



LENOX HILL NEIGHBORHOOD HOUSE
SINCE 1894

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

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2016

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, 2016 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, 2016 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.

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, the Organization's June 30, 2015 beginning net assets have been restated to reflect an increase of \$289,617. This increase in net assets is the result of a retroactive reduction in interest to correct an error in a pre-existing mortgage held by a New York State government agency on one of the Organization's properties. Our opinion is not modified with respect to that matter.

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 21-24 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.

Marks Paneth LLP

New York, NY
November 22, 2016

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2015 AND 2016**

	2015	2016
ASSETS		
Cash and equivalents (Notes 2 and 14)	\$ 1,326,679	\$ 1,028,381
Accounts receivable, net (Notes 2, 3 and 11)	1,306,145	1,775,464
Pledges receivable (Notes 2 and 4)	365,500	108,500
Prepayments and other	205,834	277,283
Investments (Notes 2 and 5)	21,155,686	20,229,284
Restricted deposits and funded reserves (Note 6)	734,628	754,769
Property and equipment, net (Notes 2 and 7)	<u>7,665,437</u>	<u>8,548,135</u>
TOTAL ASSETS	<u>\$ 32,759,909</u>	<u>\$ 32,721,816</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 496,826	\$ 665,279
Accrued salaries and others	745,253	604,896
Long-term debt (Note 8)	2,989,399	2,989,399
Tenant security deposits	10,989	10,758
Government and other advances	<u>314,554</u>	<u>413,765</u>
Total	<u>4,557,021</u>	<u>4,684,097</u>
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Unrestricted		
Property and equipment	5,410,666	6,313,505
Operations	409,823	748,192
Unrestricted endowment (Note 5)	<u>16,534,488</u>	<u>15,705,030</u>
Total unrestricted	22,354,977	22,766,727
Temporarily restricted (Note 12)	1,226,713	746,738
Restricted endowment (Note 5)	<u>4,621,198</u>	<u>4,524,254</u>
TOTAL NET ASSETS	<u>28,202,888</u>	<u>28,037,719</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,759,909</u>	<u>\$ 32,721,816</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, 2015 AND 2016

	2015				2016			
	Unrestricted	Restricted		Total	Unrestricted	Restricted		Total
		Temporarily	Permanently			Temporarily	Permanently	
Operating Revenue								
Government agencies (Note 2)	\$ 10,711,264	\$ -	\$ -	\$ 10,711,264	\$ 11,911,551	\$ -	\$ -	\$ 11,911,551
Special events	1,298,852	-	-	1,298,852	1,303,801	-	-	1,303,801
Associated expenses	(297,317)	-	-	(297,317)	(261,892)	-	-	(261,892)
Special events, net	1,001,535	-	-	1,001,535	1,041,909	-	-	1,041,909
Contributions (Notes 2 and 10)	813,056	1,984,548	-	2,797,604	952,631	1,665,781	-	2,618,412
Rental income	509,529	-	-	509,529	542,937	-	-	542,937
Net assets released from restrictions (Note 12)	1,813,560	(1,813,560)	-	-	2,145,756	(2,145,756)	-	-
Subtotal	4,137,680	170,988	-	4,308,668	4,683,233	(479,975)	-	4,203,258
Dues and fees	1,184,262	-	-	1,184,262	1,052,028	-	-	1,052,028
Interest	11,835	-	-	11,835	8,267	-	-	8,267
Subtotal	1,196,097	-	-	1,196,097	1,060,295	-	-	1,060,295
Total Operating Revenues	16,045,041	170,988	-	16,216,029	17,655,079	(479,975)	-	17,175,104
Operating Expenses								
Program services	13,295,280	-	-	13,295,280	14,725,495	-	-	14,725,495
Management and general	1,846,298	-	-	1,846,298	1,945,036	-	-	1,945,036
Fund raising	311,545	-	-	311,545	343,340	-	-	343,340
Total Operating Expenses	15,453,123	-	-	15,453,123	17,013,871	-	-	17,013,871
Operating Income	591,918	170,988	-	762,906	641,208	(479,975)	-	161,233
Non-Operating								
Gifts to endowment (Notes 2 and 10)	-	-	202,250	202,250	-	-	132,600	132,600
Bequests (Notes 2 and 10)	62,753	-	-	62,753	565,000	-	-	565,000
Capital gifts (Note 10)	-	60,000	-	60,000	-	-	-	-
Investment income (Note 5)	1,037,565	-	271,752	1,309,317	(794,458)	-	(229,544)	(1,024,002)
Total Non-Operating Income	1,100,318	60,000	474,002	1,634,320	(229,458)	-	(96,944)	(326,402)
Changes in Net Assets	1,692,236	230,988	474,002	2,397,226	411,750	(479,975)	(96,944)	(165,169)
Net Assets - Beginning of Year	20,373,124	995,725	4,147,196	25,516,045	22,354,977	1,226,713	4,621,198	28,202,888
Prior period adjustment (Note 15)	289,617	-	-	289,617	-	-	-	-
Net Assets - Beginning of Year As Restated	20,662,741	995,725	4,147,196	25,805,662	22,354,977	1,226,713	4,621,198	28,202,888
Net Assets - End of Year	\$ 22,354,977	\$ 1,226,713	\$ 4,621,198	\$ 28,202,888	\$ 22,766,727	\$ 746,738	\$ 4,524,254	\$ 28,037,719

