JERICHO PROJECT AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

MARCH 31, 2016

JERICHO PROJECT AND AFFILIATES

INDEX

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, 2016, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended.

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 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.

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, 2016, 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 supplementary information included on Schedule I and II and 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,* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 August 15, 2016, 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
August 15, 2016

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 787,954
Accounts receivable - tenants	118,565
Accounts receivable - other	579,038
Prepaid expenses	162,865
Total Current Assets	1,648,422
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION OF $10,230,221	37,417,745
OTHER ASSETS	
Security deposits	130,156
Investments	2,645,871
Replacement and other reserves	4,563,402
Intangible assets, net of accumulated amortization of $103,829	183,932
Total Other Assets	7,523,361
TOTAL ASSETS	$ 46,589,528

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 277,099
Due to contractor	1,807,261
Deferred revenue	101,053
Due to related parties	118,683
Mortgages and notes payable - current portion	31,244
Total Current Liabilities	2,335,340
LONG-TERM LIABILITIES	
Mortgages and notes payable - net of current portion	35,784,298
Accrued interest payable	3,219,548
Security deposits	56,902
Total Long Term Liabilities	39,060,748
Total Liabilities	41,396,088
COMMITMENTS	
NET ASSETS	
Unrestricted:	
Operations, undesignated	177,932
Operations, designated by Board of Directors (Jericho Fund)	2,645,871
Total Net Assets	2,823,803
Noncontrolling interests in limited partnerships	2,369,637
Total Net Assets and Noncontrolling Interests	5,193,440
Total Liabilities, Net Assets and Noncontrolling Interests	$ 46,589,528

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Tenant rent	$ 3,656,357	$ -	$ 3,656,357
Supportive services	1,774,813	3,229,975	5,004,788
Foundations	125,500	568,625	694,125
Corporations	54,364	127,600	181,964
Individuals	149,784	60	149,844
Fundraising events	303,805	-	303,805
Interest and dividends	(18,158)	-	(18,158)
Other	14,961	-	14,961
Churches	9,200	-	9,200
Management and development fees	170,000	-	170,000
TOTAL REVENUE AND SUPPORT	6,240,626	3,926,260	10,166,886
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of program restrictions	4,482,623	(4,482,623)	-
	10,723,249	(556,363)	10,166,886
EXPENSES:			
Program Services			
Housing services	5,933,785	-	5,933,785
Social services	5,072,923	-	5,072,923
Supporting Services			
Management and general	1,314,457	-	1,314,457
Fundraising	427,816	-	427,816
TOTAL EXPENSES	12,748,981	-	12,748,981
Change in Net Assets before Noncontrolling Interests	(2,025,732)	(556,363)	(2,582,095)
Loss Allocated to Noncontrolling Interests	1,724,729		1,724,729
CHANGES IN NET ASSETS	(301,003)	(556,363)	(857,366)
Net Assets – beginning of year	3,124,806	556,363	3,681,169
Net Assets – end of year	$ 2,823,803	$ -	$ 2,823,803
Noncontrolling interests - beginning of year	$ 3,968,741	$ -	$ 3,968,741
Contributions to noncontrolling interests	125,625	-	125,625
Change in net assets attributable to noncontrolling interest	(1,724,729)	-	(1,724,729)
Noncontrolling interests - end of year	$ 2,369,637	$ -	$ 2,369,637

