

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES



LENOX HILL NEIGHBORHOOD HOUSE
SINCE 1894

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2014 and 2015

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITORS' 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, 2014 and 2015, 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 consolidated 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 consolidated 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, 2014 and 2015, 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.

A handwritten signature in dark ink that reads "Marks Paneth LLP". The signature is written in a cursive, flowing style.

New York, NY
November 25, 2015

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2014 AND 2015**

	<u>2014</u>	<u>2015</u>
ASSETS		
Cash and equivalents (Notes 2 and 14)	\$ 1,761,174	\$ 1,326,679
Accounts receivable, net (Notes 2, 3 and 11)	782,838	1,306,145
Pledges receivable (Notes 2 and 4)	256,150	365,500
Prepayments and other	187,851	205,834
Investments (Notes 2 and 5)	19,578,888	21,155,686
Restricted deposits and funded reserves (Note 6)	711,528	734,628
Property and equipment, net (Notes 2 and 7)	<u>6,958,235</u>	<u>7,665,437</u>
 TOTAL ASSETS	 <u><u>\$ 30,236,664</u></u>	 <u><u>\$ 32,759,909</u></u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 783,823	\$ 799,621
Accrued salaries and others	634,251	745,253
Long-term debt (Note 8)	2,989,399	2,989,399
Tenant security deposits	11,430	10,989
Government and other advances	<u>301,716</u>	<u>314,554</u>
Total	<u>4,720,619</u>	<u>4,859,816</u>
 COMMITMENTS AND CONTINGENCIES (Note 13)		
 NET ASSETS		
Unrestricted		
Property and equipment	4,740,364	5,410,666
Operations	201,068	107,028
Unrestricted endowment (Note 5)	<u>15,431,692</u>	<u>16,534,488</u>
Total unrestricted	20,373,124	22,052,182
Temporarily restricted (Note 12)	995,725	1,226,713
Restricted endowment (Note 5)	<u>4,147,196</u>	<u>4,621,198</u>
 TOTAL NET ASSETS	 <u>25,516,045</u>	 <u>27,900,093</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 30,236,664</u></u>	 <u><u>\$ 32,759,909</u></u>

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, 2014 AND 2015

	2014				2015			
	Restricted				Restricted			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
Operating Revenue								
Government agencies (Note 2)	\$ 8,990,203	\$ -	\$ -	\$ 8,990,203	\$ 10,711,264	\$ -	\$ -	\$ 10,711,264
Special events	1,013,496	-	-	1,013,496	1,298,852	-	-	1,298,852
Associated expenses	(271,704)	-	-	(271,704)	(297,317)	-	-	(297,317)
Special events, net	741,792	-	-	741,792	1,001,535	-	-	1,001,535
Contributions (Notes 2 and 10)	1,208,253	1,781,607	-	2,989,860	813,056	1,984,548	-	2,797,604
Rental income	500,036	-	-	500,036	509,529	-	-	509,529
Net assets released from restrictions (Note 12)	1,908,516	(1,908,516)	-	-	1,813,560	(1,813,560)	-	-
Subtotal	4,358,597	(126,909)	-	4,231,688	4,137,680	170,988	-	4,308,668
Dues and fees	1,221,887	-	-	1,221,887	1,184,262	-	-	1,184,262
Interest	15,238	-	-	15,238	11,835	-	-	11,835
Subtotal	1,237,125	-	-	1,237,125	1,196,097	-	-	1,196,097
Total Operating Revenues	14,585,925	(126,909)	-	14,459,016	16,045,041	170,988	-	16,216,029
Operating Expenses								
Program services	12,487,403	-	-	12,487,403	13,308,458	-	-	13,308,458
Management and general	1,861,277	-	-	1,861,277	1,846,298	-	-	1,846,298
Fund raising	346,505	-	-	346,505	311,545	-	-	311,545
Total Operating Expenses	14,695,185	-	-	14,695,185	15,466,301	-	-	15,466,301
Operating Income	(109,260)	(126,909)	-	(236,169)	578,740	170,988	-	749,728
Non-Operating								
Gifts to endowment (Notes 2 and 10)	-	-	622,662	622,662	-	-	202,250	202,250
Bequests (Notes 2 and 10)	506,534	-	-	506,534	62,753	-	-	62,753
Capital gifts (Note 10)	-	42,200	-	42,200	-	60,000	-	60,000
Investment income (Note 5)	2,236,900	-	558,489	2,795,389	1,037,565	-	271,752	1,309,317
Total Non-Operating Income	2,743,434	42,200	1,181,151	3,966,785	1,100,318	60,000	474,002	1,634,320
Changes in Net Assets	2,634,174	(84,709)	1,181,151	3,730,616	1,679,058	230,988	474,002	2,384,048
Net Assets - Beginning of Year	17,738,950	1,080,434	2,966,045	21,785,429	20,373,124	995,725	4,147,196	25,516,045
Net Assets - End of Year	\$ 20,373,124	\$ 995,725	\$ 4,147,196	\$ 25,516,045	\$ 22,052,182	\$ 1,226,713	\$ 4,621,198	\$ 27,900,093

