
LENOX HILL
NEIGHBORHOOD
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LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2012 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Lenox Hill Neighborhood House, Inc. and Affiliates (collectively, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2012 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lenox Hill Neighborhood House, Inc. and Affiliates as of June 30, 2012 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules shown on pages 18-21 are presented for the purposes of additional analysis of the basic consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual companies, and are not a required part of the basic 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Handwritten signature of Marko Paneth LLP in cursive script.

New York, NY
November 26, 2013

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2012 AND 2013**

	2012	2013
ASSETS		
Cash and equivalents (Notes 2 and 14)	\$ 1,388,953	\$ 1,954,343
Accounts receivable, net (Notes 2, 3 and 11)	1,327,919	901,667
Pledges receivable (Notes 2, 4 and 5)	138,306	257,610
Prepayments and other	182,331	238,211
Investments (Notes 2 and 5)	11,667,756	15,156,756
Restricted deposits and funded reserves (Note 6)	667,992	686,726
Property and equipment, net (Notes 2 and 7)	7,516,042	7,341,632
 TOTAL ASSETS	 \$ 22,889,299	 \$ 26,536,945
 LIABILITIES		
Accounts payable and accrued expenses	\$ 630,805	\$ 744,563
Accrued salaries and others	631,228	680,942
Long-term debt (Note 8)	2,989,399	2,989,399
Tenant security deposits	21,488	11,434
Government and other advances	486,038	325,178
Total	4,758,958	4,751,516
 COMMITMENTS AND CONTINGENCIES (Note 13)		
 NET ASSETS		
Unrestricted		
Property and equipment	5,194,635	5,038,959
Operations	451,199	509,280
Unrestricted endowment (Note 5)	9,422,347	12,190,711
Total unrestricted	15,068,181	17,738,950
Temporarily restricted (Note 12)	786,751	1,080,434
Restricted endowment (Notes 5)	2,275,409	2,966,045
 TOTAL NET ASSETS	 18,130,341	 21,785,429
 TOTAL LIABILITIES AND NET ASSETS	 \$ 22,889,299	 \$ 26,536,945

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2013

	2012			2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Operating Revenue						
Government agencies (Note 2)	\$ 8,658,342	\$ -	\$ -	\$ 8,754,292	\$ -	\$ -
Special events	1,406,815	-	-	1,289,419	-	-
Associated expenses	(274,481)	-	-	(303,671)	-	-
Special events, net	1,132,334	-	-	985,748	-	-
Contributions (Notes 2 and 10)	1,058,743	1,162,133	-	1,027,226	1,396,645	-
Rental income	476,706	-	-	491,113	-	-
Net assets released from restrictions (Note 12)	1,057,808	(1,057,808)	-	1,158,962	(1,158,962)	-
Subtotal	3,725,591	104,325	-	3,663,049	237,683	-
Dues and fees	1,125,791	-	-	1,453,238	-	-
Interest	6,020	-	-	4,065	-	-
Subtotal	1,131,811	-	-	1,457,303	-	-
Total Operating Revenues	13,515,744	104,325	-	13,874,644	237,683	-
Operating Expenses						
Program services	11,391,481	-	-	11,836,574	-	-
Management and general	1,746,617	-	-	1,798,424	-	-
Fund raising	295,524	-	-	337,360	-	-
Total Operating Expenses	13,433,622	-	-	13,972,358	-	-
Operating Income	82,122	104,325	-	(97,714)	237,683	-
Non-Operating						
Gifts to endowment (Notes 2 and 10)	-	-	294,525	-	-	452,170
Bequests (Notes 2 and 10)	359,332	-	-	1,726,447	-	-
Foundation capital gifts (Note 10)	-	55,000	-	-	56,000	-
Investment income (Note 5)	66,259	-	(49,732)	1,042,036	-	238,466
Total Non-Operating Income	425,591	55,000	244,793	2,768,483	56,000	690,636
Transfer of fund from Unrestricted to Restricted	(30,504)	-	30,504	-	-	-
Changes in Net Assets	477,209	159,325	275,297	2,670,769	293,683	690,636
Net Assets - Beginning of Year	14,590,972	627,426	2,000,112	15,068,181	786,751	2,275,409
Net Assets - End of Year	\$ 15,068,181	\$ 786,751	\$ 2,275,409	\$ 17,738,950	\$ 1,080,434	\$ 2,966,045
						\$ 21,785,429

