



LENOX HILL NEIGHBORHOOD HOUSE
SINCE 1894

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

Consolidated Financial Statements
(Together with Independent Auditors' Report)
and
Supplementary Information

Years Ended June 30, 2017 and 2018

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, 2018 and 2017, 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 from 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, 2018 and 2017, 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 20-23 are presented for the purposes of additional analysis of the basic consolidated financial statements, rather than to present the financial position, changes 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 28, 2018

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2018**

	2017	2018
ASSETS		
Cash and equivalents (Notes 2 and 15)	\$ 886,645	\$ 1,193,198
Accounts receivable, net (Notes 2, 3 and 12)	2,296,563	2,202,200
Pledges receivable (Notes 2 and 4)	333,500	611,085
Prepayments and other assets	240,765	223,325
Investments (Notes 2 and 5)	21,450,168	24,671,778
Restricted deposits and funded reserves (Note 6)	561,639	585,032
Property and equipment, net (Notes 2 and 7)	8,562,049	9,454,927
TOTAL ASSETS	\$ 34,331,329	\$ 38,941,545
LIABILITIES		
Accounts payable and accrued expenses	\$ 581,584	\$ 674,218
Accrued salaries and others	450,111	457,619
Long-term debt (Note 8)	2,989,399	2,989,399
Tenant security deposits	9,638	9,406
Government and other advances	439,822	475,709
Total Liabilities	4,470,554	4,606,351
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS		
Unrestricted		
Property and equipment	6,134,289	7,050,560
Operations	1,382,250	1,501,378
Unrestricted endowment (Note 5)	16,222,772	18,285,195
Total unrestricted	23,739,311	26,837,133
Temporarily restricted (Note 13)	894,068	1,111,478
Restricted endowment (Note 5)	5,227,396	6,386,583
TOTAL NET ASSETS	29,860,775	34,335,194
TOTAL LIABILITIES AND NET ASSETS	\$ 34,331,329	\$ 38,941,545

The accompanying notes are an integral part of these consolidated financial statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

	2017			2018				
	Unrestricted	Restricted		Unrestricted	Restricted		Total	
		Temporarily	Permanently		Temporarily	Permanently		
							Total	
Operating Revenue								
Government agencies (Note 2)	\$ 11,936,371	\$ -	\$ -	\$ 11,936,371	\$ 13,197,918	\$ -	\$ -	\$ 13,197,918
Special events	1,242,538	-	-	1,242,538	1,092,340	-	-	1,092,340
Associated expenses	(371,115)	-	-	(371,115)	(330,017)	-	-	(330,017)
Special events, net	871,423	-	-	871,423	762,323	-	-	762,323
Contributions (Notes 2 and 11)	956,868	2,076,617	-	3,033,485	1,081,053	2,206,394	-	3,287,447
Rental income	556,418	-	-	556,418	581,215	-	-	581,215
Net assets released from restrictions (Note 13)	1,939,287	(1,939,287)	-	-	2,173,984	(2,173,984)	-	-
Subtotal	4,323,996	137,330	-	4,461,326	4,598,575	32,410	-	4,630,985
Dues and fees	1,062,111	-	-	1,062,111	971,254	-	-	971,254
Interest	9,593	-	-	9,593	10,881	-	-	10,881
Subtotal	1,071,704	-	-	1,071,704	982,135	-	-	982,135
Total Operating Revenues	17,332,071	137,330	-	17,469,401	18,778,628	32,410	-	18,811,038
Operating Expenses								
Program services	14,937,232	-	-	14,937,232	16,227,499	-	-	16,227,499
Management and general	2,104,682	-	-	2,104,682	2,195,324	-	-	2,195,324
Fundraising	435,315	-	-	435,315	449,231	-	-	449,231
Total Operating Expenses	17,477,229	-	-	17,477,229	18,872,054	-	-	18,872,054
Operating Income (Loss)	(145,158)	137,330	-	(7,828)	(93,426)	32,410	-	(61,016)
Non-Operating								
Gifts to endowment (Notes 2 and 11)	-	-	381,100	381,100	-	-	119,750	119,750
Bequests (Notes 2 and 11)	-	-	-	-	500	-	-	500
Capital gifts (Note 11)	-	10,000	-	10,000	-	185,000	-	185,000
Investment income (Note 5)	1,117,742	-	322,042	1,439,784	3,190,748	-	1,039,437	4,230,185
Non-Operating Income	1,117,742	10,000	703,142	1,830,884	3,191,248	185,000	1,159,187	4,535,435
Changes in Net Assets	972,584	147,330	703,142	1,823,056	3,097,822	217,410	1,159,187	4,474,419
Net Assets - Beginning of Year	22,766,727	746,738	4,524,254	28,037,719	23,739,311	894,068	5,227,396	29,860,775
Net Assets - End of Year	\$ 23,739,311	\$ 894,068	\$ 5,227,396	\$ 29,860,775	\$ 26,837,133	\$ 1,111,478	\$ 6,386,583	\$ 34,335,194