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, 2015

	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 2015
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
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
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	121,141	-	121,141
Insurance	44,225	29,540	3,563	65,053	16,482	15,021	14,617	188,501	33,122	5,463	227,086
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
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
Supplies	54,601	15,244	975	57,982	2,665	12,612	9,245	153,324	20,294	599	174,217
Food	142,638	457,483	-	230,084	-	209	-	830,414	35	-	830,449
Transportation	2,786	36,790	8	12,194	268	4,505	47	56,598	2,547	2	59,147
Professional development	28,591	13,557	7	3,373	4,594	32	682	50,836	8,266	3,887	62,989
Bad debt	-	-	-	2,217	-	229	-	2,446	-	-	2,446
Depreciation	170,237	38,581	20,508	64,285	29,236	96,234	116,171	535,252	152,960	5,023	693,235
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	-	-	-	19,419	-	-	-	19,419	-	-	19,419
Miscellaneous	8,700	5,009	1	10,721	42,428	5,608	6,037	78,504	83,891	50	162,445
TOTAL EXPENSES	\$ 3,090,402	\$ 3,793,797	\$ 169,591	\$ 3,947,934	\$ 1,002,208	\$ 723,392	\$ 567,956	\$ 13,295,280	\$ 1,846,298	\$ 311,545	\$ 15,453,123

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, 2016 (With Comparative Totals for 2015)

	Program Services							Supporting Services			Total 2016	Year Ended June 30, 2015
	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	\$ 2,456,773	\$ 2,510,514	\$ 122,661	\$ 2,337,910	\$ 1,216,906	\$ 449,996	\$ 302,731	\$ 9,397,491	\$ 1,189,652	\$ 296,072	\$ 10,883,215	\$ 10,035,831
Fees for services	60,726	564,013	882	396,437	16,662	16,082	5,720	1,060,522	140,938	4,214	1,205,674	1,162,262
Value of pro-bono legal services (Note 2)	-	154,238	-	65,402	-	-	-	219,640	109,867	-	329,507	121,141
Insurance	46,773	30,316	2,497	71,307	22,417	10,949	14,630	198,889	35,085	4,744	238,718	227,086
Occupancy	166,676	703,100	8,472	733,842	35,479	45,362	161,350	1,854,281	130,263	9,008	1,993,552	1,493,288
Information and communication technology	37,381	100,162	3,591	84,735	90,472	7,293	10,309	333,943	65,057	13,260	412,260	369,426
Supplies	31,082	12,392	1,494	48,943	25,611	6,678	3,145	129,345	11,148	892	141,385	174,217
Food	135,128	396,367	-	211,314	-	1,187	-	743,996	473	-	744,469	830,449
Transportation	23,307	14,558	3	11,311	625	17	34	49,855	3,705	143	53,703	59,147
Professional development	30,106	24,448	4	11,162	7,288	424	1,166	74,598	14,587	2,697	91,882	62,989
Bad debt	-	-	-	1,379	-	46	-	1,425	-	-	1,425	2,446
Depreciation	181,043	33,067	10,893	82,260	39,186	57,620	117,154	521,223	166,485	11,581	699,289	693,235
Loss on write off of property and equipment	6,018	1,099	362	236	1,303	1,915	3,895	14,828	5,535	384	20,747	39,742
Interest Expense	-	-	-	20,010	-	-	-	20,010	-	-	20,010	19,419
Miscellaneous	8,227	13,229	3	10,645	63,040	4,677	5,628	105,449	72,241	345	178,035	162,445
TOTAL EXPENSES	\$ 3,183,240	\$ 4,557,503	\$ 150,862	\$ 4,086,893	\$ 1,518,989	\$ 602,246	\$ 625,762	\$ 14,725,495	\$ 1,945,036	\$ 343,340	\$ 17,013,871	\$ 15,453,123

