

JERICO ROAD MINISTRIES, INC.

Financial Statements

June 30, 2010

(With Independent Auditors' Report Thereon)

JERICO ROAD MINISTRIES, INC.

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TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jericho Road Ministries, Inc.:

We have audited the accompanying statement of financial position of Jericho Road Ministries, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Jericho Road Ministries, Inc.'s 2009 financial statements which were audited by other auditors whose report dated January 8, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jericho Road Ministries, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Toski, Schaefer & Co., P.C.

Williamsville, New York
March 4, 2011

JERICHO ROAD MINISTRIES, INC.
Statement of Financial Position
June 30, 2010
with comparative totals for 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 53,084	159,122
Accounts receivable	<u>55,481</u>	<u>6,206</u>
Total current assets	<u>108,565</u>	<u>165,328</u>
Property and equipment, at cost	659,564	643,457
Less accumulated depreciation	<u>(42,587)</u>	<u>(23,142)</u>
Net property and equipment	<u>616,977</u>	<u>620,315</u>
Total assets	<u>\$ 725,542</u>	<u>785,643</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	40,468	5,386
Accrued expenses	<u>12,133</u>	<u>6,579</u>
Total current liabilities	<u>52,601</u>	<u>11,965</u>
Net assets:		
Unrestricted	633,939	697,932
Temporarily restricted	<u>39,002</u>	<u>75,746</u>
Total net assets	<u>672,941</u>	<u>773,678</u>
Total liabilities and net assets	<u>\$ 725,542</u>	<u>785,643</u>

See accompanying notes to financial statements.

JERICHO ROAD MINISTRIES, INC.
Statement of Activities
Year ended June 30, 2010
with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Revenue:				
Contributions, grants, contracts	\$ 137,607	537,719	675,326	478,991
Rental income	75,221	-	75,221	73,183
Interest income	43	-	43	1,540
Miscellaneous	15,324	2,409	17,733	3,644
Net assets released from restrictions - satisfaction of program restrictions	<u>576,872</u>	<u>(576,872)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>805,067</u>	<u>(36,744)</u>	<u>768,323</u>	<u>557,358</u>
Expenses:				
Program services	585,537	-	585,537	484,500
Supporting services	<u>283,523</u>	<u>-</u>	<u>283,523</u>	<u>162,934</u>
Total expenses	<u>869,060</u>	<u>-</u>	<u>869,060</u>	<u>647,434</u>
Decrease in net assets	(63,993)	(36,744)	(100,737)	(90,076)
Net assets at beginning of year	<u>697,932</u>	<u>75,746</u>	<u>773,678</u>	<u>863,754</u>
Net assets at end of year	<u>\$ 633,939</u>	<u>39,002</u>	<u>672,941</u>	<u>773,678</u>

See accompanying notes to financial statements.

JERICHO ROAD MINISTRIES, INC.
Statement of Functional Expenses
Year ended June 30, 2010
with comparative totals for 2009

	<u>Supporting Services</u>				<u>Total</u>	
	<u>Program services</u>	<u>Management and general</u>	<u>Building operations</u>	<u>Total supporting services</u>	<u>2010</u>	<u>2009</u>
Payroll	\$ 266,432	104,083	-	104,083	370,515	338,724
Employee benefits	5,589	4,044	-	4,044	9,633	21,327
Payroll taxes	31,146	11,831	-	11,831	42,977	25,912
Total payroll and related expenses	303,167	119,958	-	119,958	423,125	385,963
Equipment expense	544	2,722	3,255	5,977	6,521	4,848
Office expense	32,205	33,323	20,400	53,723	85,928	28,615
Building expenses	-	-	53,225	53,225	53,225	59,050
Professional services	205,176	25,010	-	25,010	230,186	65,599
Other expenses	44,445	5,946	239	6,185	50,630	86,429
Total expenses before depreciation	585,537	186,959	77,119	264,078	849,615	630,504
Depreciation	-	3,918	15,527	19,445	19,445	16,930
Total expenses	<u>\$ 585,537</u>	<u>190,877</u>	<u>92,646</u>	<u>283,523</u>	<u>869,060</u>	<u>647,434</u>

See accompanying notes to financial statements.