The accompanying notes are an integral part of these consolidated financial statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services								Supporting Services		Total 2017	
	Early Childhood Center	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy	Visual and Performing Arts	Fitness and Aquatics	Health and Wellness	Total	Management and General		Fundraising
Personnel	\$ 2,401,291	\$ 2,664,622	\$ 105,955	\$ 2,367,423	\$ 1,439,050	\$ 465,859	\$ 338,089	\$ 302,605	\$ 10,084,894	\$ 1,219,459	\$ 370,926	\$ 11,675,279
Fees for services	45,128	595,688	1,415	297,352	68,492	20,021	5,602	2,654	1,036,352	136,023	5,671	1,178,046
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	-	216,818	-	216,818
Insurance	41,485	29,153	1,940	66,662	25,414	9,623	15,013	3,526	192,816	26,831	4,921	224,568
Occupancy	154,660	167,102	6,879	748,763	38,189	42,130	133,735	4,881	1,296,339	108,699	8,723	1,413,761
Information and communication technology	61,098	113,814	7,735	95,860	82,292	13,050	14,643	37,400	425,892	104,483	21,811	552,186
Supplies	37,091	10,519	1,206	41,105	4,783	8,923	5,173	935	109,735	8,801	717	119,253
Food	180,400	340,677	1	233,000	184	970	10	87	755,329	11	1	755,341
Transportation	71,840	16,581	2	9,595	2,256	13	31	2	100,320	1,363	450	102,133
Professional development	32,449	24,244	330	11,232	11,460	2,080	1,502	21	83,318	16,055	5,523	104,896
Bad debt	-	10	-	1,268	-	-	-	-	1,278	2,713	-	3,991
Depreciation	208,280	44,032	9,991	89,587	55,465	60,992	150,515	7,090	625,952	156,952	12,669	795,573
Loss on write off of property and equipment	10,556	2,232	506	412	2,811	3,091	7,628	359	27,595	7,954	642	36,191
Interest Expense	-	-	-	20,010	-	-	-	-	20,010	-	-	20,010
Miscellaneous	10,352	23,949	71	13,212	120,018	4,076	5,724	-	177,402	98,520	3,261	279,183
Total Expenses	\$ 3,254,630	\$ 4,032,623	\$ 136,031	\$ 3,995,481	\$ 1,850,414	\$ 630,828	\$ 677,665	\$ 359,560	\$ 14,937,232	\$ 2,104,682	\$ 435,315	\$ 17,477,229

The accompanying notes are an integral part of these consolidated financial statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 (With Comparative Totals for 2017)