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, 2015 AND 2016**

	<u>2015</u>	<u>2016</u>
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 2,397,226	\$ (165,169)
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	693,235	699,289
Loss on write off of property and equipment	39,742	20,747
Bad debt	2,446	1,425
Realized gain on the sale of investments	(219,006)	(227,201)
Unrealized gain (loss) on investments	(873,666)	1,485,472
Contributions for capital expenditures	(60,000)	-
Contributions for endowment	(265,003)	(697,600)
Transfer from endowment to operations	-	600,000
Sub-total	<u>1,714,974</u>	<u>1,716,963</u>
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	(525,754)	(470,744)
Pledges receivable	(109,350)	257,000
Prepayments and other	(17,983)	(71,449)
Restricted deposits and funded reserves	(23,100)	(20,141)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	2,622	168,454
Accrued salaries and others	111,002	(140,357)
Tenant security deposits	(441)	(231)
Government and other advances	<u>12,838</u>	<u>99,211</u>
Net Cash Provided by Operations	<u>1,164,808</u>	<u>1,538,706</u>
CASH FLOWS FROM INVESTING		
Purchase of property and equipment	(1,440,178)	(1,602,735)
Purchase of investments	(4,946,031)	(7,421,482)
Sale of investments	<u>4,461,903</u>	<u>7,089,613</u>
Net Cash Used in Investing	<u>(1,924,306)</u>	<u>(1,934,604)</u>
CASH FLOWS FROM FINANCING		
Capital gifts	60,000	-
Bequests	62,753	565,000
Restricted endowment gifts	202,250	132,600
Transfer from endowment to operations	-	(600,000)
Net Cash Provided by Financing	<u>325,003</u>	<u>97,600</u>
NET DECREASE IN CASH AND EQUIVALENTS	<u>(434,495)</u>	<u>(298,298)</u>
Cash and equivalents - beginning of the year	<u>1,761,174</u>	<u>1,326,679</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 1,326,679</u>	<u>\$ 1,028,381</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, 2016

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 122-year-old community service organization located in New York City. Each year, the Organization provides assistance to more than 15,000 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 to the endowment received with donor stipulations that do not expire are recorded in The Thomas J. Edelman Restricted Endowment Fund f/b/o Lenox Hill Neighborhood House (the "Restricted Endowment")(see Note 5). All investment earnings on the Restricted Endowment are permanently restricted. Non-operating revenue consists of gifts to endowment,

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements.

During the years ended June 30, 2015 and 2016, contributed professional services of \$121,141 and \$329,507, 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, 2015 and 2016, allowances totaling \$606 and \$277, 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 or 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.

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 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.

Income Taxes

The Organization is unaware of any uncertain tax positions as of June 30, 2016 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.

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,	
	2015	2016
Due from government agencies	\$ 1,267,988	\$ 1,748,924
Due from tenants	9,886	4,417
Other	28,877	22,400
Subtotal	1,306,751	1,775,741
Less: Allowance for doubtful accounts	(606)	(277)
Total	<u>\$ 1,306,145</u>	<u>\$ 1,775,464</u>

As of November 22, 2016, all but \$946,677 of fiscal 2016 accounts receivable had been collected.

NOTE 4 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	At June 30,	
	2015	2016
Due in less than a year	\$ 330,500	\$ 108,500
Due in more than one year	35,000	-
Total	<u>\$ 365,500</u>	<u>\$ 108,500</u>

As of September 15, 2016, all 2016 pledges receivable had been collected.

NOTE 5 - ENDOWMENT

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, 2015, the Unrestricted Endowment totaled \$16,534,488 and the Restricted Endowment totaled \$4,621,198, or \$21,155,686 in total. At June 30, 2016, the Unrestricted Endowment totaled \$15,705,030 and the Restricted Endowment totaled \$4,524,254, or \$20,229,284 in total.

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, to achieve long-term growth and to comply with the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Neighborhood House focuses on total return (capital gains or losses plus interest and dividends).