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services							Supporting Services			
	Children and Families	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy	Visual and Performing Arts	Fitness and Aquatics	Total	Management and General	Fund Raising	Total 2014
Personnel	\$ 2,217,639	\$ 2,173,222	\$ 92,647	\$ 2,211,387	\$ 739,090	\$ 476,607	\$ 305,674	\$ 8,216,266	\$ 1,008,157	\$ 313,835	\$ 9,538,258
Fees for services	83,924	358,166	1,193	460,284	29,329	19,588	8,465	960,949	157,389	2,568	1,120,906
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	195,880	-	195,880
Insurance	32,577	24,044	2,319	55,282	11,838	11,055	10,681	147,796	24,297	5,354	177,447
Occupancy	178,748	134,293	19,472	567,896	27,752	91,644	196,965	1,216,770	154,648	4,766	1,376,184
Information and communication technology	54,032	51,078	911	62,131	30,349	9,157	10,903	218,561	45,490	8,917	272,968
Supplies	49,461	20,099	831	57,818	1,197	14,029	5,061	148,496	15,729	455	164,680
Food	130,948	435,603	-	221,765	-	946	-	789,262	7,984	-	797,246
Transportation	4,204	42,012	5	10,621	264	4,657	29	61,792	2,478	1	64,271
Professional development	41,193	2,513	5	7,375	3,920	1,175	257	56,438	2,882	5,149	64,469
Bad debt	340	475	-	1,568	-	3,519	-	5,902	-	-	5,902
Depreciation	176,706	30,341	21,288	68,242	30,341	99,889	120,587	547,394	168,491	5,210	721,095
Interest Expense	-	-	-	33,189	-	-	-	33,189	-	-	33,189
Miscellaneous	10,614	22,405	-	10,148	30,495	5,210	5,716	84,588	77,852	250	162,690
TOTAL EXPENSES	\$ 2,980,386	\$ 3,294,251	\$ 138,671	\$ 3,767,706	\$ 904,575	\$ 737,476	\$ 664,338	\$ 12,487,403	\$ 1,861,277	\$ 346,505	\$ 14,695,185

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015 (With Comparative Totals for 2014)

	Program Services								Supporting Services		Total 2015	Year Ended June 30, 2014
	Children and Families	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy	Visual and Performing Arts	Fitness and Aquatics	Total	Management and General	Fund Raising		
Personnel	\$ 2,326,789	\$ 2,394,663	\$ 122,578	\$ 2,262,099	\$ 807,067	\$ 471,698	\$ 288,318	\$ 8,673,212	\$ 1,085,599	\$ 277,020	\$ 10,035,831	\$ 9,538,258
Fees for services	90,281	370,725	1,226	495,001	25,940	24,180	5,503	1,012,856	146,126	3,280	1,162,262	1,120,906
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	121,141	-	121,141	195,880
Insurance	44,225	29,540	3,563	65,053	16,482	15,021	14,617	188,501	33,122	5,463	227,086	177,447
Occupancy	156,481	345,906	16,632	634,722	23,704	78,467	108,527	1,364,439	124,778	4,071	1,493,288	1,376,184
Information and communication technology	54,316	83,861	2,797	90,784	47,977	8,516	11,468	299,719	57,874	11,833	369,426	272,968
Supplies	54,601	15,244	975	57,982	2,665	12,612	9,245	153,324	20,294	599	174,217	164,680
Food	142,638	457,483	-	230,084	-	209	-	830,414	35	-	830,449	797,246
Transportation	2,786	36,790	8	12,194	268	4,505	47	56,598	2,547	2	59,147	64,271
Professional development	28,591	13,557	7	3,373	4,594	32	682	50,836	8,266	3,887	62,989	64,469
Bad debt	-	-	-	2,217	-	229	-	2,446	-	-	2,446	5,902
Depreciation	170,237	38,581	20,508	64,285	29,236	96,234	116,171	535,252	152,960	5,023	693,235	721,095
Loss on write off of property and equipment	10,757	2,438	1,296	-	1,847	6,081	7,341	29,760	9,665	317	39,742	-
Interest Expense	-	-	-	32,597	-	-	-	32,597	-	-	32,597	33,189
Micellaneous	8,700	5,009	1	10,721	42,428	5,608	6,037	78,504	83,891	50	162,445	162,690
TOTAL EXPENSES	<u>\$ 3,090,402</u>	<u>\$ 3,793,797</u>	<u>\$ 169,591</u>	<u>\$ 3,961,112</u>	<u>\$ 1,002,208</u>	<u>\$ 723,392</u>	<u>\$ 567,956</u>	<u>\$ 13,308,458</u>	<u>\$ 1,846,298</u>	<u>\$ 311,545</u>	<u>\$ 15,466,301</u>	<u>\$ 14,695,185</u>