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016

	Program Services		Supporting Services		
	Social Services	Housing Services	Management and general	Fund-raising	Total
Personnel Expenses:					
Salaries	$ 3,148,814	$ 1,655,229	$ 732,113	$ 235,581	$ 5,771,737
Benefits & payroll taxes	870,956	508,115	210,998	43,738	1,633,807
Total Personnel Expenses	4,019,770	2,163,344	943,111	279,319	7,405,544
Professional Services:					
Consultants & contractors	111,780	127,501	4,000	44,801	288,082
Accounting & auditing	-	70,000	40,592	-	110,592
Legal & other professional	167,314	31,258	2,748	-	201,320
Total Professional Services	279,094	228,759	47,340	44,801	599,994
Program Expenses:					
Fundraising	-	-	-	45,526	45,526
Public relations	1,325	-	-	34,536	35,861
Program activities	70,270	379	-	-	70,649
Member assistance	183,331	5,238	-	-	188,569
Member group sessions	41	-	-	-	41
Total Program Expenses	254,967	5,617	-	80,062	340,646
Occupancy Expenses:					
Tenant rent	-	417,663	-	-	417,663
Utilities	7,817	552,892	9,610	-	570,319
Repairs & maintenance	31,804	340,871	13,104	112	385,891
Insurance	18,919	217,906	8,034	646	245,505
Total Occupancy Expenses	58,540	1,529,332	30,748	758	1,619,378
Office Expenses:					
Office rent	200,487	-	117,569	-	318,056
Telephone & internet	69,461	69,929	24,524	5,547	169,461
Equipment rental	20,331	13,957	6,541	-	40,829
Postage & delivery	642	-	4,704	3,018	8,364
Office supplies	100,252	122,766	2,204	8,888	234,110
Total Office Expenses	391,173	206,652	155,542	17,453	770,820
Other Expenses:					
Travel & entertainment	19,251	774	27,107	1,959	49,091
Staff training	30,772	6,113	2,216	383	39,484
Interest	-	352,828	-	-	352,828
Uncollected rents & advances	-	55,885	-	-	55,885
Filing fees	-	36,324	2,712	-	39,036
Miscellaneous	19,236	23,328	48,161	3,081	93,806
Bank fees	120	70	17,123	-	17,313
Depreciation and amortization	-	1,324,759	40,397	-	1,365,156
Total Other Expenses	69,379	1,800,081	137,716	5,423	2,012,599
Total Expenses	$ 5,072,923	$ 5,933,785	$ 1,314,457	$ 427,816	$ 12,748,981

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

Cash Flows from Operating Activities	
Change in net assets	$ (857,366)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	1,365,156
Loss allocated to noncontrolling interests	(1,724,729)
Realized and unrealized loss on securities	112,227
(Increase)/decrease in assets	
Accounts receivable- other	181,381
Accounts receivable- tenants	3,671
Security deposits	11,856
Prepaid expenses	(105,956)
Increase/(decrease) in liabilities	
Accounts payable and accrued expenses	(110,108)
Accrued interest payable	305,243
Deferred revenue	32,930
Due to related parties	516,418
Security deposits payable	(1,903)
Net Cash Used in Operating Activities	(271,180)
Cash Flows from Investing Activities	
Acquisition of fixed assets	(548,358)
Purchase of investments	(87,345)
Proceeds from sale of investments	74,673
Withdrawals of replacement and other reserves	165,845
Net Cash Used in Investing Activities	(395,185)
Cash Flows from Financing Activities	
Repayment of notes payable	(426,646)
Capital contributions from limited partners	125,625
Net Cash Used in Financing Activities	(301,021)
NET DECREASE IN CASH AND CASH EQUIVELANTS	(967,386)
Cash and cash equivalents, beginning of year	1,755,339
Cash and cash equivalents, end of year	$ 787,954
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 2,312

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 35 units. An additional 90 units are under construction with an expected occupancy date of December 2017.

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, Department of Health and Mental Hygiene, Department of Veterans Affairs, Department of Labor, 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

Cash and cash equivalents - For purposes of the 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.

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.

Use of estimates - The preparation of 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 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 subsidiaries 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 financial position, changes in net assets or cash flows.

As of March 31, 2016, the Subsidiaries' entities owned were as follows:

Subsidiaries	Entity Owned	% Ownership
Jericho Residence I HDFC	None	
Jericho Residence II HDFC	1840 Anthony Ave. Corp	100%
Jericho Project 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 Subsidiaries the following Operating Partnerships owned were as follows:

General Partner	Operating Partnership	Ownership
1840 Anthony Ave. Corp.	Jericho Housing Assoc., LP	General Partner – 0.01%
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 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. On 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 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.

