



LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2011 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lenox Hill Neighborhood House, Inc. and Affiliates

We have audited the accompanying consolidated statements of financial position of Lenox Hill Neighborhood House, Inc. and Affiliates (collectively, the "Organization") as of June 30, 2011 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lenox Hill Neighborhood House, Inc. and Affiliates, as of June 30, 2011 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Lenox Hill Neighborhood House, Inc. and Affiliates as a whole. The consolidating information (shown on pages 17-20) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities, 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. Such information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects when considered in relation to the consolidated financial statements as a whole.

Marks Paneth & Shron LLP

New York, NY
December 5, 2012

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2011 AND 2012**

	<u>2011</u>	<u>2012</u>
ASSETS		
Cash and equivalents (Notes 2 and 14)	\$ 2,688,979	\$ 1,388,953
Accounts receivable, net (Notes 2, 3 and 11)	1,152,190	1,327,919
Pledges receivable (Notes 2, 4 and 5)	80,100	138,306
Prepayments and other	157,456	182,331
Investments (Notes 2 and 5)	10,027,550	11,667,756
Restricted deposits and funded reserves (Note 6)	663,548	667,992
Property and equipment, net (Notes 2 and 7)	<u>6,915,912</u>	<u>7,516,042</u>
 TOTAL ASSETS	 <u><u>\$ 21,685,735</u></u>	 <u><u>\$ 22,889,299</u></u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 666,280	\$ 630,805
Accrued salaries and others	483,980	631,228
Long-term debt (Note 8)	2,989,399	2,989,399
Tenant security deposits	21,238	21,488
Government and other advances	<u>306,328</u>	<u>486,038</u>
Total	<u>4,467,225</u>	<u>4,758,958</u>
 COMMITMENTS AND CONTINGENCIES (Note 13)		
 NET ASSETS		
Unrestricted		
Property and equipment	4,590,061	5,194,635
Operations	1,973,473	451,199
Unrestricted endowment (Note 5)	<u>8,027,438</u>	<u>9,422,347</u>
Total unrestricted	14,590,972	15,068,181
Temporarily restricted (Note 12)	627,426	786,751
Restricted endowment (Notes 5)	<u>2,000,112</u>	<u>2,275,409</u>
 TOTAL NET ASSETS	 <u>17,218,510</u>	 <u>18,130,341</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 21,685,735</u></u>	 <u><u>\$ 22,889,299</u></u>

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
AS OF JUNE 30, 2011 AND 2012

	2011				2012			
	Unrestricted	Restricted		Total	Unrestricted	Restricted		Total
		Temporarily	Permanently			Temporarily	Permanently	
Operating Revenue								
Government agencies (Note 2)	\$ 8,374,735	\$ -	\$ -	\$ 8,374,735	\$ 8,658,342	\$ -	\$ -	\$ 8,658,342
Special events	1,011,019	-	-	1,011,019	1,406,815	-	-	1,406,815
Associated expenses	(214,184)	-	-	(214,184)	(274,481)	-	-	(274,481)
Special events, net	796,835	-	-	796,835	1,132,334	-	-	1,132,334
Contributions (Notes 2 and 10)	1,536,201	1,180,461	-	2,716,662	1,058,743	1,162,133	-	2,220,876
Rental income	11,446	-	-	11,446	476,706	-	-	476,706
Net assets released from restrictions (Note 12)	1,424,263	(1,424,263)	-	-	1,057,808	(1,057,808)	-	-
Subtotal	3,768,745	(243,802)	-	3,524,943	3,725,591	104,325	-	3,829,916
Dues and fees	1,209,664	-	-	1,209,664	1,125,791	-	-	1,125,791
Interest	9,054	-	-	9,054	6,020	-	-	6,020
Subtotal	1,218,718	-	-	1,218,718	1,131,811	-	-	1,131,811
Total Operating Revenues	13,362,198	(243,802)	-	13,118,396	13,515,744	104,325	-	13,620,069
Operating Expenses								
Program services	10,538,964	-	-	10,538,964	11,391,481	-	-	11,391,481
Management and general	1,698,559	-	-	1,698,559	1,746,617	-	-	1,746,617
Fund raising	283,346	-	-	283,346	295,524	-	-	295,524
Total Operating Expenses	12,520,869	-	-	12,520,869	13,433,622	-	-	13,433,622
Operating Income	841,329	(243,802)	-	597,527	82,122	104,325	-	186,447
Non-Operating								
Gifts to endowment (Notes 2 and 10)	-	-	259,696	259,696	-	-	294,525	294,525
Bequests (Notes 2 and 10)	294,307	-	-	294,307	359,332	-	-	359,332
Foundation capital gifts (Note 10)	-	55,000	-	55,000	-	55,000	-	55,000
Investment income (Note 5)	1,129,074	-	254,104	1,383,178	66,259	-	(49,732)	16,527
Total Non-Operating Income	1,423,381	55,000	513,800	1,992,181	425,591	55,000	244,793	725,384
Transfer of fund from Unrestricted to Restricted	-	-	-	-	(30,504)	-	30,504	-
Changes in Net Assets	2,264,710	(188,802)	513,800	2,589,708	477,209	159,325	275,297	911,831
Net Assets - Beginning of Year	12,326,262	816,228	1,486,312	14,628,802	14,590,972	627,426	2,000,112	17,218,510
Net Assets - End of Year	\$ 14,590,972	\$ 627,426	\$ 2,000,112	\$ 17,218,510	\$ 15,068,181	\$ 786,751	\$ 2,275,409	\$ 18,130,341

