

JERICHO PROJECT AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2024

JERICOHO PROJECT AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jericho Project and Affiliates (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2024, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jericho Project and Affiliates as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Jericho Project and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jericho Project and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements. 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.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jericho Project and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jericho Project and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. The supplementary information included on the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, 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 solely 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 the effectiveness of Jericho Project and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jericho Project and Affiliates' internal control over financial reporting and compliance.



GELTRUDE & COMPANY, LLC

Nutley, New Jersey
November 18, 2024

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 867,432
Accounts receivable - subsidy and tenants, net	1,219,578
Accounts receivable - grants and other	2,677,711
Prepaid expenses	260,624
Investments	<u>3,794,408</u>

Total Current Assets	<u>8,819,753</u>
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PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION

	<u>75,800,572</u>
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OTHER ASSETS

Security deposits	505,982
Investments in joint ventures	807,998
Replacement and other reserves	3,237,273
Operating lease right-of-use asset	6,117,323
Intangible assets, net of accumulated amortization of \$84,835	<u>61,704</u>

Total Other Assets	<u>10,730,280</u>
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TOTAL ASSETS	<u><u>\$ 95,350,605</u></u>
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See Notes to Consolidated Financial Statements.

JERICOHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 2,429,666
Deferred revenue	1,014,389
Due to contractor	621,839
Due to related parties	22,998
Note payable, bank	800,000
Mortgages and notes payable, current	1,294,563
Current maturities of operating lease liability	2,037,000

Total Current Liabilities	8,220,455
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LONG-TERM LIABILITIES

Mortgages and notes payable, non-current	70,940,902
Accrued interest payable	6,785,051
Operating lease liability, net of current maturities	4,194,753
Security deposits	47,479

Total Long-Term Liabilities	81,968,185
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Total Liabilities	90,188,640
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COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions:

Undesignated	603,928
Designated by Board of Directors (Jericho Fund)	3,794,408

Total Net Assets Without Donor Restrictions	4,398,336
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Noncontrolling interests in limited partnerships	763,629
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Total Net Assets and Noncontrolling Interests	5,161,965
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TOTAL LIABILITIES, NET ASSETS AND NONCONTROLLING INTERESTS	\$ 95,350,605
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See Notes to Consolidated Financial Statements.

JERICO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

REVENUE AND SUPPORT:

Rental income - subsidy and tenant	\$ 6,683,754
Supportive services	21,341,899
Foundations and other organizations	111,400
Corporations	276,224
Individuals	627,057
Interest and dividends	549,163
Other	359,299
Management and development fees	498,385

TOTAL REVENUE AND SUPPORT	<u>30,447,181</u>
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EXPENSES:

Program Services	
Housing services	18,398,244
Social services	12,026,672
Supporting Services	
Management and general	3,082,891
Fundraising	613,626

TOTAL EXPENSES	<u>34,121,433</u>
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Change in net assets including noncontrolling interests	(3,674,252)
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Change in net assets attributable to noncontrolling interests	<u>2,678,729</u>
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CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(995,523)
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Net Assets Without Donor Restrictions – beginning of year	<u>5,393,859</u>
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Net Assets Without Donor Restrictions – end of year	<u><u>\$ 4,398,336</u></u>
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Noncontrolling interests - beginning of year	\$ 3,442,358
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Change in net assets attributable to noncontrolling interest	<u>(2,678,729)</u>
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Noncontrolling interests - end of year	<u><u>\$ 763,629</u></u>
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See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2024

	Program Services		Supporting Services		
	Social Services	Housing Services	Management and general	Fund-raising	Total
Personnel Expenses:					
Salaries	\$ 8,096,770	\$ 3,181,217	\$ 1,685,769	\$ 330,636	\$ 13,294,392
Benefits & payroll taxes	1,602,802	701,763	513,328	55,155	2,873,048
Total Personnel Expenses	9,699,572	3,882,980	2,199,097	385,791	16,167,440
Professional Services:					
Consultants & contractors	143,461	118,045	60,872	39,000	361,378
Accounting & auditing	-	70,494	67,027	-	137,521
Legal & other professional	325,417	131,744	1,796	-	458,957
Total Professional Services	468,878	320,283	129,695	39,000	957,856
Program Expenses:					
Fundraising	-	-	-	117,122	117,122
Public relations	-	-	-	43,442	43,442
Program activities	225,491	-	-	-	225,491
Member assistance	78,714	4,327,724	18	-	4,406,456
Total Program Expenses	304,205	4,327,724	18	160,564	4,792,511
Occupancy Expenses:					
Tenant rent	-	2,917,923	-	-	2,917,923
Utilities	34,320	972,408	8,141	-	1,014,869
Repairs & maintenance	43,612	556,413	11,517	-	611,542
Insurance	77,837	1,018,481	20,051	580	1,116,949
Total Occupancy Expenses	155,769	5,465,225	39,709	580	5,661,283
Office Expenses:					
Office rent	573,184	-	294,362	-	867,546
Telephone & internet	144,484	45,611	57,347	1,493	248,935
Equipment rental	49,306	12,622	12,277	-	74,205
Postage & delivery	7,451	14,006	-	-	21,457
Office supplies	368,811	273,321	74,427	16,824	733,383
Total Office Expenses	1,143,236	345,560	438,413	18,317	1,945,526
Other Expenses:					
Travel & entertainment	133,500	35,569	76,833	5,034	250,936
Recruitment fees	33,600	10,806	22,267	448	67,121
Interest	-	1,052,145	-	-	1,052,145
Interest - debt issuance costs	-	24,306	-	-	24,306
Uncollected rents & advances	-	26,786	-	-	26,786
Filing fees	-	103,222	1,665	-	104,887
Miscellaneous	77,657	384,247	79,251	3,892	545,047
Bad debts	-	221,301	-	-	221,301
Marketing & outreach	10,255	-	-	-	10,255
Bank fees	-	-	95,943	-	95,943
Depreciation and amortization	-	2,198,090	-	-	2,198,090
Total Other Expenses	255,012	4,056,472	275,959	9,374	4,596,817
Total Expenses	\$ 12,026,672	\$ 18,398,244	\$ 3,082,891	\$ 613,626	\$ 34,121,433