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	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 2012
Personnel	\$ 1,743,297	\$ 1,814,104	\$ 50,157	\$ 2,374,922	\$ 459,129	\$ 390,748	\$ 419,452	\$ 7,251,609	\$ 1,126,659	\$ 250,157	\$ 8,628,625
Fees for services	60,361	359,785	913	341,747	73,445	10,586	6,471	853,308	122,071	20,985	996,344
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	190,655	-	190,655
Insurance	33,715	17,190	1,158	59,753	6,689	6,576	12,367	137,448	18,037	4,045	159,530
Occupancy	221,108	400,838	8,662	528,643	6,749	40,981	182,693	1,389,654	56,464	1,332	1,449,450
Information and communication technology	23,840	38,791	390	60,896	19,765	7,238	6,884	157,794	38,209	9,508	205,511
Supplies	36,014	54,367	1,256	70,639	6,110	18,885	11,232	198,552	34,390	4,219	237,161
Food	170,809	270,740	-	168,856	-	776	131	611,312	1,353	-	612,665
Transportation	2,823	39,730	44	14,205	400	4,065	579	61,846	6,904	79	70,829
Professional development	13,936	5,577	103	4,708	3,623	716	2,064	30,725	4,984	3,368	39,077
Bad debt	867	1,365	-	2,476	-	345	-	5,053	-	-	5,053
Depreciation	257,205	50,115	11,183	61,303	7,637	52,370	147,797	587,610	66,873	1,643	656,126
Loss on write off of property and equipment	4,448	867	193	92	132	906	2,556	9,194	1,156	28	10,378
Interest Expense	-	-	-	33,084	-	-	-	-	33,084	-	33,084
Miscellaneous	4,691	4,736	60	16,481	26,345	4,683	7,096	64,092	74,862	180	139,134
TOTAL EXPENSES	\$ 2,573,114	\$ 3,058,205	\$ 74,148	\$ 3,737,803	\$ 610,024	\$ 538,865	\$ 799,322	\$ 11,991,481	\$ 1,746,617	\$ 295,524	\$ 13,433,622

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 2012)
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services										Supporting Services		Year Ended June 30, 2012
	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 2013		
Personnel	\$ 1,788,356	\$ 2,156,020	\$ 67,371	\$ 2,309,426	\$ 665,436	\$ 465,764	\$ 356,691	\$ 7,808,064	\$ 1,089,897	\$ 285,906	\$ 9,183,657	\$ 8,628,625	
Fees for services	77,674	353,620	991	379,170	25,532	11,908	5,847	854,742	144,338	24,620	1,023,700	996,344	
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	174,208	-	174,208	180,655	
Insurance	28,279	20,057	1,966	55,106	9,605	10,322	10,329	135,664	24,383	4,847	164,894	159,530	
Occupancy	161,416	180,396	16,840	593,071	25,025	79,345	133,687	1,189,780	131,192	4,122	1,325,094	1,449,450	
Information and communication technology	26,237	59,950	357	65,067	22,973	5,964	10,932	191,500	54,204	10,647	256,351	205,511	
Supplies	38,608	15,814	608	45,641	545	8,822	3,409	113,447	17,510	1,059	132,016	237,161	
Supplies	138,897	406,768	-	166,059	-	568	-	712,292	1,106	-	713,398	612,665	
Food	-	9	-	12,142	263	3,307	144	53,705	2,946	2	44,501	70,829	
Transportation	1,940	35,900	80	2,113	3,594	397	713	31,287	8,816	4,396	44,501	39,077	
Professional development	16,075	75	-	2,320	-	1,515	-	16,564	-	-	16,564	5,053	
Bad debt	12,644	-	-	71,289	7,936	54,420	153,583	616,202	69,491	1,707	689,400	656,126	
Depreciation	267,275	52,078	11,621	9	-	87	246	885	111	2	998	10,378	
Loss on write off of property and equipment	428	83	19	-	13	-	-	885	-	-	33,189	33,084	
Miscellaneous	-	-	-	33,189	-	-	-	33,189	-	-	33,189	33,084	
	9,780	12,070	18	11,713	33,090	4,661	5,931	77,263	80,432	50	157,745	136,134	
TOTAL EXPENSES	\$ 2,567,609	\$ 3,301,146	\$ 99,880	\$ 3,745,335	\$ 794,012	\$ 647,080	\$ 681,512	\$ 11,836,574	\$ 1,798,424	\$ 337,360	\$ 13,972,358	\$ 13,433,622	