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
AS OF JUNE 30, 2011

	Program Services								Supporting Services		
	Children and Family	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy and Organizing	Visual and Performing Arts	Fitness	Total	Management and General	Fund Raising	Total 2011
Personnel	\$ 1,633,482	\$ 1,706,294	\$ 127,311	\$ 2,259,967	\$ 564,144	\$ 384,363	\$ 411,161	\$ 7,086,722	\$ 1,090,282	\$ 250,659	\$ 8,427,663
Professional fees	9,122	-	-	432	432	-	-	9,986	65,427	-	75,413
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	208,759	-	208,759
Services provided by non-agency personnel	18,535	40,702	-	210,507	-	4,485	-	274,229	4,997	825	280,051
Insurance	38,475	17,868	2,038	18,944	7,828	7,693	15,667	108,513	19,009	3,784	131,306
Program activities	33,446	6,625	2,291	47,871	23,269	9,899	8,767	132,168	2,014	1,083	135,265
Occupancy and supplies	218,444	82,933	5,843	215,056	6,999	22,024	65,843	617,142	28,887	691	646,720
Equipment (Note 2)	9,131	6,851	123	4,830	84	576	1,625	23,220	735	1,817	25,772
Telephone	10,188	36,334	3,262	29,371	6,564	2,700	1,869	90,288	12,841	1,991	105,120
Office supplies	30,035	27,649	2,596	33,562	18,714	9,484	8,124	130,164	68,708	14,609	213,481
Repairs and materials	60,550	29,411	2,031	67,305	2,207	8,880	36,306	206,690	14,932	331	221,953
Food	133,806	193,262	24	159,819	3	745	57	487,716	465	346	488,527
Transportation	2,565	31,578	14	11,578	317	4,043	241	50,336	9,293	19	59,648
Bad debt	34,728	-	-	-	-	6,056	-	40,784	-	-	40,784
Payments to Subgrantees	-	438,399	-	149,093	-	-	-	587,492	-	-	587,492
Depreciation	215,082	41,908	9,352	5,968	6,386	43,793	123,591	446,080	55,921	1,374	503,375
Loss on write off of property and equipment	88,845	17,311	3,863	1,831	2,638	18,090	51,053	183,631	23,100	568	207,299
Interest Expense	-	-	-	1,038	-	-	-	1,038	-	-	1,038
Other	7,220	10,683	1,044	12,935	16,818	3,653	10,412	62,765	93,189	5,249	161,203
TOTAL EXPENSES	\$ 2,543,654	\$ 2,687,808	\$ 159,792	\$ 3,230,107	\$ 656,403	\$ 526,484	\$ 734,716	\$ 10,538,964	\$ 1,698,559	\$ 283,346	\$ 12,520,869

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
(With Comparative Totals for 2011)
Year Ended June 30, 2012

	Program Services								Supporting Services			Year Ended June 30, 2011
	Children and Family	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy and Organizing	Visual and Performing Arts	Fitness	Total	Management and General	Fund Raising	Total 2012	
Personnel	\$ 1,743,297	\$ 1,814,104	\$ 50,157	\$ 2,374,922	\$ 459,129	\$ 390,748	\$ 419,452	7,251,809	\$ 1,126,659	\$ 250,157	\$ 8,628,625	\$ 8,427,663
Professional fees	10,900	-	-	24,917	214	-	-	36,031	67,280	-	103,311	75,413
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	190,655	-	190,655	208,759
Services provided by non-agency personnel	26,617	24,413	149	207,345	102	5,198	2,464	266,288	9,009	22	275,319	280,051
Insurance	33,715	17,190	1,158	59,753	6,689	6,576	12,367	137,448	18,037	4,045	159,530	131,306
Program activities	27,701	22,822	387	56,007	21,235	13,150	4,457	145,759	3,379	1,293	150,431	135,265
Occupancy and supplies	155,755	97,784	6,518	467,611	8,288	30,537	93,825	860,318	38,689	958	899,965	646,720
Equipment (Note 2)	6,384	86,782	114	54	78	534	41,255	135,201	681	17	135,899	25,772
Telephone	11,350	27,254	253	30,572	5,739	5,014	3,774	83,956	12,675	1,365	97,996	105,120
Office supplies	36,511	58,775	1,264	51,722	20,514	12,757	13,607	195,150	81,686	31,642	308,478	213,481
Repairs and materials	58,969	216,272	2,030	72,714	2,220	9,890	47,613	409,708	16,886	358	426,952	221,953
Food	170,809	270,740	-	168,856	-	776	131	611,312	1,353	-	612,665	488,527
Transportation	5,307	40,880	44	14,589	400	4,065	579	65,864	11,112	79	77,055	59,648
Bad debt	867	1,365	-	2,476	-	345	-	5,053	-	-	5,053	40,784
Payments to Subgrantees	-	315,750	-	89,816	-	-	-	405,566	-	-	405,566	587,492
Depreciation	257,205	50,115	11,183	61,303	7,637	52,370	147,797	587,610	66,873	1,643	656,126	503,375
Loss on write off of property and equipment	4,448	867	193	92	132	906	2,556	9,194	1,156	28	10,378	207,299
Interest Expense	-	-	-	33,084	-	-	-	33,084	-	-	33,084	1,038
Other	23,279	13,092	698	21,970	77,647	5,999	9,445	152,130	100,487	3,917	256,534	161,203
TOTAL EXPENSES	\$ 2,573,114	\$ 3,058,205	\$ 74,148	\$ 3,737,803	\$ 610,024	\$ 538,865	\$ 799,322	\$ 11,391,481	\$ 1,746,617	\$ 295,524	\$ 13,433,622	\$ 12,520,869

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2012**

	<u>2011</u>	<u>2012</u>
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 2,589,708	\$ 911,831
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	503,375	656,126
Loss on write off of property and equipment	207,299	10,378
Bad debt	40,784	5,053
Realized (gain)/loss on the sale of investments	(371,684)	246,734
Unrealized gain on investments	(851,010)	(127,195)
Interest and dividend income on investments	(229,302)	(219,038)
Management fees on investments	68,840	83,150
Contributions for capital expenditures	(55,000)	(55,000)
Contributions for endowment	(554,003)	(653,857)
Transfer to endowment from operations	-	(1,000,000)
Contributions as a result of the acquisition of the HDFC and its affiliates	<u>(794,928)</u>	<u>-</u>
Sub-total	<u>554,079</u>	<u>(141,818)</u>
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	(43,929)	(180,782)
Pledges receivable	170,900	(58,206)
Prepayments and other	44,378	(24,875)
Restricted deposits and funded reserves	247,327	(4,444)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	56,607	(35,475)
Accrued salaries and others	(35,464)	147,248
Tenant security deposits	-	250
Government and other advances	<u>18,937</u>	<u>179,710</u>
Net Cash Provided by (Used in) Operations	<u>1,012,835</u>	<u>(118,392)</u>
CASH FLOWS FROM INVESTING		
Purchase of property and equipment	(951,480)	(1,266,635)
Management fees on investments	(68,840)	(83,150)
Purchase of investments	(5,398,835)	(6,865,505)
Sale of investments	4,684,370	5,112,761
Cash acquired in purchase of Casa Mutua Limited Partnership	296,549	-
Cash acquired in purchase of Casa Mutua, Inc.	<u>319,022</u>	<u>-</u>
Net Cash Used in Investing	<u>(1,119,214)</u>	<u>(3,102,529)</u>
CASH FLOWS FROM FINANCING		
Foundation capital gifts	55,000	55,000
Bequests	294,307	359,332
Restricted endowment gifts	259,696	294,525
Transfer to endowment from operations	-	1,000,000
Interest and dividends restricted for reinvestment	<u>229,302</u>	<u>212,038</u>
Net Cash Provided by Financing	<u>838,305</u>	<u>1,920,895</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	731,926	(1,300,026)
Cash and equivalents - beginning of the year	<u>1,957,053</u>	<u>2,688,979</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 2,688,979</u>	<u>\$ 1,388,953</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 580</u>	<u>\$ 2,199</u>
Supplementary Disclosure of Noncash Investing and Financing activities:		
On June 21, 2011, a third party elected to turn over its Limited Partner interest in Casa Mutua Limited Partnership to 159-61 East 102nd Street Housing Development Fund Corporation, a not-for-profit entity controlled by Lenox Neighborhood House, Inc. (see Note 1).		
Fair value of assets acquired	\$ 4,217,404	
Liabilities assumed	<u>3,422,476</u>	
Contribution	<u>\$ 794,928</u>	