See Notes to Consolidated Financial Statements.

JERICOHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities	
Change in net assets	\$ (3,674,252)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization of start-up costs	2,198,090
Amortization of debt issuance costs	24,306
Bad debt expense	221,301
Net realized and unrealized gain on securities	(442,836)
Non cash lease expense	59,613
(Increase) in assets	
Accounts receivable- other	(420,867)
Accounts receivable- tenants	(410,523)
Prepaid expenses	(181,136)
Increase/(decrease) in liabilities	
Accounts payable and accrued expenses	770,047
Accrued interest payable	761,580
Deferred revenue	767,447
Due to contractor	(70,152)
Security deposits payable	(35,064)
Net Cash Used In Operating Activities	<u>(432,446)</u>
Cash Flows from Investing Activities	
Acquisition of property and equipment	(3,176,751)
Purchase of investments	(87,213)
Proceeds from sale of investments	110,000
Net Cash Used in Investing Activities	<u>(3,153,964)</u>
Cash Flows from Financing Activities	
Proceeds of mortgages payable	3,440,985
Repayment of mortgages payable	(99,631)
Advances of note payable, bank	(100,000)
Net Cash Provided by Financing Activities	<u>3,241,354</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(345,056)
Cash and cash equivalents and restricted cash, beginning of year	<u>4,955,743</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 4,610,687</u>

See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

Reconciliation to Cash and Restricted Cash on the Consolidated Statement of Financial Position

Cash and cash equivalents	\$ 867,432
Security deposits	505,982
Replacement and other reserves	3,237,273
Cash and Restricted Cash on the Consolidated Statement of Cash Flows	<u>\$ 4,610,687</u>

Supplemental disclosure of cash flow information

Cash paid during the year for:

Capitalized interest	<u>\$ 614,113</u>
Interest	<u>\$ 290,565</u>

Supplemental Disclosure of Non-Cash Transactions:

Lease assets obtained in exchange for lease obligations:

Operating lease	<u>\$ 2,619,799</u>
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See Notes to Consolidated Financial Statements.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

1. ORGANIZATION AND OPERATIONS

Jericho Project and Affiliates (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, housing access, and supportive services to individuals and families who are experiencing homelessness in New York City. The organization currently owns or manages approximately 600 units of supportive housing in eight congregate projects and two scatter site projects. In addition, the Organization provides homelessness prevention and rapid rehousing to approximately 1,000 households in New York City.

The Organization’s mission is to empower individuals and families experiencing homelessness or housing insecurity by providing housing and person-centered services to address social inequities. Its programs touch the cornerstones of a person’s life — housing, employment, wellness and family stability. This holistic approach to helping people enables individuals and families to access extensive, results-based programs at their level of need — whether they are coming to the Organization from a shelter, or are one paycheck away from homelessness.

Funding for the Organization is provided by government grant contracts with the NYC Department of Homeless Services, the NYC Department of Health and Mental Hygiene, the NYC Department of Housing Preservation and Development, US Department of Veterans Affairs, US Department of Housing and Urban Development, as well as rent paid by tenants and donations by individuals, corporations and foundations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted (“GAAP”) in the United States of America. GAAP requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of June 30, 2024, the affiliate entities owned were as follows:

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

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

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

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

Revenue Recognition

Contributions and Grants - The Organization recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or right of release from the respective obligation provision on the part of the grantor and the Organization has limited discretion over how funds transferred should be spent. As such, the Organization recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. As of June 30, 2024, the Organization did not have any conditional contributions. Contracts awarded for the acquisition of long-lived assets are reported as revenue without donor restrictions during the fiscal year in which the assets are acquired. Governmental grants and contracts are subject to audit and potential disallowance. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization reports contributions within net assets with donor restrictions if such gifts are restricted by the donor to a specific program and/or include an explicit or implied time restriction. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Gifts whose donor-stipulated purposes are met in the same year as received are reported within net assets without donor restrictions.