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, 2014 AND 2015**

	<u>2014</u>	<u>2015</u>
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 3,730,616	\$ 2,384,048
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	721,095	693,235
Loss on write off of property and equipment	-	39,742
Bad debt	5,902	2,446
Realized (gain)/loss on the sale of investments	(1,123,856)	(219,006)
Unrealized gain on investments	(1,480,628)	(873,666)
Interest and dividend income on investments	(312,537)	(353,193)
Management fees on investments	121,666	136,570
Contributions for capital expenditures	(42,200)	(60,000)
Contributions for endowment	(1,129,196)	(265,003)
Transfer to endowment from operations	<u>(500,000)</u>	<u>-</u>
Sub-total	<u>(9,138)</u>	<u>1,485,173</u>
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	112,928	(525,754)
Pledges receivable	1,460	(109,350)
Prepayments and other	50,360	(17,983)
Restricted deposits and funded reserves	(24,802)	(23,100)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	39,259	15,800
Accrued salaries and others	(46,691)	111,002
Tenant security deposits	(4)	(441)
Government and other advances	<u>(23,462)</u>	<u>12,838</u>
Net Cash Provided by Operations	<u>99,910</u>	<u>948,185</u>
CASH FLOWS FROM INVESTING		
Purchase of property and equipment	(337,698)	(1,440,178)
Management fees on investments	(121,666)	(136,570)
Purchase of investments	(6,917,041)	(4,946,031)
Sale of investments	<u>5,099,393</u>	<u>4,461,903</u>
Net Cash Used in Investing	<u>(2,277,012)</u>	<u>(2,060,876)</u>
CASH FLOWS FROM FINANCING		
Capital gifts	42,200	60,000
Bequests	506,534	62,753
Restricted endowment gifts	622,662	202,250
Transfer to endowment from operations	500,000	-
Interest and dividends restricted for reinvestment	<u>312,537</u>	<u>353,193</u>
Net Cash Provided by Financing	<u>1,983,933</u>	<u>678,196</u>
NET DECREASE IN CASH AND EQUIVALENTS	<u>(193,169)</u>	<u>(434,495)</u>
Cash and equivalents - beginning of the year	<u>1,954,343</u>	<u>1,761,174</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 1,761,174</u>	<u>\$ 1,326,679</u>

The accompanying notes are an integral part of these statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 121-year-old community service organization located in New York City. Each year, the Organization provides assistance to more than 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 oversees 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 HDFC is also the sole Limited Partner of the Partnership, making the HDFC the sole owner of 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. Because the Neighborhood House controls the HDFC and therefore the Partnership, financial statements of HDFC and Partnership must be consolidated with those of the Neighborhood House. See also Notes 6, 7 and 11.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lenox Hill Neighborhood House, Inc. and Affiliates 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"). Government Funds are recorded as revenue at the end of the month in which expenses to which they relate are incurred, except with regard to performance-based contracts. 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. Reimbursements from government agencies for prior years are occasionally adjusted in subsequent years due to audit adjustments or the receipt of additional monies in excess of contract amounts. Gifts are recorded as revenue when they are reported to the Organization and their amounts 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. All investment earnings on the Permanent Endowment are also permanently restricted. Gifts to the endowment received with donor stipulations that do not expire are recorded in the "Restricted Endowment." 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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the years ended June 30, 2014 and 2015, contributed professional services of \$195,880 and \$121,141, 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.

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. At June 30, 2014 and 2015, allowances totaling \$0 and \$606, respectively, were booked against accounts receivable. No allowances against pledges were 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.

Statements of Cash Flows

For purposes of the statements 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 the 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 and dividend income are 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 of more than one year, is capitalized and depreciated over its estimated useful life utilizing the straight-line method if it relates to equipment or betterments in Property owned by the Organization. Betterments with a cost of \$5,000 or more, and a useful life of more than one year, are capitalized and depreciated over the lesser of their estimated useful life or the lease term if they are located in Property leased by the Organization for a term of more than one year. Betterments in Property used by the Organization either without a lease or pursuant to a lease with a term of one year or less will be expensed. When assets are retired or disposed of, their costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. Repairs and Maintenance are charged to operations as incurred.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization has no uncertain tax positions as of June 30, 2015 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 prior to 2012.

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.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	At June 30,	
	2014	2015
Due from government agencies	\$ 746,457	\$ 1,267,988
Due from tenants	10,517	9,886
Other	25,864	28,877
Subtotal	782,838	1,306,751
Less: Allowance for doubtful accounts	-	(606)
Total	<u>\$ 782,838</u>	<u>\$ 1,306,145</u>

As of October 31, 2015, all but \$78,638 of fiscal 2015 receivables had been collected.