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 118 year-old community service organization located in New York City. Each year, the Organization provides assistance to over 20,000 people in need who live, work or attend school on the East Side of Manhattan. The Neighborhood House is the oldest and largest social service and educational organization on the Upper East Side. Founded in 1894 to provide free kindergarten for immigrant children, the Organization has greatly expanded its range of services. Throughout, it has sought to help people in its community gain the skills necessary to better themselves. The Organization's service area extends from Fifth Avenue to the East River and from 14th Street to 143rd Street. Its principal programs serve children and families, homeless and formerly homeless adults, older adults, disabled persons, immigrants and adult learners. The Neighborhood House is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code.

The Neighborhood House appoints the directors of and has overseen a special purpose not-for-profit corporation, 159-61 East 102nd Street Housing Development Fund Corporation (the "HDFC"). HDFC owns the stock of Casa Mutua, Inc., a New York corporation that serves as General Partner of Casa Mutua Limited Partnership (the "Partnership"). The Partnership owns and operates a building at 159-61 East 102nd Street in Manhattan and provides permanent supportive housing for 54 formerly homeless persons who live with mental illness. Until June 21, 2011, a third party owned the limited partner's interest in the Partnership. On that date, having exhausted the tax benefits available through the Partnership, the third party elected to turn over the Limited Partner's interest to the HDFC making the HDFC the sole owner of the Partnership. Because the Neighborhood House controls the HDFC and no other party held an interest in the Partnership subsequent to that date, the Partnership became an affiliate whose financial statements must be consolidated with those of the Neighborhood House. These statements reflect the fair value of the assets acquired and liabilities assumed at June 21, 2011. See also Notes 6, 7 and 11.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lenox Hill Neighborhood House, Inc. and Affiliate's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions are eliminated.

Revenue Recognition

The Neighborhood House receives its funding from city, state and federal government agencies ("Government Funds") and from private donors including individuals, estates, corporations, foundations and other not-for-profit entities ("Gifts"). Other than in the case of performance based contracts, Government Funds are recorded as revenue once the expenses to which they are related are incurred. In the case of performance based government contracts, revenue is recognized when the service associated with the revenue has been completed and the related vouchers have been submitted to the government for payment. Gifts are recorded as revenue when they are reported to the Organization and their amount becomes reasonably certain. Gifts are recorded as restricted if donors stipulate their use. When restrictions expire, temporarily restricted assets are reclassified as unrestricted and reported in the statement of activities as Net Assets Released from Restrictions. Gifts received with stipulations that do not expire are recorded as permanently restricted. Gifts to the endowment received with donor stipulations that do not expire are recorded in the "Restricted Endowment." The Restricted Endowment may not be drawn from until its balance exceeds \$3 million and its assets will be retained in perpetuity to support the Neighborhood House's mission.

During the years ended June 30, 2011 and 2012, contributed professional services of \$208,759 and \$190,655, respectively, were received. These contributions are reflected as revenue and an equal expense in the period received. The value of non-professional time is not reflected in the financial statements as it does not meet the criteria for recognition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursements from government agencies for prior years are occasionally adjusted in subsequent years due to audit adjustments or the receipt of additional monies over and above contract amounts. Income for services rendered between programs is recorded as revenue in the program that provides the service and as an expense in the program using the service. Such amounts have been eliminated in the financial statements. Non-operating revenue consists of gifts to endowment, capital gifts, bequests and investment income.

The Partnership's apartment rental income is recognized as it accrues. Advanced receipt of rental income is deferred until earned.

Accounts and Pledges Receivable

Allowances for doubtful accounts are provided on accounts and pledges receivable when management deems appropriate. These allowances are based on management's assessment of the collectability of these accounts. However, the Neighborhood House continues to seek collection of these funds. At June 30, 2011 and 2012, allowances totaling \$24,005 and \$26,480, respectively, were booked against accounts receivable, virtually all of which were due from the New York City Administration for Children's Services. No allowance against pledges was believed necessary. The Organization does not discount to present value contributions that will be received in more than one year because that discount is deemed immaterial.

Cash and Equivalents

Cash and equivalents include highly liquid instruments having original maturities of 3 months or less. Cash and equivalents in the Endowment (see Note 5) are treated as investments.

Statement of Cash Flows

For purposes of the statement of cash flow, the Organization considers income designated by the Board as unrestricted endowment as a cash flow provided by financing activities. This includes the general allocation of funds from the operating accounts to unrestricted endowment.

Investments and Investment Income

The Organization reflects investments at fair value in the accompanying statements of financial position. Interest, dividends and gains and losses on investments are reflected in the statements of activities as increases and decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Fair Value Measurements

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

Property and Equipment

Property and equipment is reported at cost less accumulated depreciation. Property and equipment with a cost of \$5,000 or more, and a useful life greater than one year, is capitalized and depreciated over its estimated useful life utilizing the straight-line method. When assets are retired or disposed of, their cost and accumulated depreciation is removed from the accounts and any gain or loss is reflected in operations. Prior to July 1, 2010, the cost of purchasing property and equipment that was reimbursed by a governmental source was reflected as an expense and was not capitalized. Since that time, similar purchases have been capitalized if the property is owned by the Organization. Repairs and Maintenance are charged to operations as incurred. Costs of betterments, which are not from a government source and materially extend the useful lives of property and equipment, are capitalized. Property acquired in the consolidation of the HDFC was measured at fair value, which was determined by an independent

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

Because the Organization is a multi-program/multi-funded organization, certain costs have been allocated among programs and supporting functions as determined by management.