	Program Services								Supporting Services			Total 2018	Total 2017
	Early Childhood Center	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy	Visual and Performing Arts	Fitness and Aquatics	Health and Wellness	Total	Management and General	Fundraising		
Personnel	\$ 2,417,912	\$ 2,625,066	\$ 126,777	\$ 2,312,297	\$ 1,790,257	\$ 511,853	\$ 294,981	\$ 533,393	\$ 10,612,536	\$ 1,308,064	\$ 379,847	\$ 12,300,447	\$ 11,675,279
Fees for services	38,627	581,713	1,285	286,159	27,320	17,811	5,271	2,682	960,868	138,740	9,785	1,109,393	1,178,046
Value of pro-bono legal services (Note 2)	-	-	-	84,459	90,167	-	-	-	174,626	188,758	-	363,384	216,818
Insurance	36,953	25,269	1,860	62,170	27,394	8,769	13,204	4,725	180,344	26,871	4,464	211,679	224,568
Occupancy	180,644	181,537	7,946	1,149,464	47,169	46,183	157,269	6,041	1,776,253	122,529	9,557	1,908,339	1,413,761
Information and communication technology	57,019	117,063	10,036	124,184	111,150	13,139	23,643	31,867	488,101	88,597	24,070	600,768	552,186
Supplies	32,965	10,584	994	38,643	4,644	8,744	1,712	2,919	101,205	10,411	759	112,375	119,253
Food	197,783	373,058	3	237,319	64	679	50	3,548	812,504	141	737	813,382	755,341
Transportation	57,084	15,828	4	10,828	2,733	20	53	2	86,552	1,094	203	87,849	102,133
Professional development	25,722	19,721	425	6,998	13,406	3,772	255	3,123	73,422	28,716	4,869	107,007	104,896
Bad debt	-	645	-	3,304	-	-	-	-	3,949	-	-	3,949	3,991
Depreciation	220,332	50,450	10,573	113,136	62,768	61,096	159,290	6,885	684,530	163,054	12,717	860,301	795,573
Loss on write off of property and equipment	36,388	8,332	1,746	1,422	10,366	10,090	26,307	1,137	95,788	26,930	2,100	124,818	36,191
Interest Expense	-	-	-	20,010	-	-	-	-	20,010	-	-	20,010	20,010
Miscellaneous	6,735	16,670	110	11,056	114,301	2,647	5,284	8	156,811	91,419	123	248,353	279,183
Total Expenses	\$ 3,308,164	\$ 4,025,936	\$ 161,759	\$ 4,461,449	\$ 2,301,739	\$ 684,803	\$ 687,319	\$ 596,330	\$ 16,227,499	\$ 2,195,324	\$ 449,231	\$ 18,872,054	\$ 17,477,229

The accompanying notes are an integral part of these consolidated financial statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018**

	2017	2018
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 1,823,056	\$ 4,474,419
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	795,573	860,301
Loss on write off of property and equipment	36,191	124,818
Bad debt	3,991	3,949
Realized gain on the sale of investments	(279,667)	(1,671,690)
Unrealized gain on investments	(943,961)	(2,362,155)
Contributions for capital expenditures	(10,000)	(185,000)
Contributions for endowment	(381,100)	(120,250)
Transfer from endowment to operations	600,000	1,128,825
Sub-total	1,644,083	2,253,217
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	(525,090)	90,414
Pledges receivable	(225,000)	(277,585)
Prepayments and other assets	36,518	17,440
Restricted deposits and funded reserves	193,130	(23,393)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	(83,696)	20,134
Accrued salaries and others	(154,785)	80,008
Tenant security deposits	(1,120)	(232)
Government and other advances	26,058	35,887
Net Cash Provided by Operations	910,098	2,195,890
CASH FLOWS FROM INVESTING		
Purchase of property and equipment	(845,678)	(1,877,997)
Purchase of investments	(11,531,529)	(8,695,515)
Sale of investments	11,534,273	9,507,750
Net Cash Used in Investing	(842,934)	(1,065,762)
CASH FLOWS FROM FINANCING		
Capital gifts	10,000	185,000
Bequests	-	500
Restricted endowment gifts	381,100	119,750
Transfer from endowment to operations	(600,000)	(600,000)
Transfer from endowment to capital improvements	-	(528,825)
Net Cash Used in Financing	(208,900)	(823,575)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(141,736)	306,553
Cash and equivalents - beginning of the year	1,028,381	886,645
CASH AND EQUIVALENTS - END OF YEAR	\$ 886,645	\$ 1,193,198

The accompanying notes are an integral part of these consolidated financial statements.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 and 2018

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 124-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 a 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"). The 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 the HDFC and Partnership must be consolidated with those of the Neighborhood House. See also Notes 6, 7 and 12.