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/(loss)	191,072	27,935	219,007
Unrealized gain/(loss)	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	<u>\$ 16,534,488</u>	<u>\$ 4,621,198</u>	<u>\$ 21,155,686</u>

NOTE 5 - ENDOWMENT (Continued)

Changes In Endowment In Fiscal 2016

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 16,534,488	\$ 4,621,198	\$ 21,155,686
Contributions	565,000	132,600	697,600
Transfer from endowment to operations	(600,000)	-	(600,000)
Investment activity			
Interest and dividends	292,108	79,793	371,901
Realized gain/(loss)	229,345	(2,144)	227,201
Unrealized gain/(loss)	(1,208,885)	(276,587)	(1,485,472)
Management fees	<u>(107,026)</u>	<u>(30,606)</u>	<u>(137,632)</u>
Sub-total investment activity	<u>(794,458)</u>	<u>(229,544)</u>	<u>(1,024,002)</u>
Total Changes	<u>(829,458)</u>	<u>(96,944)</u>	<u>(926,402)</u>
End of year	\$ 15,705,030	\$ 4,524,254	\$ 20,229,284

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, was \$19,489,923 as of November 21, 2016. The Neighborhood House's investments are managed, on a discretionary basis by Fiera Capital Inc. ("Fiera Capital"), an independent investment firm. The Endowment is segregated into two separate accounts: Restricted and Unrestricted. Investments consisted of the following at June 30, 2015 and 2016:

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Cash and equivalents	\$ 888,887	\$ 308,420	\$ 347,970	\$ 71,815	\$ 1,236,857	\$ 380,235
Equities	13,169,934	9,889,766	3,594,703	2,831,762	16,764,637	12,721,528
Fixed income	<u>2,475,667</u>	<u>5,506,844</u>	<u>678,525</u>	<u>1,620,677</u>	<u>3,154,192</u>	<u>7,127,521</u>
Total	<u>\$ 16,534,488</u>	<u>\$ 15,705,030</u>	<u>\$ 4,621,198</u>	<u>\$ 4,524,254</u>	<u>\$ 21,155,686</u>	<u>\$ 20,229,284</u>

Investments are subject to market fluctuations that could substantially change their values. Restricted net assets at June 30, 2016 were \$4,524,254 and were included in investments.

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Interest and dividends	\$ 278,969	\$ 292,108	\$ 74,224	\$ 79,793	\$ 353,193	\$ 371,901
Realized gain/(loss) on investments	191,072	229,345	27,935	(2,144)	219,007	227,201
Unrealized gain/(loss) on investments	<u>674,355</u>	<u>(1,208,885)</u>	<u>199,311</u>	<u>(276,587)</u>	<u>873,666</u>	<u>(1,485,472)</u>
	1,144,396	(687,432)	301,470	(198,938)	1,445,866	(886,370)
Less Management fees	<u>(106,854)</u>	<u>(107,026)</u>	<u>(29,717)</u>	<u>(30,606)</u>	<u>(136,571)</u>	<u>(137,632)</u>
	<u>\$1,037,542</u>	<u>(\$ 794,458)</u>	<u>\$ 271,753</u>	<u>(\$ 229,544)</u>	<u>\$ 1,309,295</u>	<u>(\$ 1,024,002)</u>

NOTE 5 - ENDOWMENT (Continued)

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.

Financial assets carried at fair value at June 30, 2015 and 2016 are classified as follows:

Level 1

	Unrestricted		Restricted		Total	
	2015	2016	2015	2016	2015	2016
Assets Carried at Fair Value						
Investments						
Equities (Common Stocks)	\$ 13,169,934	\$ 9,889,766	\$ 3,594,703	\$ 2,831,762	\$ 16,764,637	\$ 12,721,528
Government obligations	395,665	1,399,047	43,579	325,990	439,244	1,725,037
Corporate bonds	<u>2,080,002</u>	<u>4,107,797</u>	<u>634,946</u>	<u>1,294,687</u>	<u>2,714,948</u>	<u>5,402,484</u>
Total	<u>\$ 15,645,601</u>	<u>\$ 15,396,610</u>	<u>\$ 4,273,228</u>	<u>\$ 4,452,439</u>	<u>\$ 19,918,829</u>	<u>\$ 19,849,049</u>

Financial assets, carried at fair value, in the Endowment at June 30, 2015 and 2016 do not include cash (\$1,224,865 and \$370,028, respectively) and interest receivable (\$11,992 and \$10,207, respectively).