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, 2012 AND 2013

	<u>2012</u>	<u>2013</u>
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 911,831	\$ 3,655,088
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	656,126	689,400
Loss on write off of property and equipment	10,378	998
Bad debt	5,053	16,554
Realized (gain)/loss on the sale of investments	246,734	(335,106)
Unrealized gain on investments	(127,195)	(768,427)
Interest and dividend income on investments	(219,038)	(275,795)
Management fees on investments	83,150	98,867
Contributions for capital expenditures	(55,000)	(56,000)
Contributions for endowment	(653,857)	(2,178,617)
Transfer to endowment from operations	<u>(1,000,000)</u>	<u>-</u>
Sub-total	<u>(141,818)</u>	<u>846,962</u>
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	(180,782)	409,698
Pledges receivable	(58,206)	(119,304)
Prepayments and other	(24,875)	(55,880)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	(35,475)	113,758
Accrued salaries and others	147,248	49,714
Tenant security deposits	250	(10,054)
Government and other advances	<u>179,710</u>	<u>(160,860)</u>
Net Cash (Used in) Provided by Operations	<u>(113,948)</u>	<u>1,074,034</u>
CASH FLOWS FROM INVESTING		
Increase in restricted deposits and funded reserve	(4,444)	(18,734)
Purchase of property and equipment	(1,266,635)	(515,988)
Management fees on investments	(83,150)	(98,867)
Purchase of investments	(6,865,505)	(6,107,942)
Sale of investments	<u>5,112,761</u>	<u>3,722,475</u>
Net Cash Used in Investing	<u>(3,106,973)</u>	<u>(3,019,056)</u>
CASH FLOWS FROM FINANCING		
Foundation capital gifts	55,000	56,000
Bequests	359,332	1,726,447
Restricted endowment gifts	294,525	452,170
Transfer to endowment from operations	1,000,000	-
Interest and dividends restricted for reinvestment	<u>212,038</u>	<u>275,795</u>
Net Cash Provided by Financing	<u>1,920,895</u>	<u>2,510,412</u>
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(1,300,026)	565,390
Cash and equivalents - beginning of the year	<u>2,688,979</u>	<u>1,388,953</u>
CASH AND EQUIVALENTS - END OF YEAR	\$ <u>1,388,953</u>	\$ <u>1,954,343</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the period for interest	<u>\$ 2,199</u>	<u>\$ -</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, 2013

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 119- 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 2011, a third party owned the limited partner's interest in the Partnership. At that time, 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 in June 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, 2012 and 2013, contributed professional services of \$190,655 and \$174,208, 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, 2012 and 2013, allowances totaling \$26,480 and \$2,949, respectively, were booked against accounts receivable. 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 from the date acquired. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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, 2013 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 2010.

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.

Regrouping of Certain Prior Year Balances

During the year the Organization changed its chart of accounts to eliminate and consolidate certain accounts no longer being used. As a result, the presentation of certain prior year balances has been regrouped to conform to the current year financial statements presentation. The regroupings had no affect on the change in net assets.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	At June 30,	
	2012	2013
Due from government agencies	\$ 1,295,479	\$ 843,320
Due from tenants	9,222	11,275
Other	49,698	50,021
Subtotal	1,354,399	904,616
Less: Allowance for doubtful accounts	(26,480)	(2,949)
Total	\$ 1,327,919	\$ 901,667

As of October 31, 2013, all but \$2,155 of fiscal 2012 and \$75,902 of fiscal 2013 receivables had been collected.