NOTE 4 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	At June 30,	
	2014	2015
Due in less than a year	\$ 184,150	\$ 330,500
Due in fiscal 2016	72,000	-
Due in fiscal 2017	-	35,000
	<u>\$ 256,150</u>	<u>\$ 365,500</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) funds covered by permanent donor restrictions (the "Restricted Endowment"). In combination, these funds are referred to as the Endowment.

At June 30, 2014, the Unrestricted Endowment totaled \$15,434,193 and the Restricted Endowment totaled \$4,147,195, or \$19,581,388 in total, which included a contribution of \$2,500 received on April 24, 2014 and transferred to the Restricted Endowment on July 22, 2014. At June 30, 2015, the Unrestricted Endowment totaled \$16,534,488 and the Restricted Endowment totaled \$4,621,198, or \$21,155,686 in total.

NOTE 5 - ENDOWMENT (Continued)

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 2014

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 12,190,792	\$ 2,966,045	\$ 15,156,837
Contributions	506,534	622,662	1,129,196
Transfer from operating account	500,000	-	500,000
Investment activity			
Interest and dividends	250,030	62,507	312,537
Realized gain	911,475	212,381	1,123,856
Unrealized gain	1,170,384	310,244	1,480,628
Management fees	(95,022)	(26,644)	(121,666)
Sub-total investment activity	<u>2,236,867</u>	<u>558,488</u>	<u>2,795,355</u>
Total Changes	<u>3,243,401</u>	<u>1,181,150</u>	<u>4,424,551</u>
End of year	\$ 15,434,193	\$ 4,147,195	\$ 19,581,388

Changes In Endowment In Fiscal 2015

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 15,434,193	\$ 4,147,195	\$ 19,581,388
Contributions	62,753	202,250	265,003
Investment activity			
Interest and dividends	278,969	74,224	353,193
Realized gain	191,072	27,935	219,007
Unrealized gain	674,355	199,311	873,666
Management fees	(106,854)	(29,717)	(136,571)
Sub-total investment activity	<u>1,037,542</u>	<u>271,753</u>	<u>1,309,295</u>
Total Changes	<u>1,100,295</u>	<u>474,003</u>	<u>1,574,298</u>
End of year	\$ 16,534,488	\$ 4,621,198	\$ 21,155,686

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, was \$20,621,528 as of October 30, 2015. 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. The Endowment is segregated into two separate accounts: Restricted and Unrestricted. Investments consisted of the following at June 30, 2014 (not including the \$2,500 referenced above) and 2015:

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Cash and equivalents	\$ 1,520,317	\$ 888,887	\$ 401,692	\$ 347,970	\$ 1,922,009	\$ 1,236,857
Equities	11,932,238	13,169,934	3,183,611	3,594,703	15,115,849	16,764,637
Fixed income	<u>1,981,638</u>	<u>2,475,667</u>	<u>559,392</u>	<u>678,525</u>	<u>2,541,030</u>	<u>3,154,192</u>
Total	<u>\$15,434,193</u>	<u>\$ 16,534,488</u>	<u>\$ 4,144,695</u>	<u>\$ 4,621,198</u>	<u>\$ 19,578,888</u>	<u>\$21,155,686</u>

NOTE 5 - ENDOWMENT (Continued)

Investments are subject to market fluctuations that could substantially change their values. Restricted net assets at June 30, 2015 were \$4,621,198 and were included in investments.

	Unrestricted		Restricted		Total	
	2014	2015	2014	2015	2014	2015
Interest and dividends	\$ 250,030	\$ 278,969	\$ 62,508	\$ 74,224	\$ 312,538	\$ 353,193
Realized gain on investments	911,475	191,072	212,381	27,935	1,123,856	219,007
Unrealized gain on investments	<u>1,170,384</u>	<u>674,355</u>	<u>310,244</u>	<u>199,311</u>	<u>1,480,628</u>	<u>873,666</u>
	2,331,889	1,144,396	585,133	301,470	2,917,022	1,445,866
Less Management fees	<u>(95,022)</u>	<u>(106,854)</u>	<u>(26,644)</u>	<u>(29,717)</u>	<u>(121,666)</u>	<u>(136,571)</u>
	<u>\$2,236,867</u>	<u>\$1,037,542</u>	<u>\$ 558,489</u>	<u>\$ 271,753</u>	<u>\$ 2,795,356</u>	<u>\$ 1,309,295</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:

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.