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, 2016 are \$606,592 (Project Operating Reserve) and \$148,177 (Project Replacement Reserve). As of June 30, 2015 and 2016 the Partnership is required to make specified annual contributions to the Project Replacement Reserve but not to the Project Operating Reserve.

The reserve commitment for the next five years for the Project Operating Reserve is as follows:

At December 31,	Project Operating Reserve Targets
2017	631,241
2018	650,598
2019	665,788
2020	676,536
2021	682,552
Thereafter	*

* The base project operating reserve will continue to increase until it reaches the maximum target balance of \$683,537 by 2022; the balance will start decreasing until it reaches the minimum balance of \$76,932 by 2037.

The required contribution to the Project Replacement Reserve for the next five years is as follows:

At December 31,	Project Replacement Reserve Annual Contribution
2017	15,940
2018	16,418
2019	16,911
2020	17,418
2021	17,941
Thereafter	372,476

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015 and 2016:

	<u>2015</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,664,999	\$ 1,664,999	N/A
Buildings	1,899,481	1,899,481	25-50 years
Improvements	8,471,441	9,965,016	3-20 years
Furniture and equipment	<u>1,034,973</u>	<u>1,078,177</u>	5 years
Subtotal	13,070,894	14,607,673	
Less: Accumulated depreciation	<u>(5,405,457)</u>	<u>(6,059,538)</u>	
Total	<u>\$ 7,665,437</u>	<u>\$ 8,548,135</u>	

The Organization's headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past thirteen 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, 2016, 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 0.25% per annum. Principal and all accrued interest is payable at maturity although HHAC's position is that they do not "typically contemplate" repayment of these types of loans, contingent upon contract compliance throughout the term. Rather, they generally "discharge the notes and mortgages rather than collect any repayment" and issue a formal release/satisfaction at the end of the term.

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 will expire on September 30, 2017 (1199) and September 30, 2020 (Local 205); the agreement with Local 95 expired on January 31, 2015. 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, 2015 and 2016, the Neighborhood accrued and/or contributed an average of 13.22% and 10.71% of salary, respectively, for 1199 employees, 10.89% and 10.89%, respectively, for Local 95 employees and 11.83% and 13.84%, respectively, for Local 205 employees. Pension expenses for employees covered by these three collective bargaining agreements for the years ended June 30, 2015 and 2016 totaling \$353,493 and \$263,167, respectively, are included in personnel expense in the consolidated statements of functional expenses.

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 90.7% and 87.5% funded for its plan years beginning January 1, 2014 and January 1, 2015, 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, 2015.

NOTE 9 - PENSION PLANS (Continued)

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2015	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Local 1199 Plan	13-3604862	001	January 1, 2015	Green	N/A	N/A	September 30, 2017

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	September 30, 2017

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, 2015 and 2016 amounted to \$99,043 and \$105,640, 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 2015 and 2016, these additional contributions, excluding applicable fringe benefit costs, totaled \$75,000 and \$76,928 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:

	At June 30,	
	2015	2016
<u>Operating</u>		
Foundations	\$ 1,877,423	\$ 1,585,844
Individuals and others	799,040	703,061
Contributed services	<u>121,141</u>	<u>329,507</u>
Sub-total	<u>2,797,604</u>	<u>2,618,412</u>
<u>Non-operating</u>		
Restricted endowment gifts	202,250	132,600
Bequests	62,753	565,000
Capital gifts	<u>60,000</u>	<u>-</u>
Sub-total	<u>325,003</u>	<u>697,600</u>
Total	<u>\$ 3,122,607</u>	<u>\$ 3,316,012</u>

NOTE 10 - CONTRIBUTIONS AND SPECIAL EVENTS (Continued)

Special event income consisted of the following:

	At June 30,	
	2015	2016
Special events	\$ 1,298,852	\$ 1,303,801
Associated direct expenses	(297,317)	(261,892)
Special events, net	<u>\$ 1,001,535</u>	<u>\$ 1,041,909</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, 2016, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2015 and 2016, the Partnership paid \$12,085 and \$12,567, respectively, to the Neighborhood House for partnership management and \$44,882 and \$46,314, respectively, for property management. At June 30, 2015, the Partnership owed the Neighborhood House \$27,155, which was paid in September 2015. At June 30, 2016, the Partnership owed the Neighborhood House \$23,075, which was paid in September 2016. These intercompany transactions have been eliminated in the consolidated financial statements.