Amounts reported as accounts receivable - other, within the accompanying consolidated statements of financial position, represent expenses incurred in advance of the receipt of funds. Funds received in advance of conditions being met are reported as deferred revenue within the accompanying consolidated statements of financial position.

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

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

Accounts Receivable and Bad Debts - The Organization carries its accounts receivable at cost less any allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes allowances for doubtful accounts based on a history of past write-offs, collections, and current credit conditions. At June 30, 2024, there was no allowance for doubtful accounts.

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

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

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

Estimated useful lives are as follows:

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

JERICO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment of Long-lived Assets - The Organization reviews its rental property and other long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. No impairment losses have been recognized for the year ended June 30, 2024.

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

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

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

Income Tax Status - The Organization and all affiliates have obtained a determination of tax-exempt status from the Internal Revenue Service under Section 501(c)(3) and 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reflected in the accompanying consolidated financial statements.

89-101 West Tremont, LP, 355-359 E. 194th St Bronx, LP, 2065 Walton Avenue Associates, LLC and 2701 Kingsbridge Terrace Bronx, LP, are not subject to federal income tax because their income and expenses are includable in the tax returns of their partners (members) but may be subject to certain state taxes.

GAAP requires 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 Internal Revenue Service ("IRS") or the Department of Treasury. The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2024, 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 fiscal year ended June 30, 2021.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building and improvements	\$ 80,053,065
Furniture	2,977,683
Information systems	365,476
	<u>83,396,224</u>
Less: Accumulated depreciation	<u>26,844,441</u>
	<u>56,551,783</u>
 Construction in progress	 12,941,831
 Land - E. 194 th Street	 1,175,000
Land - Kingsbridge Terrace	2,303,733
Land - 2065 Walton Avenue Associates	1,502,183
Land - Other	1,326,042
Net Property and Equipment	<u>\$ 75,800,572</u>

Depreciation expense was \$2,198,090 for the year ended June 30, 2024.

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. RESTRICTED FUNDS

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

Operating Reserves - 355-359 E. 194th St, LP, 89-101 West Tremont, LP, 2701 Kingsbridge Terrace, LP, Jericho Residence II HDFC, Jericho Residence V HDFC and 2065 Walton Avenue Associates, LLC are required to maintain operating reserve accounts. As of June 30, 2024, the total operating reserve balance for these entities was \$1,980,506 which is included in replacement and other reserves on the consolidated statement of financial position.

Replacement Reserves - 355-359 E. 194th St, LP, 89-101 West Tremont, LP, Jericho Residence II HDFC, Jericho Residence V HDFC and 2065 Walton Avenue Associates, LLC are each required to maintain replacement reserve accounts. As of June 30, 2024, the total replacement reserve balance for these entities was \$468,949, which is included in replacement and other reserves on the consolidated statement of financial position.

Social Services Reserves - 355-359 E. 194th St, LP, 89-101 West Tremont, LP, Jericho Residence II HDFC, Jericho Residence V HDFC and 2065 Walton Avenue Associates, LLC are each required to maintain social services reserve accounts. As of June 30, 2024, the total social services reserve balance for these entities was \$736,801, which is included in replacement and other reserves on the consolidated statement of financial position.

Escrow Deposits - 2065 Walton Avenue Associates, LLC is required to maintain escrow deposit account with the City of New York, Housing Development Corporation. As of June 30, 2024, the total escrow deposit account balance was \$51,017 which is included in replacement and other reserves on the consolidated statement of financial position.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

5. INTANGIBLE ASSETS

The future estimated amortization expense on intangible assets for each of the next five years as of June 30, 2024 is as follows:

2025	\$	9,769
2026		9,011
2027		6,206
2028		6,206
2029		6,206
Thereafter		24,306
	\$	<u>61,704</u>

6. MORTGAGES AND NOTES PAYABLE

The mortgages and notes payable at June 30, 2024, consisted of the following:

Jericho Anthony Avenue HDFC – mortgage payable held by the City of New York, Department of Housing Preservation and Development (“HPD”), secured by properties at 1840, 1842 and 1846 Anthony Avenue, Bronx New York. The agreement was amended effective October 21, 2021, the note accrues interest at 2.06% per annum, no payments of principal and accrued interest shall be required until November 2056.

\$ 2,094,608

Jericho Project HDFC - mortgage payable held by New York State Homes and Community Renewal (“HCR”) in the amount of \$602,116, secured by the property located at 170 West 121st Street. The loan is noninterest bearing and payable in 2020 or upon satisfaction of all indebtedness required to be repaid, whichever occurs later.

602,116

Jericho Project HDFC – development loan payable to Leviticus 25:23 Alternative Fund, Inc. (“Leviticus”) in the amount of \$1,749,488, secured by the property located at 2013 Adam Clayton Powell, Jr. Boulevard, New York. Outstanding borrowings are secured by a mortgage on the property and bear interest at a rate of 6.25% per annum. Interest-only payments are payable monthly until the maturity of the loan, upon which accrued and unpaid interest, along with the principal balance, is due. The loan maturity is the earlier of (a) July 1, 2025, or (b) the funding date of the Project Construction Loan.