JERICHO ROAD MINISTRIES, INC.
Statement of Cash Flows
Year ended June 30, 2010
with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (100,737)	(90,077)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	19,445	16,930
Changes in:		
Accounts receivable	(49,275)	(1,843)
Accounts payable	35,082	1,960
Accrued expenses	<u>5,554</u>	<u>4,147</u>
Net cash used in operating activities	(89,931)	(68,883)
Cash flows from investing activities - additions to property and equipment	<u>(16,107)</u>	<u>(51,106)</u>
Net decrease in cash	(106,038)	(119,989)
Cash at beginning of year	<u>159,122</u>	<u>279,111</u>
Cash at end of year	<u>\$ 53,084</u>	<u>159,122</u>

See accompanying notes to financial statements.

JERICO ROAD MINISTRIES, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(1) Organization

(a) Nature of Activities

Jericho Road Ministries, Inc. (the Organization) is a nonprofit organization established to:

- (1) Assist in meeting the non-medical needs of refugee and low-income residents of the West Side of Buffalo, New York, to provide more holistic services to the community.
- (2) Facilitate wellness and self-sufficiency by addressing health, education, and economic barriers through programs, designed in partnership with the community, which address unmet needs of such persons, such as financial education, mentoring for expectant mothers, nutrition workshops, life skills development, early childhood literacy, and after-school support.
- (3) Engage in collaborations and strategic partnerships, referring clients to existing community services and working with complimentary service entities to provide coordinated, improved, and unduplicated services.
- (4) Facilitate opportunities to engage volunteers from area churches and the surrounding communities in mutually beneficial community opportunities, such as mentoring relationships and community revitalization projects.

(b) Merger

On July 1, 2009, the Organization merged with Hope Refugee Services, Inc., a not-for-profit organization. The staff and programs of each were integrated into three branches of service: Health and Family Services, Adult Empowerment, and Youth and Education. Jericho Road Ministries, Inc. is the surviving entity. Hope Refugee Services, Inc. was founded in August 2007 with the goal of providing additional, post-resettlement support to refugee families as they strive for economic independence and successful integration into their communities.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization did not have any permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

JERICO ROAD MINISTRIES, INC.
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

(c) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Receivables

Receivables 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.

(f) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

(g) Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No impairment loss has been recognized by the Organization for the year ended June 30, 2010.

JERICO ROAD MINISTRIES, INC.
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(i) Contributed Services

During the year ended June 30, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

(j) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Subsequent Events

The Organization has evaluated events after June 30, 2010, and through March 4, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(l) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements.

(3) Property and Equipment

Property and equipment at June 30, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Land and building	\$ 621,102	621,102
Equipment	21,666	8,214
Furniture and fixtures	<u>16,796</u>	<u>14,141</u>
	659,564	643,457
Less accumulated depreciation	<u>(42,587)</u>	<u>(23,142)</u>
Net property and equipment	\$ <u>616,977</u>	<u>620,315</u>

JERICO ROAD MINISTRIES, INC.
Notes to Financial Statements, Continued

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets amounting to \$39,002 and \$75,746 at June 30, 2010 and 2009, respectively, are available for various specific program purposes.

(5) Net Assets Released From Restrictions

Net assets which were released from restrictions by incurring expenses in satisfaction of various specific program purpose restrictions amounted to \$576,872 for the year ended June 30, 2010.

(6) Economic Dependency

A material part of the Organization's funding is dependent upon a few grants, the loss of which would have a material adverse effect on the Organization. In 2010, funding from the United Way of Buffalo and Erie County and from the Wesleyan Church of Hamburg accounted for 17% and 18%, respectively, of the Organization's total revenue.