NOTE 4 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	At June 30,	
	2012	2013
Due in less than a year	\$ 138,306	\$ 257,610

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, 2012, the Unrestricted Endowment totaled \$9,422,347 and the Restricted Endowment totaled \$2,275,409, or \$11,697,756 in total, which included a pledge receivable in the Restricted Endowment in the amount of \$30,000 received on July 23, 2012. At June 30, 2013, the Unrestricted Endowment totaled \$12,190,792 and the Restricted Endowment totaled \$2,966,045, or \$15,156,837 in total, which included an adjustment in the Unrestricted Endowment in the amount of \$81.

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 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	<u>66,081</u>	<u>(49,732)</u>	<u>16,349</u>
Total Changes	<u>1,394,909</u>	<u>275,297</u>	<u>1,670,206</u>
End of year	<u>\$ 9,422,347</u>	<u>\$ 2,275,409</u>	<u>\$ 11,697,756</u>

NOTE 5 - ENDOWMENT (Continued)

Changes In Endowment In Fiscal 2013

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 9,422,347	\$ 2,275,409	\$ 11,697,756
Contributions	1,726,447	452,170	2,178,617
Investment activity			
Interest and dividends	222,403	53,392	275,795
Realized gain	265,480	69,629	335,109
Unrealized gain	631,949	136,478	768,427
Management fees	<u>(77,834)</u>	<u>(21,033)</u>	<u>(98,867)</u>
Sub-total investment activity	<u>1,041,998</u>	<u>238,466</u>	<u>1,280,464</u>
Total Changes	<u>2,768,445</u>	<u>690,636</u>	<u>3,459,081</u>
End of year	<u>\$ 12,190,792</u>	<u>\$ 2,966,045</u>	<u>\$ 15,156,837</u>

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, as of October 31, 2013 was \$16,732,778. 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, 2012 and 2013:

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Cash and equivalents	\$ 384,532	\$ 618,554	\$ 110,688	\$ 200,320	\$ 495,220	\$ 818,874
Equities	6,544,804	9,692,257	1,523,358	2,317,502	8,068,162	12,099,759
Fixed income	2,140,241	1,709,425	567,855	406,172	2,708,096	2,115,597
Exchange-traded fund	<u>352,770</u>	<u>170,475</u>	<u>43,508</u>	<u>42,051</u>	<u>396,278</u>	<u>212,526</u>
Total	<u>\$ 9,422,347</u>	<u>\$12,190,711</u>	<u>\$ 2,245,409</u>	<u>\$ 2,966,045</u>	<u>\$11,667,756</u>	<u>\$15,156,756</u>

Investments are subject to market fluctuations that could substantially change their values. Restricted net assets at June 30, 2013 were \$2,966,045 were included in investments.

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Interest and dividends	\$ 180,815	\$ 222,403	\$ 38,223	\$ 53,391	\$ 219,038	\$ 275,794
Realized gain (loss) on investments	(197,821)	265,480	(48,913)	69,629	(246,734)	335,109
Unrealized gain (loss) on investments	<u>152,182</u>	<u>631,949</u>	<u>(24,987)</u>	<u>136,478</u>	<u>127,195</u>	<u>768,427</u>
	135,176	1,119,832	(35,677)	259,498	99,499	1,379,330
Less Management fees	<u>(69,095)</u>	<u>(77,834)</u>	<u>(14,055)</u>	<u>(21,033)</u>	<u>(83,150)</u>	<u>(98,867)</u>
	<u>\$ 66,081</u>	<u>\$1,041,998</u>	<u>\$ (49,732)</u>	<u>\$ 238,466</u>	<u>\$ 16,349</u>	<u>\$1,280,464</u>

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, 2012 and 2013 are classified as follows:

Level 1

	Unrestricted		Restricted		Total	
	2012	2013	2012	2013	2012	2013
Assets Carried at Fair Value						
Investments						
Equities						
Energy	\$ 549,435	\$ 510,482	\$ 143,681	\$ 132,573	\$ 693,116	\$ 643,055
Materials	-	247,240	-	56,512	-	303,752
Industrials	160,397	886,272	40,099	211,242	200,496	1,097,514
Consumer discretionary	1,565,586	2,496,106	381,731	587,497	1,947,317	3,083,603
Consumer staples	1,065,815	1,205,494	258,930	279,878	1,324,745	1,485,372
Healthcare	502,096	806,626	86,842	197,297	588,938	1,003,923
Financials	563,829	1,530,041	91,988	348,999	655,817	1,879,040
Information technology	1,587,271	2,009,995	379,525	503,504	1,966,796	2,513,499
Precious metals	375,824	-	95,189	-	471,013	-
Utilities	174,551	-	45,374	-	219,925	-
Fixed Income						
Government obligations	428,295	392,936	108,537	46,199	536,832	439,135
Corporate bonds	1,392,930	1,316,490	377,056	359,973	1,769,986	1,676,463
Foreign bonds	319,016	-	82,261	-	401,277	-
Exchange-traded Funds	352,770	170,475	43,508	42,051	396,278	212,526
Total	<u>\$ 9,037,815</u>	<u>\$ 11,572,157</u>	<u>\$ 2,134,721</u>	<u>\$ 2,765,725</u>	<u>\$ 11,172,536</u>	<u>\$ 14,337,882</u>

Financial assets in the Endowment at June 30, 2012 and 2013 do not include cash (\$473,424 and \$799,418, respectively), interest receivable (\$21,796 and \$19,456, respectively), pledges receivable of \$30,000 at June 30, 2012 and an \$81 adjustment at June 30, 2013.

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, 2013 are \$586,544 (Project Operating Reserve) and \$100,182 (Project Replacement Reserve).

The reserve commitments for the next five years as follows:

<u>Year</u>	<u>Base Project Operating Reserve</u>	<u>Project Replacement Reserve Required Contribution</u>
2013	\$ 501,492	\$ 14,163
2014	550,764	14,587
2015	581,075	15,025
2016	607,982	15,476
2017	631,241	15,940
Thereafter	-	441,164

NOTE 7- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2012 and 2013:

	<u>2012</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,664,999	\$ 1,664,999	N/A
Building	1,899,481	1,899,481	25-50 years
Improvements	7,315,960	7,722,797	3-20 years
Furniture and equipment	<u>547,601</u>	<u>626,243</u>	5 years
Subtotal	11,428,041	11,913,520	
Less: Accumulated depreciation	<u>(3,911,999)</u>	<u>(4,571,888)</u>	
Total	<u>\$ 7,516,042</u>	<u>\$ 7,341,632</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 live with mental illness.

NOTE 8 – LONG-TERM DEBT

At June 30, 2013, 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.

NOTE 8 – LONG-TERM DEBT (Continued)

- 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 three union-sponsored, multiemployer pension plans with 1199SEIU National Healthcare Workers East (1199) and Locals 95 and 205 of DC 1707 AFSCME, AFL-CIO (Local 95 and 205, respectively). These plans are not administered by the Neighborhood House. The Organization has no present intention of withdrawing from any of these three plans, nor has it been informed that there is any intention to terminate them. The Neighborhood House makes payments to employees covered by these three plans as required by the collective bargaining agreements with 1199, Local 95 and Local 205, respectively. These agreements currently expire on April 30, 2015, January 31, 2015 and September 30, 2014, respectively. For the years ended June 30, 2012 and 2013, the Neighborhood contributed between 11.5% and 15.8% for 1199 employees, 1.6% for Local 95 employees and 1% and 3% for Local 205 employees. Pension expense for these plans for the years ended June 30, 2012 and 2013 totaling \$179,023 and \$255,341, 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, 2012 and 2013 amounted to \$69,446 and \$88,226, respectively. The Neighborhood House made additional deferred compensation contributions to the 403(b) plan for certain key employees. For fiscal 2012 and 2013, these additional contributions, excluding applicable fringe benefit costs, totaled \$62,800 and \$69,300 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:

	At June 30,	
	2012	2013
<u>Operating</u>		
Foundations	\$ 1,195,294	\$ 1,396,420
Individuals and others	834,927	853,243
Contributed services	190,655	174,208
Sub-total	<u>2,220,876</u>	<u>2,423,871</u>
<u>Non-operating</u>		
Restricted endowment gifts	294,525	452,170
Bequests	359,332	1,726,447
Foundation capital gifts	55,000	56,000
Sub-total	<u>708,857</u>	<u>2,234,617</u>
TOTAL	\$ <u>2,929,733</u>	\$ <u>4,658,488</u>

