,537
Other Expenses:					
Travel & entertainment	54,644	18,338	26,678	4,883	104,543
Interest	-	341,172	-	-	341,172
Interest - debt issuance costs	-	5,475	-	-	5,475
Uncollected rents & advances	-	779	-	-	779
Filing fees	100	53,625	-	-	53,725
Miscellaneous	33,478	79,799	15,999	5,589	134,865
Bad debts	-	54,753	-	-	54,753
Bank fees	-	-	6,907	-	6,907
Depreciation and amortization	5,654	1,313,775	-	-	1,319,429
Total Other Expenses	93,876	1,867,716	49,584	10,472	2,021,648
Total Expenses	$ 5,419,558	$ 7,287,551	$ 1,323,197	$ 541,644	$ 14,571,950

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

Cash Flows from Operating Activities		
Change in net assets	$	843,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of start-up costs		1,319,429
Amortization of debt issuance costs		5,475
Loss allocated to noncontrolling interests		(1,643,269)
Bad debt expense		54,753
Net realized and unrealized gain on securities		(157,505)
Accrued interest payable		379,172
(Increase)/decrease in assets		
Accounts receivable- other		(461,935)
Accounts receivable- tenants		(109,269)
Security deposits		(48,708)
Prepaid expenses		(9,784)
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses		98,617
Deferred revenue		243,771
Due from related parties		(177,691)
Security deposits payable		(3,426)
Net Cash Provided by Operating Activities		332,852
Cash Flows from Investing Activities		
Acquisition of fixed assets		(1,802,932)
Purchase of investments		(62,592)
Proceeds from sale of investments		351,814
Investment in limited partnership		(72,633)
Net additions to replacement and other reserves		815,544
Net Cash Used in Investing Activities		(770,799)
Cash Flows from Financing Activities		
Proceeds from notes payable and line of credit		1,713,684
Payments to contractor		(521,653)
Advances to related parties		(600,000)
Net Cash Provided by Financing Activities		592,031
NET INCREASE IN CASH AND CASH EQUIVALENTS		154,084
Cash and cash equivalents, beginning of year		528,480
Cash and cash equivalents, end of year	$	682,564
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$	1,680

See Notes to Consolidated Financial Statements.

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 385 units and a scatter-site program with 70 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

***Basis of Accounting* –** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

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 IV Housing Development Fund Corporation, located at 1928 Loring Place, Jericho West Tremont Housing Development Fund Corporation, located at 89-101 West Tremont, and two entities formed specifically for programs and housing of veterans: 355-359 East 194th Street Housing Development Corporation and 2701 Kingsbridge Terrace Housing Development Corporation. Material inter-organization balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the affiliate entities owned were as follows:

Affiliates	Entity Owned	% Ownership
Jericho Residence I HDFC	None	
Jericho Residence II HDFC	None	
Jericho Project HDFC	None	
Jericho Anthony Avenue HDFC	None	
Jericho Residence IV HDFC	1928 Loring Place Corp.	100%
Jericho West Tremont HDFC	89-101 West Tremont Corp.	100%
355-359 East 194th Street HDFC	355-359 East 194th Street Corp.	100%
2701 Kingsbridge Terrace HDFC	2701 Kingsbridge Terrace Corp.	100%

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

General Partner	Operating Partnership	Ownership
1928 Loring Place Corp.	1928 Loring Place, LP	General Partner – 0.01%
89-101 West Tremont Corp.	89-101 West Tremont, LP	General Partner – 0.01%
355-359 E. 194th Street Corp.	355-359 E. 194th St. Bronx LP	General Partner – 0.01%
2701 Kingsbridge Terr. Corp	2701 Kingsbridge Terr. Bronx LP	General Partner – 0.01%

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 51% 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 balance sheet is the limited partners' ownership in the operating partnerships.

Support and Revenue Recognition

Unrestricted – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished in the reporting period in which the support is recognized. Technical assistance and consulting fees are recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted – Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Consolidated Statement of Activities as net assets released from restrictions. There are no temporarily restricted net assets as of March 31, 2018.