1,190,502

Jericho Residence V HDFC – mortgage payable held by HPD, secured by property at 1928 Loring Place and is payable in July 2050. Interest of 3.01% per annum accrues monthly.

2,835,673

Jericho Residence V HDFC – mortgage payable held by HPD, secured by property at 1928 Loring Place and is payable in July 2050. Interest of 3.01% per annum accrues monthly.

675,851

Jericho Residence V HDFC – mortgage payable held by HDC secured by property at 1928 Loring Place and is payable in July 2037. Interest of 3.01% per annum accrues monthly.

281,324

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

6. MORTGAGES AND NOTES PAYABLE (CONTINUED)

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 June 30, 2024, \$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 June 30, 2024, \$2,454,300 has been funded.	2,454,300
355-359 E. 194 th Street, LP - mortgage payable held by HPD, secured by the property, and is payable in June 2056. Interest of 2.5% per annum accrues monthly and is payable at maturity.	7,466,236
2701 Kingsbridge Terrace, LP - mortgage payable held by HPD in the amount of \$16,400,000, secured by the property. The loan is noninterest bearing and payable in 2057. As of June 30, 2024, \$15,718,299 has been funded.	15,718,299
2065 Walton Avenue Associates, LLC – mortgage payable with Wells Fargo Bank, NA in the amount of \$5,630,000, payable in monthly installments of \$31,089, including interest at 5.25% per annum. Outstanding borrowings are secured by a mortgage on the rental property. Outstanding borrowings along with any accrued and unpaid interest are due at maturity on March 6, 2049.	5,163,034
2065 Walton Avenue Associates, LLC – building loan agreement with HPD in the amount of \$9,523,000. Outstanding borrowings are secured by a mortgage on the rental property and bear interest at a rate of 2.47% per annum which is payable monthly. Outstanding borrowings along with any accrued and unpaid interest are due at maturity on March 6, 2079.	9,523,000
2065 Walton Avenue Associates, LLC – mortgage with New York State Homeless Housing and Assistance Corporation (“HHAC”) in the amount of \$3,596,000, secured by the property. Interest accrues at a rate of 2.5% per annum. Principal and all accrued interest are payable on September 19, 2078.	3,596,000
2065 Walton Avenue Associates, LLC – mortgage with HHAC in the amount of \$84,000, secured by the property. Interest accrues at a rate of 2.5% per annum. Principal and all previously accrued interest are payable on September 19, 2078.	84,000
2065 Walton Avenue Associates, LLC – mortgage with HHAC in the amount of \$750,000, secured by the property. Interest accrues at a rate of 1% per annum. Principal and all accrued interest are payable on September 19, 2078.	750,000

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

6. MORTGAGES AND NOTES PAYABLE (CONTINUED)

Jericho Anthony Avenue HDFC – construction loan in the amount of \$20,679,028 held by CPC Funding SPE 1 LLC (“CPC”), secured by properties at 1840,1842 and 1846 Anthony Avenue, Bronx New York. Advances will be made based upon project costs incurred. Under the agreement, interest will be paid on a portion (\$10,054,028) of the loan at 400 basis points over SOFR (9.4% at June 30, 2024), the SOFR floor shall be .25% per annum and accrued on a portion (\$10,625,000) of the loan at 2.06% per annum. The loan will convert to a permanent loan in October 2024. The loan is guaranteed by Jericho Project, Inc.

	\$	14,554,068
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Total Debt		72,656,948
Less: unamortized debt issuance costs		421,303
	\$	<u>72,235,645</u>

Principal payments of the mortgages payable in the next five years and thereafter are as follows:

2025	\$	1,294,563
2026		109,658
2027		115,556
2028		121,770
2029		128,319
Thereafter		<u>70,887,082</u>
	\$	<u>72,656,948</u>

7. NOTE PAYABLE, BANK

Jericho Project maintains a \$1,000,000 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 the “Wall Street Journal” Prime Rate. The minimum interest rate on the note is 4% per annum. At June 30, 2024, line of credit had an outstanding balance of \$800,000. The interest rate was 8.25% at June 30, 2024. Interest expenses on the note payable was \$19,059 for the year ended June 30, 2024. The Project paid off the total line of credit balance in July 2024.