NOTE 5 - ENDOWMENT (Continued)

Financial assets carried at fair value at June 30, 2014 and 2015 are classified as follows:

Level 1

	Unrestricted		Restricted		Total	
	2014	2015	2014	2015	2014	2015
Assets Carried at Fair Value						
Investments						
Equities						
Energy	\$ 1,469,003	\$ 695,400	\$ 395,532	\$ 199,871	\$ 1,864,535	\$ 895,271
Materials	289,674	225,516	66,211	61,880	355,885	287,396
Industrials	1,370,730	1,057,503	379,736	288,509	1,750,466	1,346,012
Consumer discretionary	1,200,039	2,162,748	330,305	599,578	1,530,344	2,762,326
Consumer staples	1,152,022	1,767,355	316,879	491,137	1,468,901	2,258,492
Healthcare	2,160,312	3,483,018	571,353	952,625	2,731,665	4,435,643
Financials	1,797,221	2,026,483	472,038	541,123	2,269,259	2,567,606
Information technology	2,493,237	1,751,911	651,557	459,980	3,144,794	2,211,891
Fixed Income						
Government obligations	395,124	395,665	45,123	43,579	440,246	439,244
Corporate bonds	1,586,514	2,080,002	514,270	634,946	2,100,784	2,714,948
Total	<u>\$ 13,913,876</u>	<u>\$ 15,645,601</u>	<u>\$ 3,743,004</u>	<u>\$ 4,273,228</u>	<u>\$ 17,656,879</u>	<u>\$ 19,918,829</u>

Financial assets, carried at fair value, in the Endowment at June 30, 2014 and 2015 do not include cash (\$1,907,534 and \$1,224,865, respectively), interest receivable (\$14,475 and \$11,992, respectively) and a \$2,500 contribution received on April 24, 2014 and transferred to endowment on July 22, 2014.

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, 2015 are \$602,570 (Project Operating Reserve) and \$132,058 (Project Replacement Reserve).

The reserve commitments for the next five years as follows:

Year	Base Project Operating Reserve	Project Replacement Reserve Required Contribution
2015	581,075	15,025
2016	607,982	15,476
2017	631,241	15,940
2018	650,598	16,418
Thereafter	-	407,835

NOTE 7- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2014 and 2015:

	<u>2014</u>	<u>2015</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	7,939,018	8,471,441	3-20 years
Furniture and equipment	<u>747,720</u>	<u>1,034,973</u>	5 years
Subtotal	12,251,218	13,070,894	
Less: Accumulated depreciation	<u>(5,292,983)</u>	<u>(5,405,457)</u>	
Total	<u>\$ 6,958,235</u>	<u>\$ 7,665,437</u>	

The Organization's headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past twelve years, the building has been entirely renovated and 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. The Organization's policy is to obtain a revised appraisal every five years; the next appraisal will be obtained for the year ending June 30, 2017 and will include the Organization's headquarters at 331 East 70th Street as well as the building at 159-61 East 102nd Street in Manhattan.

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, 2015, 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 accrued 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 is a party to three collective bargaining agreements with unions representing Neighborhood House staff: (a) 1199SEIU National Healthcare Workers East ("1199"); (b) Local 95 of DC 1707 AFSCME, AFL-CIO ("Local 95"); and (c) Local 205 of DC 1707 AFSCME, AFL-CIO ("Local 205"). The Neighborhood House has pension obligations on behalf of employees in each union as required by the respective collective bargaining agreements. These agreements expired on April 30, 2015 (1199), January 31, 2015 (Local 95) and September 30, 2014 (Local 205). The Neighborhood House does not administer any of these multiemployer pension plans which are subject to the provisions of the Employees Retirement Income Security Act of 1974 ("ERISA") and the Pension Protection Act of 2006 ("PPA"), among other laws and regulations.

For the years ended June 30, 2014 and 2015, the Neighborhood contributed an average of 14.03% and 13.22% of salary, respectively, for 1199 employees, 10.89% and 10.89%, respectively, for Local 95 employees and 10.12% and 10.03%, respectively, for Local 205 employees. Pension expenses for employees covered by these three collective bargaining agreements for the years ended June 30, 2014 and 2015 totaling \$340,415 and \$353,493, respectively, are included in personnel expense in the consolidated statements of functional expenses.

NOTE 9 - PENSION PLANS (Continued)

The risks of participating in multiemployer pension plans are different from sponsoring single-employer plans in that assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers. In addition, if a participating employer stops participating in a multiemployer plan, the former participating employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The PPA contains certain provisions to address funding problems encountered by many multiemployer plans and established different categories, or “zones”, of plans: (1) “Green Zone” for healthy; (2) “Yellow Zone” for endangered; and (3) “Red Zone” for critical. These categories are based generally upon the funding ratios of plan assets to plan liabilities. In general, Green Zone plans have a funding ratio greater than 80%, Yellow Zone plans have a funding ratio between 65 and 80%, and Red Zone plans are less than 65% funded. The Zone Status for the Plans is based on information obtained from the Form 5500 Annual Report filed by the Plans and certified by the Plans’ actuaries.