Income Taxes

The Organization has no uncertain tax positions as of June 30, 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for fiscal years before 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Recent Accounting Standards

Effective July 1, 2010, the Organization partially adopted Accounting Standards Update 2010-6 ("ASU 2010-6"), Fair Value Measurements and Disclosures (Topic 820), "Improving Disclosures about Fair Value Measurements." This guidance requires disclosures regarding: (a) significant transfers between Level 1 and Level 2 and the reasons for the transfers; (b) the level of disaggregation of fair value measurements for each class of assets and liabilities; (c) the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for assets and liabilities in both Level 2 and 3; and (d) purchases, sales, issuances and settlements within Level 3 on a gross basis rather than as one net amount. The Organization's management does not expect the adoption of ASU 2010-6 to have a material impact on the Organization's financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>At June 30,</u>	
	<u>2011</u>	<u>2012</u>
Due from government agencies	\$ 1,086,065	\$ 1,295,479
Due from related parties	22,387	-
Due from tenants	25,664	9,222
Other	<u>42,079</u>	<u>49,698</u>
Subtotal	1,176,195	1,354,399
Less: Allowance for doubtful accounts	<u>(24,005)</u>	<u>(26,480)</u>
Total	<u>\$ 1,152,190</u>	<u>\$ 1,327,919</u>

As of September 30, 2012, all but \$109,829 of fiscal 2011 and \$309,576 of fiscal 2012 receivables had been collected.

NOTE 4 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	<u>At June 30,</u>	
	<u>2011</u>	<u>2012</u>
Due in less than a year	\$ 55,100	\$ 138,306
Due in fiscal 2013	<u>25,000</u>	<u>-</u>
	<u>\$ 80,100</u>	<u>\$ 138,306</u>

NOTE 5- ENDOWMENT

In recent years, the Neighborhood House has established a significant pool of financial assets to serve as an endowment (the "Endowment"). The Endowment is comprised of two parts: 1) funds set aside by the Board which are unencumbered by donor restrictions (the "Unrestricted Endowment") and 2) amounts covered by permanent donor restrictions (the "Restricted Endowment"). The Unrestricted Endowment is intended to provide sustainable financial support for the Organization and, if deemed necessary, support in an emergency as determined by the Board. In combination, these funds are referred to as the Endowment.

At June 30, 2011, the Unrestricted Endowment totaled \$8,027,438 and the Restricted Endowment totaled \$2,000,112, or \$10,027,550 in total. At June 30, 2012, the Unrestricted Endowment totaled \$9,422,347 and the Restricted Endowment totaled \$2,245,409, or \$11,667,756 in total. Contributions to the Restricted Endowment for the year ended June 30, 2012 included a pledge in the amount of \$30,000, which was received on July 23, 2012.

The Neighborhood House's current investment policy for the Endowment is to invest in a mix of equity and fixed income securities based on a target allocation set periodically by the Board's Finance and Audit Committee. The objective is to preserve the "real" or inflation adjusted principal of the Endowment, to obtain relatively stable returns and to achieve long-term growth. The Neighborhood House focuses on total return (capital gains or losses plus interest and dividends).

Changes In Endowment In Fiscal 2011

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 6,604,079	\$ 1,486,312	\$ 8,090,391
Contributions	294,307	259,696	554,003
Investment activity			
Interest and dividends	187,176	42,126	229,302
Realized gain	303,401	68,283	371,684
Unrealized gain	694,668	156,342	851,010
Management fees	(56,193)	(12,647)	(68,840)
Sub-total investment activity	<u>1,129,052</u>	<u>254,104</u>	<u>1,383,156</u>
Total Changes	<u>1,423,359</u>	<u>513,800</u>	<u>1,937,159</u>
End of year	\$ <u>8,027,438</u>	\$ <u>2,000,112</u>	\$ <u>10,027,550</u>

NOTE 5 - ENDOWMENT (Continued)

Changes In Endowment In Fiscal 2012

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 8,027,438	\$ 2,000,112	\$ 10,027,550
Contributions	359,332	294,525	653,857
Transfers from operating accounts	1,000,000	-	1,000,000
Cash transfers between funds	(30,504)	30,504	-
Investment activity			
Interest and dividends	180,815	38,223	219,038
Realized (loss)	(197,821)	(48,913)	(246,734)
Unrealized gain/(loss)	152,182	(24,987)	127,195
Management fees	(69,095)	(14,055)	(83,150)
Sub-total investment activity	66,081	(49,732)	16,349
Total Changes	1,394,909	275,297	1,670,206
End of year	\$ 9,422,347	\$ 2,275,409	\$ 11,697,756

Endowment assets consist of investments which are carried at fair value. At June 30, 2012, the endowment assets of \$11,697,756 included investments of \$11,667,756 and \$30,000 in pledge receivables. The value of investments, all of which were marketable, as of September 30, 2012 was \$12,883,285. The Neighborhood House's investments are managed, on a discretionary basis, by Wilkinson O'Grady & Co., Inc. ("Wilkinson O'Grady"), a New York-based investment firm. On August 19, 2011, the endowment was segregated into two separate accounts: Restricted and Unrestricted. Investments consisted of the following at June 30, 2011 and 2012:

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Cash and equivalents	\$ 296,089	\$ 384,532	\$ 73,773	\$ 110,688	\$ 369,862	\$ 495,220
Equities	5,860,120	6,544,804	1,460,104	1,523,358	7,320,224	8,068,162
Fixed income	1,562,658	2,140,241	389,351	567,855	1,952,009	2,708,096
Exchange-traded fund	308,571	352,770	76,884	43,508	385,455	396,278
Total	\$ 8,027,438	\$ 9,422,347	\$ 2,000,112	\$ 2,245,409	\$ 10,027,550	\$ 11,667,756

Investments are subject to market fluctuations that could substantially change their values. Restricted net assets at June 30, 2012 were \$2,275,409, of which \$2,245,409 and \$30,000 were included in investments and pledges receivable, respectively.