8. DEFERRED REVENUE

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

9. RELATED PARTY TRANSACTIONS

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

Advances to/from Affiliates - The Company from time to time makes short term advances to/from affiliates. The advances are non-interest bearing and due on demand. As of June 30, 2024, the consolidated balance of advances due to affiliates, not subject to elimination totaled \$22,998.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

9. RELATED PARTY TRANSACTIONS (continued)

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

10. SERVICE AGREEMENTS

Jericho Bedford Housing Development Fund Corporation (Bedford HDFC) – a 501(c)(4) not-for-profit organization. Its purpose is to develop and construct a 277-residential units (including 60 special needs units) property for low- income individuals, and 12,000 square feet of commercial space and ancillary space located at 2868 Webster Avenue, Bronx New York (the Bedford Project). The Jericho Project is the sole member of HDFC. The property of the Bedford Project was leased by Bedford HDFC from New York Botanical Garden Premises Phase II. The construction of the Bedford Project will be completed during 2026. The Bedford HDFC entered into a nominee agreement transferring all equitable and beneficial interest in the Bedford Project to DD Bedford Low LLC in order to further provide for and obtain low-income housing tax credits. Bedford HDFC will own a 50% interest in the managing member with managing member owning 0.01% interest in DD Bedford Low LLC. The Jericho Project entered into a Reimbursement for Services Agreement to provide certain services in relation to the formation of the Bedford Project. During the year ended June 30, 2024, The Jericho Project was paid a one-time administrative fee of \$100,000 as consideration of the services.

Jericho 158th Street Housing Development Fund Corporation (158th Street HDFC) – a 501(c)(4) not-for-profit organization. Its purpose is to develop and construct a 129-residential units property for low- income individuals located at 407-409 and 450 East 158th Street, Bronx New York (158th Street Project). The Jericho Project is the sole member of HDFC. The property of the 158th Street Project was sold by 158th Street HDFC and East 158th Street Affordable Owners LLC from East 158th Street Partners LLC. The construction of the 158th Street Project will be completed during 2026. The 158th Street HDFC entered into a nominee agreement transferring all equitable and beneficial interest in the 158th Street Project to East 158th Street Affordable Owners LLC in order to further provide for and obtain low-income housing tax credits. 158th Street HDFC will own a 51% interest in the managing member with the managing member owning a 0.01% interest in East 158th Street Affordable Owners LLC. Following conversion to permanent finance, 158th Street HDFC shall become sole member of the managing member interest and will control the day to day operations of the 158th Street Project. The Jericho Project entered into a Reimbursement for Services Agreement to provide certain services in relation to the formation of the 158th Street Project. During the year ended June 30, 2024, The Jericho Project was paid a one-time administrative fee of \$150,000 as consideration of the services.

Jericho Furman Housing Development Fund Corporation (Furman HDFC) – a 501(c)(4) not-for-profit organization. Its purpose is to develop and construct a residential unit property for low- income individuals located at 4541-4551 Furman Avenue, Bronx New York (Furman Project). The Jericho Project is the sole member of HDFC. The property of the Furman Project was purchased by Furman HDFC from Markland 4551 LLC. The construction of the Furman Project will be completed during 2026. The Furman HDFC entered into a nominee agreement transferring all equitable and beneficial interest in the Furman Project to Furman Manager LLC in order to further provide for and obtain low-income housing tax credits. Furman HDFC will own a 51% interest in the managing member with the managing member owning a 0.01% interest in Furman Manager LLC. The Jericho Project entered into a Reimbursement for Services Agreement to provide certain services in relation to the formation of the Furman Project. During the year ended June 30, 2024, The Jericho Project was paid a one-time administrative fee of \$100,000 as consideration of the services.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

11. INVESTMENTS

The Organization has investments in marketable securities which are being reported at fair value. The unrealized gain from investments recorded at fair value for the year ended June 30, 2024 is \$442,836. Realized gains from the sale of investments totaled \$47,983 for the year ended June 30, 2024. These investments are held under The Jericho Fund. The balance of these investments at June 30, 2024 was \$3,794,408.

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

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

Investments are stated at fair value. Fair values and unrealized appreciation at June 30, 2024 are as follows:

	Fair Value	Original Costs	Unrealized Appreciation
Mutual Funds/ETFs	\$ 3,473,346	\$ 2,442,046	\$ 1,031,300
Money Market Funds	321,062	321,062	-
Total	<u>\$ 3,794,408</u>	<u>\$ 2,763,108</u>	<u>\$ 1,031,300</u>

12. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

12. FAIR VALUE MEASUREMENTS (continued)

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 June 30, 2024.

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

Exchange Traded Funds: These investments are valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth the Organization investment assets at fair value by level within the fair value hierarchy as of June 30, 2024:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Level 3	Total
Mutual funds	\$ 2,083,529	\$ -	\$ -	\$ 2,083,529
Exchange traded funds	1,389,817	-	-	1,389,817
Money market funds	321,062	-	-	321,062
Total	<u>\$ 3,794,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,794,408</u>

13. COMMITMENTS

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

Lease Agreements - The Organization occupies office space under five separate leases. The first and second, for the main administrative offices located in Manhattan, NY, have terms from May 1, 2017 through April 30, 2027, and May 15, 2019 through April 14, 2028. The third, for the scatter site program office located in Bronx, NY, has a term from November 1, 2023 through October 31, 2028. The fourth and fifth, for the RRH and SSVF program offices located in Manhattan, NY, have terms from January 1, 2020 through September 30, 2030, and March 15, 2024 through September 30, 2030. Rental expense (operating lease cost) for the year was attributed to the five leases for office space and to the program that provides scatter-site housing to veterans and to individuals with special needs in New York City.