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

	At June 30,	
	2012	2013
Special events	\$ 1,406,815	\$ 1,289,419
Associated direct expenses	(274,481)	(303,671)
Special events, net	<u>\$ 1,132,334</u>	<u>\$ 985,748</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 which expires on December 31, 2013, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2012 and 2013, the Partnership paid \$10,473 and \$11,173, respectively, to the Neighborhood House for partnership management, \$39,845 and \$41,545, respectively, for property management and \$0 and \$118,920, respectively, for services rendered. At June 30, 2012, the Partnership owed the Neighborhood House \$21,119, which was paid in August 2012. At June 30, 2013, the Partnership owed the Neighborhood House \$19,924, which was paid in October 2013. 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, 2012 and June 30, 2013, 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 \$38,923 and \$29,558, respectively. Of these amounts, \$30,800 and \$10,810, respectively, was contributed professional services and \$8,123 and \$18,748, 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, 2012 and 2013, there were net assets of \$786,751 and \$1,080,434, respectively, temporarily restricted for use by specific programs. Net assets of \$1,057,808 and \$1,158,962, respectively, were released from donor restrictions during the years ended June 30, 2012 and 2013.

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, 2012 and 2013, the accompanying consolidated financial statements included allowances in the amount of \$26,480 and \$2,949, respectively, against accounts receivable.

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 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 and \$31,271 for the years ended June 30, 2012 and 2013, respectively. 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:

2014	\$	30,815
2015		30,815
2016		<u>30,815</u>
Total	\$	<u>92,445</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 and is a party to two multiemployer collective bargaining agreements with Locals 95 and 205 of DC 1707 AFSCME, AFL-CIO.

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 \$945,800 and \$1,485,549 at June 30, 2012 and 2013, 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, 2012, the Neighborhood House had \$9,422,347 in the Unrestricted Endowment and \$2,275,409 in the Restricted Endowment or a total Endowment of \$11,697,756. At June 30, 2013, the Neighborhood House had \$12,190,792 in the Unrestricted Endowment and \$2,966,045 in the Restricted Endowment or a total Endowment of \$15,156,837.

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 November 26, 2013, the date the consolidated financial statements were available to be issued.

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 is finally settled. As of October 31, 2013, the Neighborhood House has received \$1,250,150 from the Residuary Estate, leaving as much as \$850,000 for further distribution. Given pending litigation involving the Estate, the exact amount of the remaining devise and the timing of the distribution is uncertain.

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. The New York State Supreme Court, in an order dated July 26, 2013, approved the transfer of assets from UNEM to the Neighborhood House, subsequent to approval by the Office of the New York State Attorney General. All remaining UNEM assets, \$166,165 in cash, were transferred to the Neighborhood House in August 2013. There are some remaining legal steps to completely dissolve UNEM, including final approval by the Attorney General's Office.

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	4,673,576	2,842,466	7,516,042	-	7,516,042
TOTAL ASSETS	\$ 18,908,962	\$ 4,001,456	\$ 22,910,418	\$ (21,119)	\$ 22,889,299
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	486,038	-	486,038	-	486,038
Total	1,362,259	3,417,818	4,780,077	(21,119)	4,758,958
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	9,422,347	-	9,422,347	-	9,422,347
Total unrestricted	14,484,543	583,638	15,068,181	-	15,068,181
Temporarily restricted	786,751	-	786,751	-	786,751
Restricted endowment	2,275,409	-	2,275,409	-	2,275,409
	17,546,703	583,638	18,130,341	-	18,130,341
TOTAL LIABILITIES AND NET ASSETS	\$ 18,908,962	\$ 4,001,456	\$ 22,910,418	\$ (21,119)	\$ 22,889,299