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Interest and dividends	\$ 187,176	\$ 180,815	\$ 42,126	\$ 38,223	\$ 229,302	\$ 219,038
Realized loss on investments	303,401	(197,821)	68,283	(48,913)	371,684	(246,734)
Unrealized gain (loss) on investments	694,668	152,182	156,342	(24,987)	851,010	127,195
	1,185,245	135,176	266,751	(35,677)	1,451,996	99,499
Less Management fees	(56,193)	(69,095)	(12,647)	(14,055)	(68,840)	(83,150)
	\$ 1,129,052	\$ 66,081	\$ 254,104	\$ (49,732)	\$ 1,383,156	\$ 16,349

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the input to the valuation technique. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

NOTE 5 - ENDOWMENT (Continued)

Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 – Valuations based on unobservable inputs are used when little or no market data is available. The hierarchy gives lowest priority to Level 3 inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Equities

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

Corporate Bonds, Foreign Bonds and Government Obligations

Corporate bonds, foreign bonds and government obligations are valued at the closing price reported in the active market in which the individual securities are traded.

Exchange-traded Funds

An exchange-traded fund combines the valuation feature of a mutual fund or unit investment trust, which can be bought or sold at the end of each trading day for its net asset value, with the tradability feature of a closed-end fund, which trades throughout the trading day at prices that may be more or less than its net asset value.

Financial assets carried at fair value at June 30, 2011 and 2012 can be classified as follows:

Level 1

	Unrestricted		Restricted		Total	
	2011	2012	2011	2012	2011	2012
Assets Carried at Fair Value						
Investments						
Equities						
Energy	\$ 824,129	\$ 549,435	\$ 205,340	\$ 143,681	\$ 1,029,469	\$ 693,116
Materials	204,626	-	50,985	-	255,611	-
Industrials	207,119	160,397	51,606	40,099	258,725	200,496
Consumer discretionary	800,786	1,565,586	199,524	381,731	1,000,310	1,947,317
Consumer staples	237,203	1,065,815	59,101	258,930	296,304	1,324,745
Healthcare	343,664	502,096	85,627	86,842	429,291	588,938
Financials	413,036	563,829	102,912	91,988	515,948	655,817
Information technology	436,928	1,587,271	108,865	379,525	545,793	1,966,796
Precious metals	-	375,824	-	95,189	-	471,013
Utilities	153,547	174,551	38,258	45,374	191,805	219,925
International-developed	2,004,631	-	499,473	-	2,504,104	-
Other equity	234,448	-	58,415	-	292,863	-
Fixed Income						
Government obligations	209,835	428,295	52,283	108,537	262,118	536,832
Corporate bonds	630,384	1,392,930	157,066	377,056	787,450	1,769,986
Foreign bonds	722,439	319,016	180,002	82,261	902,441	401,277
Exchange-traded Funds	308,571	352,770	76,884	43,508	385,455	396,278
Total	<u>\$ 7,731,346</u>	<u>\$ 9,037,815</u>	<u>\$ 1,926,341</u>	<u>\$ 2,134,721</u>	<u>\$ 9,657,687</u>	<u>\$ 11,172,536</u>

Financial assets in the Endowment at June 30, 2011 and 2012 do not include cash (\$346,496 and \$473,424, respectively), interest receivable (\$23,366 and \$21,796, respectively) and pledges receivable of \$30,000 at June 30, 2012.

NOTE 6 – RESTRICTED DEPOSITS AND FUNDED RESERVES

As a condition for the long-term debt obtained by the Partnership from the New York City Department of Housing Preservation and Development (“HPD”) to finance the acquisition and operation of the building at 159-61 East 102nd Street in Manhattan (the “Project”), the Partnership agreed to fund Project operating and replacement reserves to ensure the Project’s successful operations as low-income housing. On May 31, 2011, as agreed to by the Partnership and HPD, certain amounts of the restricted deposits for Project operating and replacement reserves were transferred from bank accounts of the Partnership to certain lockbox accounts in the name of NYC HDC. The balances of these accounts as of June 30, 2012 are \$588,384 (Project Operating Reserve) and \$79,608 (Project Replacement Reserve).

The reserve commitments for the next five years as follows:

Year	Base Project Operating Reserve Targets	Project Replacement Reserve Required Contribution
2012	\$ 588,837	\$ 13,750
2013	501,492	14,163
2014	550,764	14,587
2015	581,075	15,025
2016	607,982	15,476
Thereafter	-	475,104

NOTE 7- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2011 and 2012:

	2011	2012	Estimated Useful Lives
Land	\$ 1,664,999	\$ 1,664,999	N/A
Building	1,899,481	1,899,481	25-50 years
Improvements	6,293,213	7,315,960	3-20 years
Furniture and equipment	<u>505,476</u>	<u>547,601</u>	5 years
Subtotal	10,363,169	11,428,041	
Less: Accumulated depreciation	<u>(3,447,257)</u>	<u>(3,911,999)</u>	
Total	<u>\$ 6,915,912</u>	<u>\$ 7,516,042</u>	

The Organization’s headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past ten years, the building has been almost entirely renovated and all its principal systems and finishes restored or replaced. At June 30, 2012, the building and the land on which it sits had an estimated fair market value of \$38 million based on an independent appraisal completed by KTR Real Estate Advisors LLC in May 2012.

As described in Note 1, the Partnership owns and operates a building at 159-61 East 102nd Street in Manhattan that provides permanent supportive housing for 54 formerly homeless persons who suffer from mental illness.

NOTE 8 – LONG-TERM DEBT

At June 30, 2012, the Partnership was liable for two mortgages on the building at 159-61 East 102nd Street as follows:

- A New York City Department of Housing Preservation and Development (“HPD”) mortgage in the principal amount of \$1,671,575 due May 14, 2037. Through January 1, 2015, simple interest on the principal amount of this mortgage accrues at the rate of one percent (1%) per annum. Beginning January 1, 2015, interest is payable monthly. A servicing fee of one quarter of one percent (0.25%) per annum is payable monthly.
- A New York State Homeless Housing and Assistance Corporation (“HHAC”) mortgage in the principal amount of \$1,317,824 due May 14, 2022. Simple interest accrues at 1.25% per annum. Principal and all accrued interest is payable at maturity.

NOTE 9 - PENSION PLANS

Union Plans

The Neighborhood House participates in union-sponsored, multiemployer pension plans with 1199SEIU National Healthcare Workers East and DC 1707 AFSCME, AFL-CIO. These plans are administered by the unions and contributions to them are set pursuant to contracts. The Organization has no present intention of withdrawing from either plan, nor has it been informed that there is any intention to terminate them. Pension expense for these plans for the years ended June 30, 2011 and 2012 totaling \$160,968 and \$179,023, respectively, are included in personnel expense on the consolidated statement of functional expenses.