Permanently Restricted – Amounts received that are to be held in perpetuity are reported as permanently restricted support that increases that net assets class. The Organization has no permanently restricted net assets at March 31, 2018.

Contributions and promises to give **-** Contributions received and unconditional promises to give are measured at their fair value and are reportable as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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.

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:

	Years
Building and improvements	15 - 40
Furnishings and equipment	5 - 7

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs –Debt issuance costs are reported on the consolidated balance sheet 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, 2018.

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.

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.

1928 Loring Place, LP, 89-101 West Tremont, LP, 355-359 E. 194th St Bronx, LP, 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, 2018, 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, 2015.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building and improvements	$	43,730,936
Furniture		1,866,607
Information systems		271,203
		45,868,746
Less: Accumulated depreciation		12,926,716
		32,942,030
Land - E. 194th Street		1,175,000
Land - Kingsbridge Terrace		1,993,733
Land- Other		1,033,451
Net Property and Equipment	$	37,144,214

Depreciation expense was $1,315,418 for the year ended March 31, 2018.

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, 2018 is as follows:

2019	$	3,563
2020		3,563
2021		3,563
2022		3,563
2023		3,563
Thereafter		12,161
	$	29,976

5. MORTGAGES AND NOTES PAYABLE

The mortgages and notes payable at March 31, 2018, 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

5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

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
1928 Loring Place, LP – mortgage payable held by HPD, secured by property and is payable in May 2030. Interest of 1% per annum accrues monthly.		84,436
1928 Loring Place, LP mortgage payable held by HPD, secured by property and is payable in May 2030. Interest of 1% per annum accrues monthly.		81,267
1928 Loring Place, LP – mortgage payable held by HPD, secured by property. The first $1,272,960 bears interest at 5% per annum and the next $619,299 bears interest at 1% per annum. The principal balance and accrued interest is payable in May 2030.		1,892,259
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, 2018, $5,667,937 has been funded.		5,667,937
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, 2018, $2,454,300 has been funded.		2,454,300
355-359 E. 194th 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

5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

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, 2018, $15,718,299 has been funded.		15,718,299
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 June 1, 2019. The loan is guaranteed by Jericho Project, Inc.		1,900,000
		37,719,601
Less: unamortized debt issuance costs		172,048
		37,547,553
Less: current portion of mortgages and notes payable		31,244
	$	37,516,309

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

2019	$	31,244
2020		1,931,898
2021		32,216
2022		32,538
2023		32,538
Thereafter		35,659,167
	$	37,719,601

6. LINE OF CREDIT

In July 2016, Jericho Project obtained a $200,000 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, 2018, $200,000 was outstanding against the line of credit. The interest rate was 5.49% at March 31, 2018.

7. 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 - 1928 Loring Place, LP, 355-359 E. 194th St, LP, 89-101 West Tremont, LP, 2701 Kingsbridge Terrace, LP and Jericho Residence II HDFC are required to maintain operating reserve accounts. As of March 31, 2018, the total operating reserve balance for these entities was $2,009,215 which is included in replacement and other reserves.

Replacement reserves - 355-359 E. 194th St, LP, 89-101 West Tremont, LP, and Jericho Residence II HDFC are each required to maintain replacement reserve accounts. As of March 31, 2018, the total replacement reserve balance for these entities was $177,456, which is included in replacement and other reserves.

7. RESTRICTED FUNDS (CONTINUED)

Social services reserves **-** 1928 Loring Place, LP, 89-101 West Tremont, LP and 2701 Kingsbridge Terrace, LP are each required to maintain social services reserve accounts. As of March 31, 2018, the total social services reserve balance for these entities was $539,012, which is included in replacement and other reserves.

Escrow Deposits **-** 355-359 E. 194th St, LP and 2701 Kingsbridge Terrace, LP are required to maintain escrow deposit accounts with the City of New York, Housing Development Corporation. As of March 31, 2018, the total escrow deposit account balance for these entities was $1,225,479, which is included in replacement and other reserves.

Jericho Anthony Avenue HDFC was required to fund a $200,000 construction cost reserve with the loan proceeds from Supportive Housing Solutions Fund. Funds will be disbursed in accordance with the loan agreement.