JERICHO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

13. COMMITMENTS (CONTINUED)

The following summarizes the line items in the balance sheets which include amounts for the lease as of June 30, 2024:

Operating lease right-of-use-asset	\$ <u>6,117,323</u>
Current maturities of operating lease liability	\$ 2,191,513
Operating lease liability, net of current maturities	<u>4,040,240</u>
Total operating lease liability	\$ <u>6,231,753</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

Weighted Average Remaining Lease Term:	
Operating lease	6.81 yrs
Weighted Average Discount Rate:	
Operating lease	8.50%

The following summarizes the line items in the income statements which include the components of lease expense for the year ended June 30, 2024:

Operating lease cost included in operating expenses	\$ <u>3,804,054</u>
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The maturities of the operating lease liability as of June 30, 2024 are as follows:

Year ending June 30,	
2025	\$ 2,541,456
2026	1,119,971
2027	910,417
2028	863,392
2029	888,002
Thereafter	<u>2,338,346</u>
Total lease payment	8,661,584
Less: interest	<u>1,005,849</u>
Present value of operating lease liability	\$ <u>7,655,735</u>

The following summarizes cash flow information related to the lease for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of the operating lease liability:	
Operating cash flows from the operating lease	\$ <u>3,744,440</u>

JERICO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024

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 June 30, 2024 totaled \$119,071.

15. PROPERTY PURCHASE OPTION

According to the Right of First Refusal agreement, certain affiliates of 89-101 West Tremont, LP, 355-359 E. 194th St Bronx, LP, 2701 Kingsbridge Terrace Bronx, LP, and 2065 Walton Avenue Associates, LLC have an option to purchase partnership property at the end of the low-income tax credit compliance period at a price which would facilitate the purchase while protecting the partnership's tax benefits from the Project. Such option is based upon the affiliate maintaining the low-income occupancy of the Project and is in a form satisfactory to legal and accounting counsel.

16. CONTINGENCY

89-101 West Tremont, LP's, 355-359 E. 194th St Bronx, LP's, 2065 Walton Avenue Associates, LLC and 2701 Kingsbridge Terrace Bronx, LP's low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or correct noncompliance within a specific time period, could result in recapture of previously taken tax credits plus interest.

17. RISK AND UNCERTAINTIES

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

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

18. CONCENTRATION OF CREDIT RISK

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

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

JERICO PROJECT AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

19. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$	867,432
Accounts receivable - tenants		1,219,578
Accounts receivable - other		<u>2,677,711</u>
Total	\$	<u><u>4,764,721</u></u>

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

The board designated Jericho Fund of \$3,794,408 is subject to spending appropriations directed by the Board of Directors. Although the Organization does not intend on spending from Jericho Fund unless it is for certain programs or services, this amount could be made available if necessary.

20. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 18, 2024, the date which the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which would require disclosure in or adjustment to the financial statements.