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 become 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 consolidated statements 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, capital gifts,

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2018, contributed professional services of \$216,818 and \$363,384, 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, 2017 and 2018, allowances totaling \$2,992 and \$312, respectively, were booked against accounts receivable. No allowances against pledges were believed necessary. The Organization does not currently discount to present value contributions that will be received in more than one year because that discount is deemed immaterial given the non-discounted value of such contributions.

Cash and Equivalents

Cash and equivalents include highly liquid instruments having maturities of three 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 consolidated statements of cash flows, 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 consolidated statements of financial position. Interest, dividends and gains and losses on investments are reflected in the consolidated 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, 2018 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,	
	2017	2018
Due from government agencies	\$ 2,277,328	\$ 2,169,996
Due from tenants	4,747	4,212
Other	<u>17,480</u>	<u>28,304</u>
Subtotal	2,299,555	2,202,512
Less: Allowance for doubtful accounts	<u>(2,992)</u>	<u>(312)</u>
Total	<u>\$ 2,296,563</u>	<u>\$ 2,202,200</u>

As of November 28, 2018, all but \$82,145 of fiscal 2018 accounts receivable had been collected.

NOTE 4 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	At June 30,	
	2017	2018
Due in less than a year	\$ 227,500	\$ 553,085
Due in more than one year	106,000	58,000
Total	<u>\$ 333,500</u>	<u>\$ 611,085</u>

As of November 28, 2018, all but \$407,600 of fiscal 2018 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, 2017, the Unrestricted Endowment totaled \$16,222,772 and the Restricted Endowment totaled \$5,227,396, or \$21,450,168 in total. At June 30, 2018, the Unrestricted Endowment totaled \$18,285,195 and the Restricted Endowment totaled \$6,386,583, or \$24,671,778 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 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 15,705,030	\$ 4,524,254	\$ 20,229,284
Contributions	-	381,100	381,100
Transfer from endowment to operations	(600,000)	-	(600,000)
Investment activity			
Interest and dividends	271,837	79,146	350,983
Realized gain	247,535	32,132	279,667
Unrealized gain	701,767	242,194	943,961
Management fees	<u>(103,397)</u>	<u>(31,430)</u>	<u>(134,827)</u>
Sub-total investment activity	<u>1,117,742</u>	<u>322,042</u>	<u>1,439,784</u>
Total Changes	<u>517,742</u>	<u>703,142</u>	<u>1,220,884</u>
End of year	<u>\$ 16,222,772</u>	<u>\$ 5,227,396</u>	<u>\$ 21,450,168</u>

NOTE 5 - ENDOWMENT (Continued)

Changes In Endowment In Fiscal 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 16,222,772	\$ 5,227,396	\$ 21,450,168
Contributions	500	119,750	120,250
Transfer from endowment to operations	(1,128,825)	-	(1,128,825)
Investment activity			
Interest and dividends	264,344	86,387	350,731
Realized gain	1,367,504	304,186	1,671,690
Unrealized gain	1,674,144	688,011	2,362,155
Management fees	<u>(115,244)</u>	<u>(39,147)</u>	<u>(154,391)</u>
Sub-total investment activity	<u>3,190,748</u>	<u>1,039,437</u>	<u>4,230,185</u>
Total Changes	<u>2,062,423</u>	<u>1,159,187</u>	<u>3,221,610</u>
End of year	<u>\$ 18,285,195</u>	<u>\$ 6,386,583</u>	<u>\$ 24,671,778</u>

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, was \$22,255,336 as of November 28, 2018. 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, 2017 and 2018:

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Cash and equivalents	\$ 956,867	207,040	\$ 315,212	\$ 29,368	\$ 1,272,079	\$ 236,408
Equities	13,743,391	13,489,092	4,430,882	4,644,569	18,174,273	18,133,661
Fixed income	<u>1,522,514</u>	<u>4,589,063</u>	<u>481,302</u>	<u>1,712,646</u>	<u>2,003,816</u>	<u>6,301,709</u>
Total	<u>\$ 16,222,772</u>	<u>\$ 18,285,195</u>	<u>\$5,227,396</u>	<u>\$ 6,386,583</u>	<u>\$ 21,450,168</u>	<u>\$ 24,671,778</u>

Investments are subject to market fluctuations that could substantially change their values. Restricted net assets at June 30, 2017 and 2018 were \$5,227,396 and \$6,386,583, respectively, and were included in investments.

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Interest and dividends	\$ 271,837	\$ 264,344	\$ 79,146	\$ 86,387	\$ 350,983	\$ 350,731
Realized gain on investments	247,535	1,367,504	32,132	304,186	279,667	1,671,690
Unrealized gain on investments	<u>701,767</u>	<u>1,674,144</u>	<u>242,194</u>	<u>688,011</u>	<u>943,961</u>	<u>2,362,155</u>
	1,221,139	3,305,992	353,472	1,078,584	1,574,611	4,384,576
Less Management fees	<u>(103,397)</u>	<u>(115,244)</u>	<u>(31,430)</u>	<u>(39,147)</u>	<u>(134,827)</u>	<u>(154,391)</u>
	<u>\$1,117,742</u>	<u>\$3,190,748</u>	<u>\$ 322,042</u>	<u>\$1,039,437</u>	<u>\$1,439,784</u>	<u>\$4,230,185</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, 2017 and 2018 are classified as follows:

Level 1

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Assets Carried at Fair Value						
Investments						
Equities (Common Stocks)	\$ 13,743,390	\$ 13,489,092	\$ 4,430,882	\$ 4,644,569	\$ 18,174,272	\$ 18,133,661
Government obligations	198,750	525,794	89,437	210,317	288,187	736,111
Corporate bonds	<u>1,323,765</u>	<u>4,063,269</u>	<u>391,865</u>	<u>1,502,329</u>	<u>1,715,630</u>	<u>5,565,598</u>
Total	<u>\$ 15,265,905</u>	<u>\$ 18,078,155</u>	<u>\$ 4,912,184</u>	<u>\$ 6,357,215</u>	<u>\$ 20,178,089</u>	<u>\$ 24,435,370</u>

Financial assets, carried at fair value, in the Endowment at June 30, 2017 and 2018 do not include cash of (\$1,258,376 and \$230,412, respectively) and interest receivable of (\$13,703 and \$5,996, 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 New York City Housing Development Corporation (“HDC”). The balances of these accounts as of June 30, 2018 are \$555,377 (Project Operating Reserve) and \$29,655 (Project Replacement Reserve). As of June 30, 2017 and 2018, the Partnership is required to make specified annual contributions to the Project Replacement Reserve but not to the Project Operating Reserve. These balances are net of withdrawals from the Project Operating Reserve and the Project Replacement Reserve, authorized by HPD and transferred from HDC, to finance capital improvements in the Project.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2018:

	<u>2017</u>	<u>2018</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	10,531,691	11,774,496	3-20 years
Furniture and equipment	<u>1,166,627</u>	<u>1,512,033</u>	5 - 10 years
Subtotal	15,262,798	16,851,009	
Less: Accumulated depreciation	<u>(6,700,749)</u>	<u>(7,396,082)</u>	
Total	<u>\$ 8,562,049</u>	<u>\$ 9,454,927</u>	

The Organization’s headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past 15 years, the building has been entirely renovated and its principal systems and finishes restored or replaced. At January 2017, the market value of the land on which the building sits had an estimated market value of \$48.2 million (assumed vacant and available for development) based on an independent appraisal completed by KTR Real Estate Advisors (“KTR”). The building at 159-61 East 102nd Street in Manhattan that provides permanent supportive housing for 54 formerly homeless persons who live with mental illness (see Note 1) and the land on which it sits had an estimated fair market value of \$2.5 million as of January 2017 based on an independent appraisal completed by KTR.