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 Statement of Activities as net assets released from restrictions. There are no temporarily restricted assets as of March 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016.

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 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 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 to 7

Impairment of long-lived assets - The Organization reviews their 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 as of March 31, 2016.

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 statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrealized gains and losses are included in the change in net assets in the accompanying 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 subsidiaries, 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.

Jericho Housing Associates, LP, 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 losses 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 a tax position are recognized when the tax position is more likely than not, based on the technical merits, 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, 2016, 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, 2012.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building and improvements	$ 41,788,652
Furniture	1,693,727
Information systems	263,403
	43,745,782
Less: Accumulated depreciation	10,230,221
	33,515,561
Land - E. 194th Street	1,175,000
Land - Kingsbridge Terrace	1,993,733
Land- Other	733,451
Net Fixed Assets	$ 37,417,745

Depreciation expense was $1,351,336 for the year ended March 31, 2016.

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, 2016 is as follows:

2016	$	9,615
2017		9,615
2018		9,615
2019		9,615
2020		9,615
Thereafter		135,857
	$	183,932

5. MORTGAGES AND NOTES PAYABLE

The mortgages and notes payable at March 31, 2016, consisted of the following:

Jericho Residence I HDFC – mortgage payable held by the City of New York, Department of Housing Preservation and Development (HPD) 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 Housing Assoc., LP – 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 Housing Assoc., LP – 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 Housing Assoc., LP – mortgage payable held by the HPD, secured by property and is maturing on January 1, 2042. The note is noninterest bearing.		106,370
Jericho Housing Assoc., LP – mortgage payable held by the HPD, secured by property and is maturing on January 1, 2042. The note is noninterest bearing.		70,498

5. MORTGAGES AND NOTES PAYABLE (CONTINUED)

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, 2016, $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, 2016, $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.		7,840,000
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, 2016, $15,340,476 has been funded.		15,340,476
		35,815,542
Less: current portion of mortgages and notes payable		31,244
	$	35,784,298

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

2017	$	31,244
2018		31,556
2019		31,871
2020		32,189
2021		32,511
Thereafter		35,656,171
	$	35,815,542

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 (which was 3.5% at the time of the agreement). No borrowings occurred during the year ended March 31, 2016, and there is no outstanding balance at the date of the independent auditors' report.

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, and Jericho Housing Associates, LP are required to maintain operating reserve accounts. As of March 31, 2016, the total operating reserve balance for these entities was $1,685,323, which is included in replacement and other reserves.

Replacement reserves - 355-359 E. 194th St, LP, 89-101 West Tremont, LP, and Jericho Housing Associates, LP are each required to maintain replacement reserve accounts. As of March 31, 2016, the total replacement reserve balance for these entities was $218,957, which is included in replacement and other reserves.

Social services reserves - 1928 Loring Place, LP, 355-359 E. 194th St, LP, and 89-101 West Tremont, LP are each required to maintain social services reserve accounts. As of March 31, 2016, the total social services reserve balance for these entities was $434,328, 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, 2016, the total escrow deposit account balance for these entities was $2,224,794, which is included in replacement and other reserves.

8. RELATED PARTY TRANSACTIONS

Advances to affiliates - The Company from time to time makes short term advance to affiliates. The advances are noninterest bearing and due on demand. As of March 31, 2016, the consolidated balance not subject to elimination of such advances totaled $118,683.

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, 2016 is $75,939. These investments are held under The Jericho Fund. The balance of these investments at March 31, 2016 was $2,645,871.

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.

8. INVESTMENTS (CONTINUED)

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 (depreciation) at March 31, 2016 are as follows:

		Fair Value		Original Costs		Unrealized Appreciation (Depreciation)
Mutual Funds	$	1,474,347	$	1,477,614	$	(3,267)
Hedge Funds		348,639		349,439		(800)
Equity Funds		822,885		701,665		121,220
Total	$	2,645,871	$	2,528,718	$	117,153

9. 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, 2016.

9. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Hedge Funds: Valued based the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying assets.

The following table sets forth the plan investment assets at fair value by level within the fair value hierarchy as of March 31, 2016:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Level 3	Total
Mutual funds:				
Cash	$ 142,881	$ -	$ -	$ 142,881
US Bonds	1,279,431	-	-	1,279,431
International Bonds	52,035	-	-	52,035
Hedge funds:				
Hedged Strategy	-	348,639	-	348,639
Equity funds:				
Large Cap	432,951	-	-	432,951
Mid Cap	70,076	-	-	70,076
International	319,858	-	-	319,858
Total	$ 2,297,232	$ 348,639	$ -	$ 2,645,871

Fair Value of Investments that Calculate Net Asset Value

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of March 31, 2016.

Instrument	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds (A)	$ 348,639	N/A	Daily	None

(A) The hedge fund's objective is to use leveraged, long, short, and derivative positions in both domestic and international markets with the goal of generating high returns.

10. 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, 2007 through April 30, 2017. The second, for the scatter site program office located in Bronx, NY, has a term from June 1, 2012 through July 31, 2016. The third, for the SSVF program office located in Manhattan, NY, and has a term from January 1, 2016 through December 31, 2016. Rental expense for the year ended March 31, 2016 was $735,719. The amount of $318,056 was attributed to the two leases for office space and the remainder of $417,663 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 are as follows:

2017	$	217,215
2018		9,370
	$	226,585

11. 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.

12. 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, 2016 totaled $46,471.

13. 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, 2016, the Organization had no permanently restricted net assets.

14. 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.

15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 15, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