* 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, 2013

	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	\$ 1,532,769	\$ 421,574	\$ 1,954,343	\$ -	\$ 1,954,343
Accounts receivable, net	889,154	32,437	921,591	(19,924)	901,667
Pledges receivable	257,610	-	257,610	-	257,610
Prepayments and other	212,933	25,278	238,211	-	238,211
Investments	15,156,756	-	15,156,756	-	15,156,756
Restricted deposits and funded reserves	-	686,726	686,726	-	686,726
Property and equipment, net	4,525,005	2,816,627	7,341,632	-	7,341,632
TOTAL ASSETS	\$ 22,574,227	\$ 3,982,642	\$ 26,556,869	\$ (19,924)	\$ 26,536,945
LIABILITIES					
Accounts payable and accrued expenses	\$ 319,320	\$ 445,167	\$ 764,487	\$ (19,924)	\$ 744,563
Accrued salaries and others	680,942	-	680,942	-	680,942
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	11,434	11,434	-	11,434
Government and other advances	322,692	2,486	325,178	-	325,178
Total	1,322,954	3,448,486	4,771,440	(19,924)	4,751,516
NET ASSETS					
Unrestricted					
Property and equipment	4,525,005	513,954	5,038,959	-	5,038,959
Operations	489,078	20,202	509,280	-	509,280
Unrestricted Endowment	12,190,711	-	12,190,711	-	12,190,711
Total unrestricted	17,204,794	534,156	17,738,950	-	17,738,950
Temporarily restricted	1,080,434	-	1,080,434	-	1,080,434
Restricted Endowment	2,966,045	-	2,966,045	-	2,966,045
	21,251,273	534,156	21,785,429	-	21,785,429
TOTAL LIABILITIES AND NET ASSETS	\$ 22,574,227	\$ 3,982,642	\$ 26,556,869	\$ (19,924)	\$ 26,536,945

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

See independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED 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 general	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

See independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 8,625,491	\$ 128,801	\$ 8,754,292	\$ -	\$ 8,754,292
Special events	1,289,419	-	1,289,419	-	1,289,419
Associated expenses	(303,671)	-	(303,671)	-	(303,671)
Special events, net	985,748	-	985,748	-	985,748
Contributions	1,027,226	-	1,027,226	-	1,027,226
Rental income	-	491,113	491,113	-	491,113
Net assets released from restrictions	1,158,962	-	1,158,962	-	1,158,962
Subtotal	3,171,936	491,113	3,663,049	-	3,663,049
Dues and fees	1,624,726	150	1,624,876	(171,638)	1,453,238
Interest	2,607	1,458	4,065	-	4,065
Subtotal	1,627,333	1,608	1,628,941	(171,638)	1,457,303
Total Operating Revenues	13,424,760	621,522	14,046,282	(171,638)	13,874,644
Operating Expenses					
Program services	11,337,171	618,322	11,955,493	(118,919)	11,836,574
Management and general	1,798,424	52,719	1,851,143	(52,719)	1,798,424
Fund raising	337,360	-	337,360	-	337,360
Total Operating Expenses	13,472,955	671,041	14,143,996	(171,638)	13,972,358
Operating Income	(48,195)	(49,519)	(97,714)	-	(97,714)
Non-Operating					
Bequests	1,726,447	-	1,726,447	-	1,726,447
Investment income	1,041,998	38	1,042,036	-	1,042,036
Total Non-Operating Income	2,768,445	38	2,768,483	-	2,768,483
Change in Unrestricted Net Assets	2,720,250	(49,481)	2,670,769	-	2,670,769
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,396,645	-	1,396,645	-	1,396,645
Foundation capital gifts	56,000	-	56,000	-	56,000
Net assets released from restrictions	(1,158,962)	-	(1,158,962)	-	(1,158,962)
Change in Temporarily Restricted Net Assets	293,683	-	293,683	-	293,683
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	452,170	-	452,170	-	452,170
Investment income/(loss)	238,466	-	238,466	-	238,466
Change in Permanently Restricted Net Assets	690,636	-	690,636	-	690,636
CHANGE IN NET ASSETS/EXCESS OF REVENUES OVER EXPENSES	3,704,569	(49,481)	3,655,088	-	3,655,088
Net Assets/Equity - Beginning of Year	17,546,704	583,637	18,130,341	-	18,130,341
Net Assets/Equity - End of Year	\$ 21,251,273	\$ 534,156	\$ 21,785,429	\$ -	\$ 21,785,429

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

See independent Auditors' Report.