Based on Local 1199 Plan’s annual report on Form 5500, the Local 1199 Plan was 91.7% and 90.7% funded for its plan years beginning January 1, 2013 and January 1, 2014, respectively. According to the audited financial statements of the Local 1199 Plan and the actuarial certification, the Local 1199 Plan was therefore not in an endangered or critical status under the PPA for the Plan Year beginning January 1, 2014.

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2014	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Local 1199 Plan	13-3604862	001	January 1, 2014	Green	N/A	N/A	April 30, 2015

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2013	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Local 1199 Plan	13-3604862	001	January 1, 2013	Green	N/A	N/A	April 30, 2015

Defined Contribution Plans

The Neighborhood House has a defined contribution 403(b) thrift plan covering eligible non-union employees. Contributions to the 403(b) plan for the years ended June 30, 2014 and 2015 amounted to \$98,472 and \$99,043, respectively. The Neighborhood House made additional contributions for certain key employees to the 403(b) plan, which are not recoverable by the Organization, and to a 457(b) plan. For fiscal 2014 and 2015, these additional contributions, excluding applicable fringe benefit costs, totaled \$63,000 and \$75,000 and are paid in subsequent fiscal years. All of these contributions are included in personnel expense on the consolidated statements of functional expenses.

NOTE 10- CONTRIBUTIONS AND SPECIAL EVENTS

Contributions consisted of the following for the year ended:

	At June 30,	
	2014	2015
<u>Operating</u>		
Foundations	\$ 1,838,065	\$ 1,877,423
Individuals and others	955,915	799,040
Contributed services	195,880	121,141
Sub-total	<u>2,989,860</u>	<u>2,797,604</u>
<u>Non-operating</u>		
Restricted endowment gifts	622,662	202,250
Bequests	506,534	62,753
Capital gifts	42,200	60,000
Sub-total	<u>1,171,396</u>	<u>325,003</u>
TOTAL	<u>\$ 4,161,257</u>	<u>\$ 3,122,607</u>

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

	At June 30,	
	2014	2015
Special events	\$ 1,013,496	\$ 1,298,852
Associated direct expenses	(271,704)	(297,317)
Special events, net	<u>\$ 741,792</u>	<u>\$ 1,001,535</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, 2015, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2014 and 2015, the Partnership paid \$11,620 and \$12,085, respectively, to the Neighborhood House for partnership management, \$44,569 and \$44,882, respectively, for property management and \$94,730 and \$0, respectively, for services rendered. At June 30, 2014, the Partnership owed the Neighborhood House \$21,420, which was paid in September 2014. At June 30, 2015, the Partnership owed the Neighborhood House \$27,155, which was paid in September 2015. These intercompany transactions have been eliminated in the consolidated financial statements.

David Wirtz, a member of the Neighborhood House Board of Directors during the years ended June 30, 2014 and 2015, is an attorney who 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, 2014 and June 30, 2015, 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 \$13,639 and \$9,378, respectively. Of these amounts, \$9,363 and \$7,045, respectively, were contributed professional services and \$4,276 and \$2,333, 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, 2014 and 2015, there were net assets of \$995,725 and \$1,226,713, respectively, temporarily restricted for use by specific programs. Net assets of \$1,908,516 and \$1,813,560, respectively, were released from donor restrictions during the years ended June 30, 2014 and 2015.

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, 2014 and 2015, the accompanying consolidated financial statements included allowances in the amount of \$0 and \$606, respectively, against all accounts receivable.

The Neighborhood House leases space for the Lenox Hill Neighborhood House Senior Center at Saint Peter's Church pursuant to an Amended and Restated License Agreement dated as of September 1, 2015 ("License Agreement"), which replaced an earlier License Agreement dated as of May 1, 2001. Rent expense amounted to \$30,815 and \$30,815 for the years ended June 30, 2014 and 2015, respectively. The License Agreement terminates on August 31, 2018, unless sooner terminated, and automatically renews for additional three-year terms through August 2027, each of which may be sooner terminated. The Neighborhood House is obligated to make the following monthly rental payments:

Through August 2018	\$	2,575
September 2018 – August 2021		2,613
September 2021- August 2024		2,652
September 2024 – August 2027		2,691

The agreement to use and occupy space at Saint Peter's Church terminates immediately if any one of the following events takes place: (1) in the event that the space or an essential part of the space is totally destroyed by fire or other casualty; (2) 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; (3) written notice is given by either the Neighborhood House or Saint Peter's Church to the other party at least 30 days prior to the current term or any renewal term that the notifying party does not wish to renew the agreement; or (4) 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 or the Partnership to a concentration of credit risk are amounts on deposit at Chase that are in excess of FDIC insurance limits. The excess amounts did not exceed approximately \$2,009,000 and \$2,040,000 during 2014 and 2015, respectively for the Neighborhood House, and \$184,000 and \$154,000, during 2014 and 2015, respectively, for the Partnership. 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, 2014, the Neighborhood House had \$15,434,193 in the Unrestricted Endowment and \$4,144,696 in the Restricted Endowment or a total Endowment of \$19,578,889. At June 30, 2015, the Neighborhood House had \$16,534,488 in the Unrestricted Endowment and \$4,621,198 in the Restricted Endowment or a total Endowment of \$21,155,686.