8. RELATED PARTY TRANSACTIONS

Advances to affiliates **-** The Company from time to time makes short term advances to affiliates. The advances are noninterest bearing and due on demand. As of March 31, 2018, the consolidated balance not subject to elimination of such advances totaled $216,861.

Advances to Walton **-** The Organization advanced $500,000 of grant proceeds to 2065 Walton Avenue Managing Member LLC ("Walton"), an affiliate. 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 advances to Walton are noninterest bearing and have no formal repayment terms.

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 violations any of the grant restrictions. The advances to Walton are noninterest bearing and have no formal repayment terms.

9. 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, 2018 is $86,805. Realized gains from the sale of investments totaled $244,310 for the year ended March 31, 2018. These investments are held under The Jericho Fund. The balance of these investments at March 31, 2018 was $2,662,343.

The Jericho Project's Board of Directors established The Jericho Fund, a donor-unrestricted, Board-directed 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.

9. INVESTMENTS (CONTINUED)

Investments are stated at fair value. Fair values and unrealized appreciation (depreciation) at March 31, 2018 are as follows:

		Fair Value		Original Costs		Unrealized Appreciation (Depreciation)
Mutual Funds	$	2,411,698	$	2,307,000	$	104,698
Money Market Funds		250,645		250,645		-
Total	$	2,662,343	$	2,557,645	$	104,698

10. 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, 2018.

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.

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, 2018:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Level 3	Total
Mutual funds:				
International Equity	$ 1,736,111	$ -	$ -	$ 1,736,111
US Bonds	675,587	-	-	675,587
Money market funds	250,645	-	-	250,645
Total	$ 2,662,343	$ -	$ -	$ 2,662,343

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 three separate leases. The first, for the main administrative office located in Manhattan, NY, has a term from May 1, 2017 through April 30, 2027. The second, for the scatter site program office located in Bronx, NY, has a term from August 1, 2016 through November 30, 2023. The third, for the SSVF program office located in Manhattan, NY, and has a term from January 1, 2017 through September 30, 2017. Rental expense for the year ended March 31, 2018 was $1,115,736. The amount of $426,238 was attributed to the three leases for office space and the remainder of $689,498 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:

2019	$ 261,701
2020	271,564
2021	281,839
2022	292,545
2023	303,703
Thereafter	730,784
	$ 2,142,136

13. UNRESTRICTED NET ASSETS, OPERATIONS DESIGNATED BY BOARD OF DIRECTORS

The Jericho Project's Board of Directors established The Jericho Fund, a donor-unrestricted, Board-directed 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 Vocational/Educational 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.

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, 2018 totaled $60,664.

15. PERMANENTLY RESTRICTED NET ASSETS

The Board of Directors of the Organization has interpreted New York State law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At March 31, 2018, the Organization had no permanently restricted net assets.

16. PROPERTY PURCHASE OPTION

According to the Right of First Refusal agreement, certain affiliates of 1928 Loring Place, LP, 89-101 West Tremont, LP, 355-359 E. 194th St Bronx, LP, and 2701 Kingsbridge Terrace Bronx, LP, 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.

17. CONTINGENCY

1928 Loring Place, LP's, 89-101 West Tremont, LP's, 355-359 E. 194th St Bronx, LP's, 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.

18. 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.

19. 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.

20. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 17, 2018, the date which the financial statements were available to be issued.