Defined Contribution Plan

In 2003, the Neighborhood House implemented a defined contribution 403(b) thrift plan covering eligible employees. Contributions to the 403(b) plan for the years ended June 30, 2011 and 2012 amounted to \$86,019 and \$69,446, respectively. The Neighborhood House made additional deferred compensation contributions to the 403(b) plan for certain key employees. For fiscal 2011 and 2012, these additional contributions, excluding applicable fringe benefit costs, totaled \$53,000 and \$62,800 and are paid in subsequent fiscal years. All of these contributions are included in personnel expense on the consolidated statement of functional expenses.

NOTE 10– CONTRIBUTIONS AND SPECIAL EVENTS

Contributions consisted of the following for the year ended:

	<u>At June 30,</u>	
	<u>2011</u>	<u>2012</u>
<u>Operating</u>		
Foundations	\$ 1,023,487	\$ 1,195,294
Individuals and others	1,484,416	834,927
Contributed services	<u>208,759</u>	<u>190,655</u>
Sub-total	<u>2,716,662</u>	<u>2,220,876</u>
<u>Non-operating</u>		
Restricted endowments gifts	259,696	294,525
Bequests	294,307	359,332
Foundation capital gifts	<u>55,000</u>	<u>55,000</u>
Sub-total	<u>609,003</u>	<u>708,857</u>
 TOTAL	 <u>\$ 3,325,665</u>	 <u>\$ 2,929,733</u>

Special event income, net of direct expenses, consisted of the following for the year ended:

	<u>At June 30,</u>	
	<u>2011</u>	<u>2012</u>
Special events	\$ 1,011,019	\$ 1,406,815
Associated direct expenses	<u>(214,184)</u>	<u>(274,481)</u>
Special events, net	<u>\$ 796,835</u>	<u>\$ 1,132,334</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

As described above in Note 1, the Neighborhood House controls the Partnership, which in turn owns and operates a building at 159-61 East 102nd Street in Manhattan which serves as a permanent supportive housing residence for 54 formerly homeless persons living with mental illness. The Partnership manages the building under a management agreement expiring on December 31, 2012, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2011 and 2012, the Partnership paid \$293 and \$10,743, respectively, to the Neighborhood House for partnership management and \$346 and \$39,845, respectively, for property management. At June 30, 2011, the Neighborhood House owed the Partnership \$41,768, which was paid in October 2011. At June 30, 2012, the Partnership owed the Neighborhood House \$21,119, which was paid in August 2012. These intercompany transactions have been eliminated in the consolidated financial statements.

David Wirtz, a member of the Neighborhood House Board of Directors, is an attorney who for many years has advised the Neighborhood House on employment and labor law matters on a discounted basis as a way of supporting its charitable mission. He is currently a shareholder of the law firm of Littler Mendelson, P.C. For the years ended June 30, 2011 and June 30, 2012, Mr. Wirtz and the law firm of which he is a part provided legal services to the Neighborhood House that had a fair market value of \$63,909 and \$38,923, respectively. Of these amounts, \$53,250 and \$30,800, respectively, was contributed professional services and \$10,659 and \$8,123, respectively, were billed to and paid for by the Neighborhood House.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the consolidated statement of financial position are comprised of assets that are subject to donor restrictions by time or purpose. At June 30, 2011 and 2012, there were net assets of \$627,426 and \$786,751, respectively, temporarily restricted for use by specific programs. Net assets of \$1,424,263 and \$1,057,808, respectively, were released from donor restrictions during the years ended June 30, 2011 and 2012.

NOTE 13- COMMITMENTS AND CONTINGENCIES

Various government agencies have the right to examine the books and records of the Neighborhood House in regard to transactions relating to contracts with those agencies. At June 30, 2011 and 2012, the accompanying consolidated financial statements included allowances in the amount of \$24,004 against accounts receivable due from the New York City Administration for Children's Services, an amount which, in the opinion of management, is immaterial.

The Neighborhood House was required by federal regulation to grant the United States Department of Health and Human Services a beneficial ownership interest ("Federal Interest") of \$375,000 in its property at 331 East 70th Street as a condition for receiving federal funds to renovate its children's play roof. The Federal Interest began on February 1, 2007 and will expire at the termination of the Neighborhood House's contract for Head Start funds with the New York City Administration for Children's Services or January 31, 2015, whichever is earlier. In the event the property is encumbered or used as collateral in connection with a loan during this period, the Federal Interest will always be subordinated to the interest of the lender.

The Neighborhood House leases space for the Lenox Hill Neighborhood House Senior Center at Saint Peter's Church. Rent expense amounted to \$34,492 for the years ended June 30, 2011 and 2012. The lease terminates on June 30, 2016. The Neighborhood House is obligated under its lease with Saint Peter's Church to make the following annual rental payments:

2013	\$ 30,815
2014	30,815
2015	30,815
2016	<u>30,815</u>
Total	<u>\$ 123,260</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The agreement to use and occupy space at Saint Peter's Church terminates immediately if any one of the following events takes place: (1) the termination or expiration of the service agreement between the Neighborhood House and Saint Peter's Church to operate a Senior Center at Saint Peter's Church; (2) in the event that the space is totally destroyed by fire or another casualty; (3) the space is partially destroyed by fire or other casualty provided that notice is given within 20 days of the partial destruction and not less than 10 days prior to the termination date; (4) written notice is given by either Lenox Hill Neighborhood House or Saint Peter's Church to the other party at least 30 days prior to the current renewal term that the notifying party does not wish to renew the agreement; or (5) funding from the City of New York to operate the Senior Center ceases.

The Neighborhood House has a collective bargaining agreement with 1199SEIU National Healthcare Workers East. In addition, it is a pass through entity for a collective bargaining agreement between the City of New York and DC 1707 AFSCME, AFL-CIO. These agreements call for the provision of various wage levels and benefits to their members.

NOTE 14 - CONCENTRATIONS

The only financial instruments that potentially subject the Neighborhood House to a concentration of credit risk are amounts on deposit at Chase that are in excess of FDIC insurance limits. The excess amount approximated \$2,065,683 and \$945,800 at June 30, 2011 and 2012, respectively. Given the size and credit rating of its bank, management believes that the credit risk related to these accounts is minimal.