David Wirtz, a member of the Neighborhood House Board of Directors during the year ended June 30, 2015, was an attorney who advised the Neighborhood House on employment and labor law matters on a discounted basis as a way of supporting its charitable mission. He is a shareholder of the law firm of Littler Mendelson, P.C. For the year ended 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 \$9,378. Of this amount, \$7,045 was contributed professional services and \$2,333 was billed to and paid for by the Neighborhood House. Mr. Wirtz was not a member of the Board of Directors during the year ended June 30, 2016.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the consolidated statements of financial position are comprised of assets that are subject to donor restrictions by time or purpose. At June 30, 2015 and 2016, there were net assets of \$1,226,713 and \$746,738, respectively, temporarily restricted for use by specific programs. Net assets of \$1,813,560 and \$2,145,756, respectively, were released from donor restrictions during the years ended June 30, 2015 and 2016.

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, 2015 and 2016, the accompanying consolidated financial statements included allowances in the amount of \$606 and \$277, 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 \$30,886 for the years ended June 30, 2015 and 2016, 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 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 \$2,040,000 and \$2,959,000 during 2015 and 2016, respectively for the Neighborhood House, and \$154,000 and \$55,000, during 2015 and 2016, 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 Fiera Capital. Investment securities are held in a custody account at BNY Mellon Wealth Management. 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. At June 30, 2016, the Neighborhood House had \$15,705,030 in the Unrestricted Endowment and \$4,524,254 in the Restricted Endowment or a total Endowment of \$20,229,284.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

At June 30, 2016, the Partnership was liable for two mortgages on the building at 159-61 East 102nd Street. See Note 8.

One of the mortgages, obtained by a predecessor to the Organization in the principal amount of \$1,317,824 and due May 14, 2022, is with the New York State Homeless Housing and Assistance Corporation ("HHAC"). From the inception of this mortgage in 1990 through June 30, 2015, interest was computed by the Partnership at 1.25% per annum. For the year ending December 2015, HHAC advised the Partnership that they discovered a discrepancy in the language of the original promissory note: the word version of the interest rate is "one quarter percent" while the numeric version in a parenthetical is "(1.25%)." HHAC then advised that as there is a conflict between the word version and the numerical version, they would apply the lower word version of the interest rate dating to the inception of the mortgage. As a result of this interpretation by the mortgagor of the discrepancy in the promissory note, the interest rate is "one quarter percent" or "0.25%". An adjustment has therefore been made by the Partnership for fiscal year 2015 reducing the interest expense by \$13,178; the partners' deficit at June 30, 2014 has also been reduced by \$289,617. These changes are reflected in the Consolidated Financial Statements. Interest expense in the amount of \$3,295 was accrued for each of the fiscal years ending June 30, 2015 and June 30, 2016.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through November 22, 2016, 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, 2015

	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	\$ 1,078,684	\$ 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	\$ 198,477	\$ 523,981	\$ (27,155)	\$ 496,826
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	3,200,532	4,584,176	(27,155)	4,557,021
NET ASSETS					
Unrestricted					
Property and equipment	4,917,954	492,712	5,410,666	-	5,410,666
Operations	344,720	65,103	409,823	-	409,823
Unrestricted endowment	16,534,488	-	16,534,488	-	16,534,488
Total unrestricted	21,797,162	557,815	22,354,977	-	22,354,977
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	557,815	28,202,888	-	28,202,888
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 FINANCIAL POSITION
AT JUNE 30, 2016**