JERICHO PROJECT AND AFFILIATES

JUNE 30, 2024

SUPPLEMENTARY INFORMATION

JERICHO PROJECT AND AFFILIATES
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Anthony Ave HDFC	Jericho Residence V HDFC	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	2065 Walton Ave Associates LLC	Sub-Total	Consolidating Eliminations	Total
Assets											
Cash and cash equivalents	\$ 204,209	\$ 25,658	\$ 60,808	\$ 41,170	\$ 17,072	\$ 236,192	\$ 27,675	\$ 254,648	\$ 867,432	\$ -	\$ 867,432
Accounts receivable - tenants, net	366,635	47,754	114,447	29,577	240,335	13,868	434,401	(27,439)	1,219,578	-	1,219,578
Accounts receivable - grants and other	2,713,433	-	(2,041)	30,673	-	270,549	-	-	3,012,614	(334,903)	2,677,711
Note and interest receivable - related party	1,744,180	-	-	-	-	-	-	-	1,744,180	(1,744,180)	-
Prepaid expenses	43,725	1,876	2,812	1,742	6,807	6,808	7,608	189,246	260,624	-	260,624
Property and equipment, net	1,084,857	1,011,091	3,435,433	1,758,291	6,068,531	9,531,629	14,719,412	29,628,212	67,237,456	(4,378,715)	62,858,741
Construction in progress	-	191,654	12,740,177	-	-	10,000	-	-	12,941,831	-	12,941,831
Security deposits	408,332	4,971	19,874	2,272	17,977	20,162	10,467	21,927	505,982	-	505,982
Investments	3,794,408	-	-	-	-	-	-	-	3,794,408	-	3,794,408
Investment in joint ventures	(887,745)	-	-	-	-	-	-	-	(887,745)	1,695,743	807,998
Replacement and other reserves	-	-	144,016	329,562	765,471	800,467	524,092	673,665	3,237,273	-	3,237,273
Operating lease right-of-use asset	6,117,323	-	-	-	-	-	-	-	6,117,323	-	6,117,323
Intangible assets - net	-	-	-	-	-	6,368	-	55,336	61,704	-	61,704
Total Assets	\$ 15,589,357	\$ 1,283,004	\$ 16,515,526	\$ 2,193,287	\$ 7,116,193	\$ 10,896,043	\$ 15,723,655	\$ 30,795,595	\$ 100,112,660	\$ (4,762,055)	\$ 95,350,605
Liabilities, Net Assets and Noncontrolling Interests											
Liabilities											
Accounts payable and accrued expenses	\$ 1,153,674	\$ 142,218	\$ 461,552	\$ 48,773	\$ 181,785	\$ 99,083	\$ 194,475	\$ 148,106	\$ 2,429,666	\$ -	\$ 2,429,666
Due to contractor	-	-	621,839	-	-	-	-	-	621,839	-	621,839
Deferred revenue	681,426	-	-	-	84,011	112,496	136,456	-	1,014,389	-	1,014,389
Accrued interest	-	-	114,388	881,359	1,568,776	3,141,467	134,085	1,768,060	7,608,135	(823,084)	6,785,051
Note payable, bank	800,000	-	-	-	-	-	-	-	800,000	-	800,000
Mortgages and notes payable	-	1,792,618	16,588,676	3,711,680	8,101,982	8,086,450	15,944,138	19,531,017	73,756,561	(1,521,096)	72,235,465
Security deposits	2,259	4,971	2,164	1,742	8,087	20,162	(12,463)	20,557	47,479	-	47,479
Due to related parties	(9,148,558)	3,728,695	1,857,637	50,133	1,723,374	(37,992)	1,408,043	(158,334)	(577,002)	600,000	22,998
Operating lease liability	6,231,753	-	-	-	-	-	-	-	6,231,753	-	6,231,753
Developer fee payable	-	-	-	-	-	-	912,000	652,036	1,564,036	(1,564,036)	-
Total Liabilities	(279,446)	5,668,502	19,646,256	4,693,687	11,668,015	11,421,666	18,716,734	21,961,442	93,496,856	(3,308,216)	90,188,640
Commitments and Contingencies											
Net Assets											
Unrestricted:											
Operations, undesignated	12,074,395	(4,385,498)	(3,130,730)	(2,500,400)	-	-	-	-	2,057,767	(1,453,839)	603,928
Operations, designated by Board of Directors	3,794,408	-	-	-	-	-	-	-	3,794,408	-	3,794,408
Total Net Assets	15,868,803	(4,385,498)	(3,130,730)	(2,500,400)	-	-	-	-	5,852,175	(1,453,839)	4,398,336
Noncontrolling interests in limited partnerships	-	-	-	-	(4,551,822)	(525,623)	(2,993,079)	8,834,153	763,629	-	763,629
Total Net Assets and noncontrolling interests	15,868,803	(4,385,498)	(3,130,730)	(2,500,400)	(4,551,822)	(525,623)	(2,993,079)	8,834,153	6,615,804	(1,453,839)	5,161,965
Total Liabilities, Net Assets and Noncontrolling Interests	\$ 15,589,357	\$ 1,283,004	\$ 16,515,526	\$ 2,193,287	\$ 7,116,193	\$ 10,896,043	\$ 15,723,655	\$ 30,795,595	\$ 100,112,660	\$ (4,762,055)	\$ 95,350,605

See Independent Auditors' Report.

JERICO PROJECT AND AFFILIATES
**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