JERICHO PROJECT AND AFFILIATES

MARCH 31, 2018

SUPPLEMENTAL INFORMATION

JERICHO PROJECT AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	Jericho Anthony Ave HDFC	1928 Loring Place LP	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	Sub-Total	Consolidating Eliminations	Total
Assets												
Cash and cash equivalents	$ 202,125	$ 26,569	$ 14,340	$ 14,914	$ -	$ 73,505	$ 20,792	$ 312,958	$ 17,361	$ 682,564	$ -	$ 682,564
Accounts receivable - tenants	24,698	2,862	15,149	13,783	-	10,482	23,600	18,893	75,222	184,689	-	184,689
Accounts receivable - other	622,072	54,563	24,882	26,750	-	24,043	46,582	206,936	88,273	1,094,101	-	1,094,101
Note and interest receivable - related party	1,271,101	-	-	-	-	-	-	-	-	1,271,101	(1,271,101)	-
Prepaid expenses	23,081	6,983	3,698	3,698	-	3,696	8,704	12,862	8,047	70,769	-	70,769
Property and equipment - net	545,051	141,737	625,454	355,818	1,818,117	1,649,748	7,682,923	11,391,193	16,929,446	41,139,487	(4,061,582)	37,077,905
Construction in progress		-	3,250	3,250	-	-	-	-	59,809	66,309		66,309
Security deposits	114,511	6,092	2,798	1,911	-	3,970	12,861	18,704	22,299	183,146	-	183,146
Due from (to) related parties	6,625,569	(3,522,880)	373,999	(374,320)	(122,617)	69,855	(1,637,513)	92,641	(187,873)	1,316,861	-	1,316,861
Investments	2,662,343	-	-	-	-	-	-	-	-	2,662,343	-	2,662,343
Investment in joint ventures	(1,623,110)	-	-	-	-	-	-	-	-	(1,623,110)	1,695,743	72,633
Replacement, other reserves and escrow deposits	-	-	-	486,453	200,000	101,144	1,180,736	309,724.00	1,873,105	4,151,162	-	4,151,162
Intangible assets - net	-	-	-	-		-	-	29,976	-	29,976	-	29,976
Total Assets	**$ 10,467,441**	**$ (3,284,074)**	**$ 1,063,570**	**$ 532,257**	**$ 1,895,500**	**$ 1,936,443**	**$ 7,338,685**	**$ 12,393,887**	**$ 18,885,689**	**$ 51,229,398**	**$ (3,636,940)**	**$ 47,592,458**
Liabilities, Net Assets and Noncontrolling Interests												
Liabilities												
Accounts payable and accrued expenses	$ 264,922	$ 16,171	$ 9,861	$ 9,553	$ -	$ 17,907	21,260	$ 23,145	$ 148,002	$ 510,821	$ -	$ 510,821
Due to contractor	-	-	-	-	-	-	-	-	925,711	925,711	-	925,711
Deferred revenue	142,984	3,942	6,796	1,331	-	7,322	102,915	118,428	163,625	547,343	-	547,343
Accrued interest	-	-	43,701	309,727	38,000	1,263,132	1,040,832	1,538,769	51,080	4,285,241	(350,005)	3,935,236
Line of credit	200,000	-	-	-	-	-	-	-	-	200,000	-	200,000
Mortgages and notes payable- long and short term	-	-	477,011	1,977,856	1,857,500	2,057,962	8,089,546	8,070,370	15,938,404	38,468,649	(921,096)	37,547,553
Security deposits	3,393	6,092	2,798	1,911	-	3,440	12,861	8,704	7,624	46,823	-	46,823
Due to (from) related parties												
Developer fee payable	-	-	-	-	-	-	-	-	912,000	912,000	(912,000)	-
Total Liabilities	611,299	26,205	540,167	2,300,378	1,895,500	3,349,763	9,267,414	9,759,416	18,146,446	45,896,588	(2,183,101)	43,713,487
Net Assets												
Unrestricted:												
Operations, undesignated	7,193,799	(3,310,279)	523,403	(1,768,121)	-	-	-	-	-	2,638,802	(1,453,839)	1,184,963
Operations, designated by Board of Directors	2,662,343	-	-	-	-	-	-	-	-	2,662,343	-	2,662,343
Total Net Assets	9,856,142	(3,310,279)	523,403	(1,768,121)	-	-	-	-	-	5,301,145	(1,453,839)	3,847,306
Noncontrolling interests in limited partnerships	-	-	-	-	-	(1,413,320)	(1,928,729)	2,634,471	739,243	31,665	-	31,665
Total Net Assets and noncontrolling interests	9,856,142	(3,310,279)	523,403	(1,768,121)	-	(1,413,320)	(1,928,729)	2,634,471	739,243	5,332,810	(1,453,839)	3,878,971
Total Liabilities, Net Assets and Noncontrolling Interests	**$ 10,467,441**	**$ (3,284,074)**	**$ 1,063,570**	**$ 532,257**	**$ 1,895,500**	**$ 1,936,443**	**$ 7,338,685**	**$ 12,393,887**	**$ 18,885,689**	**$ 51,229,398**	**$ (3,636,940)**	**$ 47,592,458**