JERICHO PROJECT AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	1928 Loring Place LP	Jericho Housing Assoc., LP	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	Sub-Total	Combining Eliminations	Total
Assets												
Cash and cash equivalents	$ 457,692	$ 13,830	$ (7,589)	$ (13,263)	$ 97,248	$ 5,800	$ 28,841	$ 166,295	$ 39,100	$ 787,954	$ -	$ 787,954
Accounts receivable - tenants	15,648	7,835	3,943	(1,703)	16,459	5,161	25,698	27,799	17,725	118,565	-	118,565
Accounts receivable - other	341,212	13,064	5,619	6,243	8,967	-	57,036	62,351	84,546	579,038	-	579,038
Note and interest receivable - related party	1,125,735	-	-	-	-	-	-	-	-	1,125,735	(1,125,735)	-
Prepaid expenses	106,221	5,669	3,040	3,040	5,836	3,383	12,244	15,779	7,653	162,865	-	162,865
Property and equipment - net	596,987	186,811	689,135	-	1,781,949	465,660	8,274,550	11,959,341	17,809,595	41,764,028	(4,346,283)	37,417,745
Security deposits	62,366	7,167	2,798	1,911	5,260	2,126	14,914	11,182	22,432	130,156	-	130,156
Investments	2,645,871	-	-	-	-	-	-	-	-	2,645,871	-	2,645,871
Investment in joint ventures	(1,695,743)	-	-	-	-	-	-	-	-	(1,695,743)	1,695,743	-
Replacement, other reserves and escrow deposits	-	-	-	-	378,931	496,293	1,236,559	822,695	1,628,924	4,563,402	-	4,563,402
Intangible assets - net	-	-	-	-	-	5,434	36,517	104,927	37,054	183,932	-	183,932
Total Assets	**$ 3,655,989**	**$ 234,376**	**$ 696,946**	**$ (3,772)**	**$ 2,294,650**	**$ 983,857**	**$ 9,686,359**	**$ 13,170,369**	**$ 19,647,029**	**$ 50,365,803**	**$ (3,776,275)**	**$ 46,589,528**
Liabilities, Net Assets and Noncontrolling Interests												
Liabilities												
Accounts payable and accrued expenses	$ 63,012	$ 6,940	$ 10,116	$ 6,147	$ 13,976	$ 458	14,468	$ 23,034	$ 138,948	$ 277,099	$ -	$ 277,099
Due to contractor	-	-	-	-	-	-	-	131,182	1,676,079	1,807,261	-	1,807,261
Deferred revenue	25,764	3,942	6,796	-	5,278	1,331	37,474	7,353	13,115	101,053	-	101,053
Due from (to) related parties	(4,790,694)	3,277,763	(458,689)	(89,293)	(878)	389,438	1,793,414	(28,363)	25,985	118,683	-	118,683
Accrued interest	-	-	41,905	-	1,120,136	321,931	878,388	1,036,287	25,540	3,424,187	(204,639)	3,219,548
Mortgages and notes payable- long and short term	-	-	477,011	-	2,057,962	1,977,856	8,122,237	8,505,700	15,595,872	36,736,638	(921,096)	35,815,542
Security deposits	4,317	7,167	2,798	1,911	4,730	2,126	14,914	11,182	7,757	56,902	-	56,902
Developer fee payable	-	-	-	(299)	-	-	-	-	1,197,000	1,196,701	(1,196,701)	-
Total Liabilities	(4,697,601)	3,295,812	79,937	(81,534)	3,201,204	2,693,140	10,860,895	9,686,375	18,680,296	43,718,524	(2,322,436)	41,396,088
Net Assets												
Unrestricted:												
Operations, undesignated	5,707,719	(3,061,436)	617,009	77,762	-	(1,709,283)	-	-	-	1,631,771	(1,453,839)	177,932
Operations, designated by Board of Directors	2,645,871	-	-	-	-	-	-	-	-	2,645,871	-	2,645,871
Total Net Assets	8,353,590	(3,061,436)	617,009	77,762	-	(1,709,283)	-	-	-	4,277,642	(1,453,839)	2,823,803
Noncontrolling interests in limited partnerships	-	-	-	-	(906,554)	-	(1,174,536)	3,483,994	966,733	2,369,637	-	2,369,637
Total Net Assets and noncontrolling interests	8,353,590	(3,061,436)	617,009	77,762	(906,554)	(1,709,283)	(1,174,536)	3,483,994	966,733	6,647,279	(1,453,839)	5,193,440
Total Liabilities, Net Assets and Noncontrolling Interests	**$ 3,655,989**	**$ 234,376**	**$ 696,946**	**$ (3,772)**	**$ 2,294,650**	**$ 983,857**	**$ 9,686,359**	**$ 13,170,369**	**$ 19,647,029**	**$ 50,365,803**	**$ (3,776,275)**	**$ 46,589,528**