	Jericho Project, Inc.	Jericho Project HDFC	Jericho Anthony Ave HDFC	Jericho Residence V HDFC	89-101 West Tremont, LP	355-359 E. 194th Street LP	2701 Kingsbridge Terrace LP	2065 Walton Ave Associates LLC	Sub - Total	Consolidating Eliminations	Total
Revenue and Support											
Rental revenue - subsidy and tenant	\$ 431,865	\$ 346,258	\$ 433,398	\$ 930,378	\$ 872,327	\$ 1,035,602	\$ 930,746	\$ 1,703,180	\$ 6,683,754	\$ -	\$ 6,683,754
Supportive services	18,323,416	217,199	234,347	195,678	666,939	724,336	979,984	-	21,341,899	-	21,341,899
Foundations	111,400	-	-	-	-	-	-	-	111,400	-	111,400
Corporations	276,224	-	-	-	-	-	-	-	276,224	-	276,224
Individuals	627,057	-	-	-	-	-	-	-	627,057	-	627,057
Investment income	623,298	46	-	-	82	-	102	-	623,528	(74,365)	549,163
Other	352,583	-	180	-	-	85	441	6,010	359,299	-	359,299
Management and development fees	2,455,633	-	-	-	-	-	-	-	2,455,633	(1,957,248)	498,385
Total Revenue and Support	23,201,476	563,503	667,925	1,126,056	1,539,348	1,760,023	1,911,273	1,709,190	32,478,794	(2,031,613)	30,447,181
Expenses											
Housing service	9,330,492	737,787	746,945	924,258	1,406,451	1,568,884	1,508,730	2,719,834	18,943,381	(545,137)	18,398,244
Social service	10,118,957	324,968	346,179	328,380	671,657	731,350	986,070	5,587	13,513,148	(1,486,476)	12,026,672
Supporting services											
Management and General	3,082,891	-	-	-	-	-	-	-	3,082,891	-	3,082,891
Fundraising	613,626	-	-	-	-	-	-	-	613,626	-	613,626
Total Expenses	23,145,966	1,062,755	1,093,124	1,252,638	2,078,108	2,300,234	2,494,800	2,725,421	36,153,046	(2,031,613)	34,121,433
Change in net assets including noncontrolling interest	55,510	(499,252)	(425,199)	(126,582)	(538,760)	(540,211)	(583,527)	(1,016,231)	(3,674,252)	-	(3,674,252)
Change in net assets attributable to noncontrolling interest	-	-	-	-	538,760	540,211	583,527	1,016,231	2,678,729	-	2,678,729
Change in Net Assets Without Donor Restrictions	55,510	(499,252)	(425,199)	(126,582)	-	-	-	-	(995,523)	-	(995,523)
Net Assets Without Donor Restrictions, beginning of year	15,813,293	(3,886,246)	(2,705,531)	(2,373,818)	-	-	-	-	6,847,698	(1,453,839)	5,393,859
Net Assets Without Donor Restrictions, end of year	\$ 15,868,803	\$ (4,385,498)	\$ (3,130,730)	\$ (2,500,400)	\$ -	\$ -	\$ -	\$ -	\$ 5,852,175	\$ (1,453,839)	\$ 4,398,336
Noncontrolling interests, beginning of year					(4,013,062)	14,588	(2,409,552)	9,850,384	3,442,358	-	3,442,358
Change in net assets attributable to noncontrolling interest					(538,760)	(540,211)	(583,527)	(1,016,231)	(2,678,729)	-	(2,678,729)
Noncontrolling interests, end of year					\$ (4,551,822)	\$ (525,623)	\$ (2,993,079)	\$ 8,834,153	\$ 763,629	\$ -	\$ 763,629

See Independent Auditors' Report.

JERICHO PROJECT AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Grantor/Program or Cluster Title	Federal Assistance Listing Number ("ALN")	Federal Expenditures
<u>Federal Awards:</u>		
U. S. Department of Housing and Urban Development - Supportive Housing Program	14.235/Section 8	\$ 1,885,645
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/Section 8	1,197,347
Department of Veterans Affairs - Supportive Services for Veterans Families	64.033/14-NY-250	3,197,744
Department of Veterans Affairs- Supportive Services for Veterans Families	64.033/S20-NY-600A	2,242,029
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/NY0303	54,965
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/NY1480H2T002200	835,733
U. S. Department of Housing and Urban Development - Continuum of Care Program	14.267/NY1044	<u>5,055,693</u>
Total expenditures of Federal awards		<u>14,469,156</u>
<u>State and City Awards:</u>		
NYCHA SEC8		1,717,145
N.Y.S. Office of Mental Health		7,633,033
N.Y.C Human Resources Administration Department of Social Services		691,591
N.Y.C Department of Youth and Community Development		340,000
N.Y.C Human Resources Administration ("HRA")- Subcontract Home Base		<u>797,529</u>
Total expenditures of State and City awards		<u>11,179,298</u>
Total expenditures of Federal and State awards		<u><u>\$ 25,648,454</u></u>

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

JERICOHO PROJECT AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS JUNE 30, 2024

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal award activity of Jericho Project and Affiliates under programs of the federal government for the year ended June 30, 2024. 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 any funds related to their federal and state awards to any subrecipients.

D. LOAN AND GUARANTEE PROGRAMS

As of June 30, 2024, there were no outstanding loans due to federal government agencies.



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 (a non-profit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2024. The financial statements of certain affiliates (89-101 West Tremont, L.P., 355-359 E. 194th Street LP, 2701 Kingsbridge Terrace LP, and 2065 Walton Ave Associates LLC, which are excluded in the reference to Jericho Project and Affiliates going forward in this report) 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.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jericho Project and Affiliates' consolidated financial statements are free from 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 financial statements. 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.

Nutley, New Jersey
November 18, 2024


GELTRUDE & COMPANY, LLC



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

Opinion on Each Major Federal Program

We have audited Jericho Project and Affiliates' compliance with the types of compliance requirements identified as subject to audit 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 June 30, 2024. Jericho Project and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Jericho Project and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Jericho Project and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Jericho Project and Affiliates' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Jericho Project and Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Jericho Project and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Jericho Project and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Jericho Project and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Jericho Project and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



GELTRUDE & COMPANY, LLC

Nutley, New Jersey
November 18, 2024

JERICO PROJECT AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

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

Federal Assistance Listing Number

Name of Federal Program or Cluster

64.033	Department of Veterans' Affairs Supportive Services for Veterans' Families
14.235/Section 8	U. S. Department of Housing and Urban Development - Supportive Housing Program
14.267/Section 8	U. S. Department of Housing and Urban Development - Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Audit Findings

None