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	1928 Loring Place LP	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	Sub - Total	Consolidating Eliminations	Total
Revenue and Support											
Tenant rent	$ 143,125	$ 443,044	$ 347,212	$ 297,449	$ 429,597	$ 883,972	$ 818,628	$ 803,221	$ 4,166,248	$ -	$ 4,166,248
Supportive services	6,161,680	170,855	74,153	79,569	-	367,828	426,991	625,972	7,907,048	-	7,907,048
Foundations	601,296	-	-	-	-	-	-	-	601,296	-	601,296
Corporations	165,324	-	-	-	-	-	-	-	165,324	-	165,324
Individuals	162,209	-	-	-	-	-	-	-	162,209	-	162,209
Fundraising events	496,669	-	-	-	-	-	-	-	496,669	-	496,669
Investment income	293,600	-	-	-	1,417	450	-	500	295,967	(72,683)	223,284
Other	-	24,748	-	16,803	-	1,000	1,654	2,120	46,325	-	46,325
Churches	3,500	-	-	-	-	-	-	-	3,500	-	3,500
Management and development fees	848,232	-	-	-	-	-	-	-	848,232	(848,232)	-
Total Revenue and Support	**8,875,635**	**638,647**	**421,365**	**393,821**	**431,014**	**1,253,250**	**1,247,273**	**1,431,813**	**14,692,818**	**(920,915)**	**13,771,903**
Expenses											
Housing service	2,168,737	410,899	338,404	320,646	661,904	1,196,940	1,246,447	1,445,965	7,789,942	(502,391)	7,287,551
Social service	3,831,690	265,343	148,033	137,653	-	418,360	410,873	626,130	5,838,082	(418,524)	5,419,558
Supporting services											
Management and General	1,323,197	-	-	-	-	-	-	-	1,323,197	-	1,323,197
Fundraising	541,644	-	-	-	-	-	-	-	541,644	-	541,644
Total Expenses	7,865,268	676,242	486,437	458,299	661,904	1,615,300	1,657,320	2,072,095	15,492,865	(920,915)	14,571,950
Change in net assets including noncontrolling interest	1,010,367	(37,595)	(65,072)	(64,478)	(230,890)	(362,050)	(410,047)	(640,282)	(800,047)	-	(800,047)
Change in net assets attributable to noncontrolling interest	-	-	-	-	230,890	362,050	410,047	640,282	1,643,269	-	1,643,269
Change in Net Assets	1,010,367	(37,595)	(65,072)	(64,478)	-	-	-	-	843,222	-	843,222
Net Assets, beginning of year	8,845,775	(3,272,684)	588,475	(1,703,643)	-	-	-	-	4,457,923	(1,453,839)	3,004,084
Net Assets, end of year	**$ 9,856,142**	**$ (3,310,279)**	**$ 523,403**	**$ (1,768,121)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,301,145**	**$ (1,453,839)**	**$ 3,847,306**
Noncontrolling interests, beginning of year					(1,182,430)	(1,566,679)	3,044,518	1,379,525	1,674,934	-	1,674,934
Change in net assets attributable to noncontrolling interest					(230,890)	(362,050)	(410,047)	(640,282)	(1,643,269)	-	(1,643,269)
Noncontrolling interests, end of year					**$ (1,413,320)**	**$ (1,928,729)**	**$ 2,634,471**	**$ 739,243**	**$ 31,665**	**$ -**	**$ 31,665**