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Residence I HDFC	Jericho Residence II HDFC	1928 Loring Place LP	Jericho Housing Assoc., LP	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	Sub - Total	Combining Eliminations	Total
Revenue and Support												
Tenant rent	$ 93,792	$ 142,949	$ 314,222	$ 77,617	$ 433,775	$ 315,284	$ 695,815	$ 804,032	$ 778,871	$ 3,656,357	$ -	$ 3,656,357
Supportive services	3,317,383	174,245	72,466	78,835	-	-	415,377	380,815	565,667	5,004,788	-	5,004,788
Foundations	694,125	-	-	-	-	-	-	-	-	694,125	-	694,125
Corporations	181,964	-	-	-	-	-	-	-	-	181,964	-	181,964
Individuals	149,844	-	-	-	-	-	-	-	-	149,844	-	149,844
Fundraising events	303,805	-	-	-	-	-	-	-	-	303,805	-	303,805
Investment income	48,495	-	-	-	84	5,705	241	-	-	54,525	(72,683)	(18,158)
Other	(92,100)	11,017	-	-	56	-	250	1	3,637	(77,139)	92,100	14,961
Churches	9,200	-	-	-	-	-	-	-	-	9,200	-	9,200
Management and development fees	750,297	-	-	-	-	-	-	-	-	750,297	(580,297)	170,000
Total Revenue and Support	**5,456,805**	**328,211**	**386,688**	**156,452**	**433,915**	**320,989**	**1,111,683**	**1,184,848**	**1,348,175**	**10,727,766**	**(560,880)**	**10,166,886**
Expenses												
Housing service	660,434	359,860	294,981	101,133	618,065	413,096	1,110,943	1,308,506	1,398,006	6,265,024	(331,239)	5,933,785
Social service	3,520,026	248,072	149,290	109,446	-	-	429,600	370,922	567,308	5,394,664	(321,741)	5,072,923
Supporting services												
Management and General	1,314,457	-	-	-	-	-	-	-	-	1,314,457	-	1,314,457
Fundraising	427,816	-	-	-	-	-	-	-	-	427,816	-	427,816
Total Expenses	5,922,733	607,932	444,271	210,579	618,065	413,096	1,540,543	1,679,428	1,965,314	13,401,961	(652,980)	12,748,981
Change in net assets before noncontrolling interest	(465,928)	(279,721)	(57,583)	(54,127)	(184,150)	(92,107)	(428,860)	(494,580)	(617,139)	(2,674,195)	92,100	(2,582,095)
Loss allocated to noncontrolling interest	-	-	-	-	184,150	-	428,860	494,580	617,139	1,724,729	-	1,724,729
Change in Net Assets	(465,928)	(279,721)	(57,583)	(54,127)	-	(92,107)	-	-	-	(949,466)	92,100	(857,366)
Net Assets, beginning of year	8,819,518	(2,781,715)	674,592	131,889	-	(1,617,176)	-	-	-	5,227,108	(1,545,939)	3,681,169
Net Assets, end of year	**$ 8,353,590**	**$ (3,061,436)**	**$ 617,009**	**$ 77,762**	**$ -**	**$ (1,709,283)**	**$ -**	**$ -**	**$ -**	**$ 4,277,642**	**$ (1,453,839)**	**$ 2,823,803**
Noncontrolling interests, beginning of year					(722,404)		(745,676)	3,852,949	1,583,872	3,968,741	-	3,968,741
Contributions to noncontrolling interests					-		-	125,625	-	125,625	-	125,625
Change in net assets attributable to noncontrolling interest					(184,150)		(428,860)	(494,580)	(617,139)	(1,724,729)	-	(1,724,729)
Noncontrolling interests, end of year					**$ (906,554)**		**$ (1,174,536)**	**$ 3,483,994**	**$ 966,733**	**$ 2,369,637**	**$ -**	**$ 2,369,637**

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED MARCH 31, 2016

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	$ 2,426,231
Pass-through Department of Veterans Affairs - Veteran Affairs Supportive Housing	14.871/VA526-C20512	187,207
Department of Veterans Affairs - Supportive Services for Veterans Families	64.033/14-NY-250	1,245,544
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/144622701	50,617
U.S. Department of Labor Homeless Veterans' Reintegration Program (DOL-HVRP)	17.805/HV22147HV4	26,791
Total expenditures of Federal awards		3,936,390
State and City Awards:		
N.Y.S. Office of Mental Health		1,748,812
N.Y.C Department of Homeless Services (Families Living in Communities II)	711510002	1,159,671
N.Y.C. Department of Homeless Services		586,146
Total expenditures of State and City awards		3,494,629
Total expenditures of Federal and State awards		$ 7,431,019

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant 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 OMB Uniform Guidance, *Proposed OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards*. 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 financial position, changes in net assets, or cash flows of Jericho Project and Affiliates

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2016, 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 August 15, 2016.

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. 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.

Geltrude + Company, LLC

GELTRUDE & COMPANY, LLC

Nutley, New Jersey
August 15, 2016

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, 2016. 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, 2016.

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
August 15, 2016

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?		Yes	X	No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	No
Type of Auditors' report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?		Yes	X	No

Identification of Major Programs

CDFA Number	Name of Federal Program or Cluster
64.033	Department of Veterans' Affairs Supportive Services for Veterans' Families

Dollar threshold used to distinguish between Type A and Type B programs?	$750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Audit Findings

No matters were reported to management.