The Neighborhood House's Restricted and Unrestricted Endowments are managed by Wilkinson O'Grady. Investment securities are held in a custody account at BNY Mellon Wealth Management. At June 30, 2011, the Neighborhood House had \$8,027,438 in the Unrestricted Endowment and \$2,000,112 in the Restricted Endowment or a total Endowment of \$10,027,550. At June 30, 2012, the Neighborhood House had \$9,422,347 in the Unrestricted Endowment and \$2,245,409 in the Restricted Endowment or a total Endowment of \$11,667,756.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through December 5, 2012, the date the consolidated financial statements were available to be issued. No events, other than those disclosed below, have occurred subsequent to the consolidated statement of financial position date through December 5, 2012 that would require adjustment to or disclosure in the consolidated financial statements.

Mr. Albert Hadley, a renowned interior designer and former member of the Neighborhood House Board of Directors, died in March 2012. In May 2012, the Neighborhood House was notified that Mr. Hadley had designated it as the beneficiary of both the Residuary Estate under his will and 50% of the proceeds of his Individual Retirement Account (the "IRA"). The Neighborhood House received its share of the IRA, \$476,366, in August 2012. The attorneys for the Executors of Mr. Hadley's Estate estimated in October 2012 that the proceeds of the Residuary Estate would total approximately \$2,100,000 when the Estate was finally settled, which could take an extended time.

In May 2011, the Neighborhood House began discussions with United Neighbors of East Midtown, Inc. ("UNEM"), a New York nonprofit organization, about acquiring the operations and assets of UNEM and assuming its programmatic and administrative functions. UNEM, founded in 1985, provided case management services for approximately 100 frail, elderly seniors living on the East Side of Manhattan and had been contemplating closing its organization because it did not feel that it was financially sustainable. The Neighborhood House viewed this as an opportunity to expand one of its core programs for seniors and recognized that these services could be provided at a much lower cost under its management. At an October 13, 2011 meeting of the Neighborhood House Board of Directors, the Board established a five member Ad Hoc Committee of the Board to review and approve the completion of this transaction between the Neighborhood House and UNEM (the "UNEM Ad Hoc Committee"). The UNEM Ad Hoc Committee approved this transaction on November 8, 2011 and UNEM ceased its programmatic operations in December 2011. The Neighborhood House and UNEM subsequently entered into an Asset Transfer Agreement in October 2012 and expect to consummate this transaction after obtaining the approval of the New York State Office of the Attorney General. The approval, which requires the commencement of a proceeding in the New York Courts, could take an extended time. Once the required approval is obtained, it is expected that UNEM will be able to transfer its remaining cash assets, approximately \$175,000, to the Neighborhood House.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AT JUNE 30, 2011

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates*	Sub-total	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and equivalents	\$ 2,205,511	\$ 483,468	\$ 2,688,979	\$ -	\$ 2,688,979
Accounts receivable, net	1,122,937	71,021	1,193,958	(41,768)	1,152,190
Pledges receivable	80,100	-	80,100	-	80,100
Prepayments and other	121,366	36,090	157,456	-	157,456
Investments	10,027,550	-	10,027,550	-	10,027,550
Restricted deposits and funded reserves	-	663,548	663,548	-	663,548
Property and equipment, net	4,017,446	2,898,466	6,915,912	-	6,915,912
TOTAL ASSETS	\$ 17,574,910	\$ 4,152,593	\$ 21,727,503	\$ (41,768)	\$ 21,685,735
LIABILITIES					
Accounts payable and accrued expenses	\$ 355,917	\$ 352,131	\$ 708,048	\$ (41,768)	\$ 666,280
Accrued salaries and others	483,980	-	483,980	-	483,980
Government and other advances	306,328	-	306,328	-	306,328
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	21,238	21,238	-	21,238
Total	1,146,225	3,362,768	4,508,993	(41,768)	4,467,225
NET ASSETS					
Unrestricted					
Property and equipment	4,017,446	572,615	4,590,061	-	4,590,061
Operations	1,756,263	217,210	1,973,473	-	1,973,473
Unrestricted Endowment	8,027,438	-	8,027,438	-	8,027,438
Total unrestricted	13,801,147	789,825	14,590,972	-	14,590,972
Temporarily restricted	627,426	-	627,426	-	627,426
Restricted Endowment	2,000,112	-	2,000,112	-	2,000,112
	16,428,685	789,825	17,218,510	-	17,218,510
TOTAL LIABILITIES AND NET ASSETS	\$ 17,574,910	\$ 4,152,593	\$ 21,727,503	\$ (41,768)	\$ 21,685,735

* includes Casa Mutua, Inc. and Casa Mutua Limited Partnership.

See independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AT JUNE 30, 2012**

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates*	Sub-total	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and equivalents	\$ 947,080	\$ 441,873	\$ 1,388,953	\$ -	\$ 1,388,953
Accounts receivable, net	1,337,151	11,887	1,349,038	(21,119)	1,327,919
Pledges receivable	138,306	-	138,306	-	138,306
Prepayments and other	145,093	37,238	182,331	-	182,331
Investments	11,667,756	-	11,667,756	-	11,667,756
Restricted deposits and funded reserves	-	667,992	667,992	-	667,992
Property and equipment, net	<u>4,673,576</u>	<u>2,842,466</u>	<u>7,516,042</u>	<u>-</u>	<u>7,516,042</u>
			-		-
TOTAL ASSETS	<u>\$ 18,908,962</u>	<u>\$ 4,001,456</u>	<u>\$ 22,910,418</u>	<u>\$ (21,119)</u>	<u>\$ 22,889,299</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 244,993	\$ 406,931	\$ 651,924	\$ (21,119)	\$ 630,805
Accrued salaries and others	631,228	-	631,228	-	631,228
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	21,488	21,488	-	21,488
Government and other advances	<u>486,038</u>	<u>-</u>	<u>486,038</u>	<u>-</u>	<u>486,038</u>
Total	<u>1,362,259</u>	<u>3,417,818</u>	<u>4,780,077</u>	<u>(21,119)</u>	<u>4,758,958</u>
NET ASSETS					
Unrestricted					
Property and equipment	4,673,576	521,059	5,194,635	-	5,194,635
Operations	388,620	62,579	451,199	-	451,199
Unrestricted endowment	<u>9,422,347</u>	<u>-</u>	<u>9,422,347</u>	<u>-</u>	<u>9,422,347</u>
Total unrestricted	14,484,543	583,638	15,068,181		15,068,181
Temporarily restricted	786,751	-	786,751	-	786,751
Restricted endowment	<u>2,275,409</u>	<u>-</u>	<u>2,275,409</u>	<u>-</u>	<u>2,275,409</u>
	<u>17,546,703</u>	<u>583,638</u>	<u>18,130,341</u>	<u>-</u>	<u>18,130,341</u>
					-
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,908,962</u>	<u>\$ 4,001,456</u>	<u>\$ 22,910,418</u>	<u>\$ (21,119)</u>	<u>\$ 22,889,299</u>

* includes Casa Mutua, Inc. and Casa Mutua Limited Partnership.