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

Grantor/Program or Cluster Title	Federal CFDA Number/Grant ID number	Federal Expenditures
Federal Awards:		
U. S. Department of Housing and Urban Development - Supportive Housing Program	14.235	$ 2,791,099
Department of Veterans Affairs - Supportive Services for Veterans Families	64.033/14-NY-250	2,902,642
Department of Veterans Affairs- Supportive Services for Veterans Families- Subcontract Help USA	64.033/NY-600B	29,620
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/144622701	50,618
U. S. Department of Housing and Urban Development - Continuum of Care Program	NY1044L2T001601	648,815
Total expenditures of Federal awards		6,422,794
State and City Awards:		
N.Y.S. Office of Mental Health		1,867,315
Federal Home Loan Bank of New York (FHLBNY)		600,000
New York State Energy Research & Development (NYSERDA)		36,000
N.Y.C Department of Homeless Services (Families Living in Communities II)		413,746
N.Y.C. Department of Homeless Services		438,884
N.Y.C Department of Youth and Community Development		347,195
N.Y.C Human Resources Administration(HRA)- Subcontract Home Base		572,213
Total expenditures of State and City awards		4,275,353
Total expenditures of Federal and State awards		$ 10,698,147

See Independent Auditors' Report

JERICHO PROJECT AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
MARCH 31, 2018

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Jericho Project and Affiliates, and is presented on the accrual basis of accounting. 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.

GELTRUDE

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, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 17, 2018. 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 Organization's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 and 2018-002 that we consider to be material weaknesses

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.*

Organization's Response to Finding

Jericho Project and Affiliates' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Jericho Project and Affiliates' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Geltrude + Company, LLC

GELTRUDE & COMPANY, LLC

Nutley, New Jersey
October 17, 2018

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, 2018. 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 requirements of laws, regulations, contracts, and grants 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, 2018.

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

GELTRUDE & COMPANY, LLC

Nutley, New Jersey
October 17, 2018

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?	X	Yes		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

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

Finding 2018-001 - Material Weakness

Criteria:

When a property is purchased it should be recorded as an asset and debt incurred for the acquisition should be recorded as a liability.

Condition:

For the year ended March 31, 2018, the Organization purchased a property and incurred debt to acquire the property. The transaction was not recorded as an asset or liability, which resulted in an understatement of assets and liabilities of $1,900,000.

Cause:

During the year the Organization purchased a property. The acquisition and improvements to the property were financed with loan proceeds. The documentation for the acquisition was not provided to the accounting department, so the assets and liabilities were not recorded at year end.

Effect:

As of March 31, 2018, assets and liabilities were understated by $1,900,000.

Recommendation:

We recommend the Organization put in place policy surrounding the purchase of property to ensure that the properties are recorded as an asset. Loan proceeds should be analyzed and recorded as a liability.

Views of Responsible Officials and Planned Corrective Actions:

The Organization will strengthen the financial review process for acquisition of property or debt. Appropriate resources will be deployed to assure that proper technical oversight and review of the accounting activities. In addition, procedures will be developed to assure financial information is review by management and it is presented correctly for financial reporting purposed and overall compliance of accounting policies and GAAP.

Finding 2018-002 - Material Weakness

Criteria:

When a grant is received it should be recorded as an income and the advance of the grant proceeds should be recorded as a receivable.

Condition:

For the year ended March 31, 2018, the Organization received a grant from the Federal Home Loan Bank of New York (FHLBNY) which was utilized for the construction costs on the Walton Avenue project. The transaction was not recorded as an income or an asset, which resulted in an understatement of revenues and support and receivables of $600,000.

Cause:

During the year the Organization received a grant to assist with the construction costs on the Walton Avenue project. The grant proceeds were advanced to Walton project. The documentation for the acquisition was not provided to the accounting department, so the revenue and receivable were not recorded at year end.

Effect:

As of March 31, 2018, revenue and assets were understated by $600,000.

Recommendation:

We recommend the Organization put in place policy surrounding the activity on the Walton project to ensure that the receivable is recorded as an asset.

Views of Responsible Officials and Planned Corrective Actions:

The Organization will strengthen the financial review process for receipt of grants and advances to affiliates. Appropriate resources will be deployed to assure that proper technical oversight and review of the accounting activities. In addition, procedures will be developed to assure financial information is review by management and it is presented correctly for financial reporting purposed and overall compliance of accounting policies and GAAP.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Audit Findings

No matters were reported to management.