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 25, 2015, the date the consolidated financial statements were available to be issued.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AT JUNE 30, 2014

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund	Sub-total	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and equivalents	\$ 1,339,469	\$ 421,705	\$ 1,761,174	\$ -	\$ 1,761,174
Accounts receivable, net	782,234	22,024	804,258	(21,420)	782,838
Pledges receivable	256,150	-	256,150	-	256,150
Prepayments and other	172,652	15,199	187,851	-	187,851
Investments	19,578,888	-	19,578,888	-	19,578,888
Restricted deposits and funded reserves	-	771,528	771,528	-	771,528
Property and equipment, net	4,209,850	2,748,385	6,958,235	-	6,958,235
			-		
TOTAL ASSETS	\$ 26,339,243	\$ 3,978,841	\$ 30,318,084	\$ (21,420)	\$ 30,296,664
LIABILITIES					
Accounts payable and accrued expenses	\$ 324,222	\$ 481,021	\$ 805,243	\$ (21,420)	\$ 783,823
Accrued salaries and others	634,251	-	634,251	-	634,251
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	11,430	11,430	-	11,430
Government and other advances	299,840	1,876	301,716	-	301,716
Total	1,258,313	3,483,726	4,742,039	(21,420)	4,720,619
NET ASSETS					
Unrestricted					
Property and equipment	4,209,850	530,514	4,740,364	-	4,740,364
Operations	296,467	(95,399)	201,068	-	201,068
Unrestricted endowment	15,431,692	-	15,431,692	-	15,431,692
Total unrestricted	19,938,009	435,115	20,373,124		20,373,124
Temporarily restricted	995,725	-	995,725	-	995,725
Restricted endowment	4,147,196	-	4,147,196	-	4,147,196
	25,080,930	435,115	25,516,045	-	25,516,045
TOTAL LIABILITIES AND NET ASSETS	\$ 26,339,243	\$ 3,918,841	\$ 30,258,084	\$ (21,420)	\$ 30,236,664

*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, 2015

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund	Sub-total	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and equivalents	\$ 1,078,684	\$ 247,995	\$ 1,326,679	\$ -	\$ 1,326,679
Accounts receivable, net	1,321,791	11,509	1,333,300	(27,155)	1,306,145
Pledges receivable	365,500	-	365,500	-	365,500
Prepayments and other	189,102	16,732	205,834	-	205,834
Investments	21,155,686	-	21,155,686	-	21,155,686
Restricted deposits and funded reserves	-	734,628	734,628	-	734,628
Property and equipment, net	4,917,954	2,747,483	7,665,437	-	7,665,437
			-		
TOTAL ASSETS	\$ 29,028,717	\$ 3,758,347	\$ 32,787,064	\$ (27,155)	\$ 32,759,909
LIABILITIES					
Accounts payable and accrued expenses	\$ 325,504	\$ 501,272	\$ 826,776	\$ (27,155)	\$ 799,621
Accrued salaries and others	745,253	-	745,253	-	745,253
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	10,989	10,989	-	10,989
Government and other advances	312,887	1,667	314,554	-	314,554
Total	1,383,644	3,503,327	4,886,971	(27,155)	4,859,816
NET ASSETS					
Unrestricted					
Property and equipment	4,917,954	492,712	5,410,666	-	5,410,666
Operations	344,720	(237,692)	107,028	-	107,028
Unrestricted endowment	16,534,488	-	16,534,488	-	16,534,488
Total unrestricted	21,797,162	255,020	22,052,182		22,052,182
Temporarily restricted	1,226,713	-	1,226,713	-	1,226,713
Restricted endowment	4,621,198	-	4,621,198	-	4,621,198
	27,645,073	255,020	27,900,093	-	27,900,093
TOTAL LIABILITIES AND NET ASSETS	\$ 29,028,717	\$ 3,758,347	\$ 32,787,064	\$ (27,155)	\$ 32,759,909

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

See Independent Auditors' Report

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULES OF ACTIVITIES
AS OF JUNE 30, 2014