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund	Sub-total	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and equivalents	\$ 878,105	\$ 150,276	\$ 1,028,381	\$ -	\$ 1,028,381
Accounts receivable, net	1,793,265	5,274	1,798,539	(23,075)	1,775,464
Pledges receivable	108,500	-	108,500	-	108,500
Prepayments and other	247,467	29,816	277,283	-	277,283
Investments	20,229,284	-	20,229,284	-	20,229,284
Restricted deposits and funded reserves	-	754,769	754,769	-	754,769
Property and equipment, net	5,864,340	2,683,795	8,548,135	-	8,548,135
			-		
TOTAL ASSETS	<u>\$ 29,120,961</u>	<u>\$ 3,623,930</u>	<u>\$ 32,744,891</u>	<u>\$ (23,075)</u>	<u>\$ 32,721,816</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 487,392	\$ 200,962	\$ 688,354	\$ (23,075)	\$ 665,279
Accrued salaries and others	604,896	-	604,896	-	604,896
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	10,758	10,758	-	10,758
Government and other advances	412,749	1,016	413,765	-	413,765
Total	<u>1,505,037</u>	<u>3,202,135</u>	<u>4,707,172</u>	<u>(23,075)</u>	<u>4,684,097</u>
NET ASSETS					
Unrestricted					
Property and equipment	5,864,340	449,165	6,313,505	-	6,313,505
Operations	775,562	(27,370)	748,192	-	748,192
Unrestricted endowment	15,705,030	-	15,705,030	-	15,705,030
Total unrestricted	22,344,932	421,795	22,766,727		22,766,727
Temporarily restricted	746,738	-	746,738	-	746,738
Restricted endowment	4,524,254	-	4,524,254	-	4,524,254
	<u>27,615,924</u>	<u>421,795</u>	<u>28,037,719</u>	<u>-</u>	<u>28,037,719</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,120,961</u>	<u>\$ 3,623,930</u>	<u>\$ 32,744,891</u>	<u>\$ (23,075)</u>	<u>\$ 32,721,816</u>

*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	691,123	13,295,280	-	13,295,280
Management and genera	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	815,983	15,577,983	(124,860)	15,453,123
Operating Income	758,856	(166,938)	591,918	-	591,918
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	(166,917)	1,692,236	-	1,692,236
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	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	(166,917)	2,397,226	-	2,397,226
Net Assets/Equity - Beginning of Year	25,080,930	435,115	25,516,045	-	25,516,045
Prior period adjustment	-	289,617	289,617	-	289,617
Net Assets/Equity - Beginning of Year, As Restated	25,080,930	724,732	25,805,662	-	25,805,662
Net Assets/Equity - End of Year	\$ 27,645,073	\$ 557,815	\$ 28,202,888	\$ -	\$ 28,202,888

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

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LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULES OF ACTIVITIES
AS OF JUNE 30, 2016

	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	\$ 11,782,290	\$ 129,261	\$ 11,911,551	\$ -	11,911,551
Special events	1,303,801	-	1,303,801		1,303,801
Associated expenses	(261,892)	-	(261,892)	-	(261,892)
Special events, net	1,041,909	-	1,041,909	-	1,041,909
Contributions	952,631		952,631	-	952,631
Rental income	-	542,937	542,937	-	542,937
Net assets released from restrictions	2,145,756	-	2,145,756	-	2,145,756
Subtotal	4,140,296	542,937	4,683,233	-	4,683,233
Dues and fees	1,110,546	363	1,110,909	(58,881)	1,052,028
Interest	1,184	7,083	8,267	-	8,267
Subtotal	1,111,730	7,446	1,119,176	(58,881)	1,060,295
Total Operating Revenues	17,034,316	679,644	17,713,960	(58,881)	17,655,079
Operating Expenses					
Program services	13,968,713	756,782	14,725,495	-	14,725,495
Management and genera	1,945,035	58,882	2,003,917	(58,881)	1,945,036
Fund raising	343,340	-	343,340	-	343,340
Total Operating Expenses	16,257,088	815,664	17,072,752	(58,881)	17,013,871
Operating Income	777,228	(136,020)	641,208	-	641,208
Non-Operating					
Bequests	565,000	-	565,000	-	565,000
Investment loss	(794,458)	-	(794,458)	-	(794,458)
Total Non-Operating Income	(229,458)	-	(229,458)	-	(229,458)
Change in Unrestricted Net Assets	547,770	(136,020)	411,750	-	411,750
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	1,665,781	-	1,665,781	-	1,665,781
Net assets released from restrictions	(2,145,756)	-	(2,145,756)	-	(2,145,756)
Change in Temporarily Restricted Net Assets	(479,975)	-	(479,975)	-	(479,975)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	132,600	-	132,600	-	132,600
Investment loss	(229,544)	-	(229,544)	-	(229,544)
Change in Permanently Restricted Net Assets	(96,944)	-	(96,944)	-	(96,944)
CHANGE IN NET ASSETS/EXCESS OF EXPENSES OVER REVENUE	(29,149)	(136,020)	(165,169)	-	(165,169)
Net Assets/Equity - Beginning of Year	27,645,073	557,815	28,202,888	-	28,202,888
Net Assets/Equity - End of Year	\$ 27,615,924	\$ 421,795	\$ 28,037,719	\$ -	\$ 28,037,719

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

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