See Independent Auditors' Report

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
AS OF JUNE 30, 2011

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates *	Sub-total	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:					
Operating Revenue					
Government agencies	\$ 8,374,735	\$ -	\$ 8,374,735	\$ -	\$ 8,374,735
Special events	1,011,019	-	1,011,019	-	1,011,019
Associated expenses	(214,184)	-	(214,184)	-	(214,184)
	796,835	-	796,835	-	796,835
Contributions	1,059,972	794,927	1,854,899	(318,698)	1,536,201
Rental income	-	11,446	11,446	-	11,446
Net assets released from restrictions	1,424,263	-	1,424,263	-	1,424,263
	3,281,070	806,373	4,087,443	(318,698)	3,768,745
Dues and fees	1,210,303	-	1,210,303	(639)	1,209,664
Interest	8,826	228	9,054	-	9,054
	1,219,129	228	1,219,357	(639)	1,218,718
Total Operating Revenues	12,874,934	806,601	13,681,535	(319,337)	13,362,198
Operating Expenses					
Program services	10,522,581	17,022	10,539,603	(639)	10,538,964
Management and general	1,698,559	318,698	2,017,257	(318,698)	1,698,559
Fund raising	283,346	-	283,346	-	283,346
	12,504,486	335,720	12,840,206	(319,337)	12,520,869
Operating Income	370,448	470,881	841,329	-	841,329
Non-Operating					
Bequests	294,307	-	294,307	-	294,307
Investment income	1,129,052	22	1,129,074	-	1,129,074
Total Non-Operating Income	1,423,359	22	1,423,381	-	1,423,381
Change in Unrestricted Net Assets	1,793,807	470,903	2,264,710	-	2,264,710
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,180,461	-	1,180,461	-	1,180,461
Foundation capital gifts	55,000	-	55,000	-	55,000
Net assets released from restrictions	(1,424,263)	-	(1,424,263)	-	(1,424,263)
Change in Temporarily Restricted Net Assets	(188,802)	-	(188,802)	-	(188,802)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	259,696	-	259,696	-	259,696
Investment Income	254,104	-	254,104	-	254,104
Change in Permanently Restricted Net Assets	513,800	-	513,800	-	513,800
CHANGE IN NET ASSETS/EXCESS OF REVENUES OVER EXPENSES	2,118,805	470,903	2,589,708	-	2,589,708
Net Assets/Equity - Beginning of Year	14,309,880	-	14,309,880	-	14,309,880
Adjustment	-	318,922	318,922	-	318,922
	14,309,880	318,922	14,628,802	-	14,628,802
Net Assets/Equity - End of Year	\$ 16,428,685	\$ 789,825	\$ 17,218,510	\$ -	\$ 17,218,510

* Includes Casa Mutua, Inc. and Casa Mutua Limited Partnership.

See independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
AS OF JUNE 30, 2012

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates*	Sub-total	Consolidating Eliminations	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS:					
Operating Revenue					
Government agencies	\$ 8,552,749	\$ 105,593	\$ 8,658,342	\$ -	8,658,342
Special events	1,406,815	-	1,406,815	-	1,406,815
Associated expenses	(274,481)	-	(274,481)	-	(274,481)
Special events, net	1,132,334	-	1,132,334	-	1,132,334
Contributions	1,304,474	-	1,304,474	(245,731)	1,058,743
Rental income	-	476,706	476,706	-	476,706
Net assets released from restrictions	1,057,808	-	1,057,808	-	1,057,808
Subtotal	3,494,616	476,706	3,971,322	(245,731)	3,725,591
Dues and fees	1,170,791	5,588	1,176,379	(50,588)	1,125,791
Interest	5,631	389	6,020	-	6,020
Subtotal	1,176,422	5,977	1,182,399	(50,588)	1,131,811
Total Operating Revenues	13,223,787	588,276	13,812,063	(296,319)	13,515,744
Operating Expenses					
Program services	10,893,158	548,911	11,442,069	(50,588)	11,391,481
Management and genera	1,746,617	245,731	1,992,348	(245,731)	1,746,617
Fund raising	295,524	-	295,524	-	295,524
Total Operating Expenses	12,935,299	794,642	13,729,941	(296,319)	13,433,622
Operating Income	288,488	(206,366)	82,122	-	82,122
Non-Operating					
Bequests	359,332	-	359,332	-	359,332
Investment income	66,081	178	66,259	-	66,259
Total Non-Operating Income	425,413	178	425,591	-	425,591
Transfer of Fund to Restricted	(30,504)	-	(30,504)	-	(30,504)
Change in Unrestricted Net Assets	683,397	(206,188)	477,209	-	477,209
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,162,133	-	1,162,133	-	1,162,133
Foundation capital gifts	55,000	-	55,000	-	55,000
Net assets released from restrictions	(1,057,808)	-	(1,057,808)	-	(1,057,808)
Change in Temporarily Restricted Net Assets	159,325	-	159,325	-	159,325
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	294,525	-	294,525	-	294,525
Investment income/(loss)	(49,732)	-	(49,732)	-	(49,732)
Total Non-Operating Income	244,793	-	244,793	-	244,793
Transfer of Fund from Unrestricted	30,504	-	30,504	-	30,504
Change in Permanently Restricted Net Assets	275,297	-	275,297	-	275,297
CHANGE IN NET ASSETS/EXCESS OF REVENUES OVER EXPENSES	1,118,019	(206,188)	911,831	-	911,831
Net Assets/Equity - Beginning of Year	16,428,685	789,825	17,218,510	-	17,218,510
Net Assets/Equity - End of Year	\$ 17,546,704	\$ 583,637	\$ 18,130,341	\$ -	\$ 18,130,341

* Includes Casa Mutua, Inc. and Casa Mutua Limited Partnership

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