	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	\$ 8,861,402	\$ 128,801	\$ 8,990,203	\$ -	8,990,203
Special events	1,013,496	-	1,013,496		1,013,496
Associated expenses	(271,704)	-	(271,704)	-	(271,704)
Special events, net	741,792	-	741,792	-	741,792
Contributions	1,208,275		1,208,275	(22)	1,208,254
Rental income	-	500,036	500,036	-	500,036
Net assets released from restrictions	1,908,516	-	1,908,516	-	1,908,516
Subtotal	3,858,583	500,036	4,358,619	(22)	4,358,598
Dues and fees	1,369,706	3,099	1,372,805	(150,919)	1,221,887
Interest	2,355	12,883	15,238	-	15,238
Subtotal	1,372,061	15,982	1,388,043	(150,919)	1,237,125
Total Operating Revenues	14,092,046	644,819	14,736,865	(150,940)	14,585,925
Operating Expenses					
Program services	11,894,450	687,683	12,582,133	(94,730)	12,487,403
Management and general	1,861,277	56,210	1,917,487	(56,210)	1,861,277
Fund raising	346,505	-	346,505	-	346,505
Total Operating Expenses	14,102,232	743,893	14,846,125	(150,940)	14,695,185
Operating Income	(10,186)	(99,074)	(109,260)	-	(109,260)
Non-Operating					
Bequests	506,534	-	506,534	-	506,534
Investment income	2,236,867	33	2,236,900	-	2,236,900
Total Non-Operating Income	2,743,401	33	2,743,434	-	2,743,434
Change in Unrestricted Net Assets	2,733,215	(99,041)	2,634,174	-	2,634,174
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,781,607	-	1,781,607	-	1,781,607
Capital gifts	42,200	-	42,200	-	42,200
Net assets released from restrictions	(1,908,516)	-	(1,908,516)	-	(1,908,516)
			-		
Change in Temporarily Restricted Net Assets	(84,709)	-	(84,709)	-	(84,709)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	622,662	-	622,662	-	622,662
Investment income/(loss)	558,489	-	558,489	-	558,489
Change in Permanently Restricted Net Assets	1,181,151	-	1,181,151	-	1,181,151
CHANGE IN NET ASSETS/EXCESS OF EXPENSES OVER REVENUE	3,829,657	(99,041)	3,730,616	-	3,730,616
Net Assets/Equity - Beginning of Year	21,251,273	534,156	21,785,429	-	21,785,429
Net Assets/Equity - End of Year	\$ 25,080,930	\$ 435,115	\$ 25,516,045	\$ -	\$ 25,516,045

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

See independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULES OF ACTIVITIES
AS OF JUNE 30, 2015

	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	\$ 10,582,463	\$ 128,801	\$ 10,711,264	\$ -	10,711,264
Special events	1,298,852	-	1,298,852		1,298,852
Associated expenses	(297,317)	-	(297,317)	-	(297,317)
Special events, net	1,001,535	-	1,001,535	-	1,001,535
Contributions	880,949		880,949	(67,893)	813,056
Rental income	-	509,529	509,529	-	509,529
Net assets released from restrictions	1,813,560	-	1,813,560	-	1,813,560
Subtotal	3,696,044	509,529	4,205,573	(67,893)	4,137,680
Dues and fees	1,240,955	274	1,241,229	(56,967)	1,184,262
Interest	1,394	10,441	11,835	-	11,835
Subtotal	1,242,349	10,715	1,253,064	(56,967)	1,196,097
Total Operating Revenues	15,520,856	649,045	16,169,901	(124,860)	16,045,041
Operating Expenses					
Program services	12,604,157	704,301	13,308,458	-	13,308,458
Management and general	1,846,298	124,860	1,971,158	(124,860)	1,846,298
Fund raising	311,545	-	311,545	-	311,545
Total Operating Expenses	14,762,000	829,161	15,591,161	(124,860)	15,466,301
Operating Income	758,856	(180,116)	578,740	-	578,740
Non-Operating					
Bequests	62,753	-	62,753	-	62,753
Investment income	1,037,544	21	1,037,565	-	1,037,565
Total Non-Operating Income	1,100,297	21	1,100,318	-	1,100,318
Change in Unrestricted Net Assets	1,859,153	(180,095)	1,679,058	-	1,679,058
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,984,548	-	1,984,548	-	1,984,548
Capital gifts	60,000	-	60,000	-	60,000
Net assets released from restrictions	(1,813,560)	-	(1,813,560)	-	(1,813,560)
Change in Temporarily Restricted Net Assets	230,988	-	230,988	-	230,988
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	202,250	-	202,250	-	202,250
Investment income/(loss)	271,752	-	271,752	-	271,752
Change in Permanently Restricted Net Assets	474,002	-	474,002	-	474,002
CHANGE IN NET ASSETS/EXCESS OF EXPENSES OVER REVENUE	2,564,143	(180,095)	2,384,048	-	2,384,048
Net Assets/Equity - Beginning of Year	25,080,930	435,115	25,516,045	-	25,516,045
Net Assets/Equity - End of Year	\$ 27,645,073	\$ 255,020	\$ 27,900,093	\$ -	\$ 27,900,093

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

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