NOTE 8 - LONG-TERM DEBT

At June 30, 2018, 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 - LINE OF CREDIT

The Organization renewed a \$1,000,000 commercial line of credit with a major bank in February 2018. This line is collateralized by all of the Organization’s business assets. There were no drawings on the line of credit during the year ended June 30, 2018 nor have there been any drawings through November 28, 2018. Drawing were subject to interest at a rate of LIBOR Rate plus 3.00%. The line of credit expires on March 6, 2019 with an option to renew.

NOTE 10 - PENSION PLANS

Union Plans

The Neighborhood House is a party to two collective bargaining agreements with unions representing certain Neighborhood House staff: (a) 1199SEIU National Healthcare Workers East (“1199”); and (b) Local 95 of DC 1707 ASCME, AFL-CIO (“Local 95”). The Neighborhood House has pension obligations on behalf of employees in each union as required by the respective collective bargaining agreements. The agreement with 1199 expired on September 30, 2018; management expects to renew this agreement during fiscal year 2019, retroactive to October 1, 2018, and the terms and conditions of the current agreement continue in effect until renewal. The agreement with Local 95 will expire on January 31, 2019. The Neighborhood House does not administer either of these multiemployer pension plans which are subject to the provisions of the Employee 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, 2017 and 2018, the Neighborhood House contributed an average of 10.76% of salary for 1199 employees and 10.89% for Local 95 employees. Pension expenses for employees covered by these two collective bargaining agreements for the years ended June 30, 2017 and 2018 totaling \$299,797 and \$317,164, 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.

NOTE 10 - PENSION PLANS (Continued)

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 83.7% and 82.5% funded for its plan years beginning January 1, 2016 and January 1, 2017, 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, 2017.

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2016	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2016	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 2017	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2017	Green	N/A	N/A	September 30, 2018

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, 2017 and 2018 amounted to \$123,158 and \$141,499, 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 2017 and 2018, these additional contributions, excluding applicable fringe benefit costs, totaled \$79,221 and \$85,260 and are paid in subsequent fiscal years. All of these contributions are included in personnel expense on the consolidated statements of functional expenses.

NOTE 11 - CONTRIBUTIONS AND SPECIAL EVENTS

Contributions consisted of the following:

	At June 30,	
	2017	2018
<u>Operating</u>		
Foundations	\$ 1,805,175	\$ 2,177,083
Individuals and others	1,011,492	746,980
Contributed services	<u>216,818</u>	<u>363,384</u>
Sub-total	<u>3,033,485</u>	<u>3,287,447</u>
<u>Non-operating</u>		
Restricted endowment gifts	381,100	119,750
Bequests	-	500
Capital gifts	<u>10,000</u>	<u>185,000</u>
Sub-total	<u>391,100</u>	<u>305,250</u>
Total	<u>\$ 3,424,585</u>	<u>\$ 3,592,697</u>

Special event income consisted of the following:

	At June 30,	
	2017	2018
Special events	\$ 1,242,538	\$ 1,092,340
Associated direct expenses	<u>(371,115)</u>	<u>(330,017)</u>
Special events, net	<u>\$ 871,423</u>	<u>\$ 762,323</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

As described 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, 2018, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2017 and 2018, the Partnership paid \$13,071 and \$13,594, respectively, to the Neighborhood House for partnership management and \$47,973 and \$48,868, respectively, for property management. At June 30, 2017, the Partnership owed the Neighborhood House \$29,800, which was paid in July 2017. At June 30, 2018, the Partnership owed the Neighborhood House \$591,225, \$559,549 of which was for capital improvements made at the building which were paid for by the Neighborhood House. Of the \$591,225 owed as of June 30, 2018, \$31,676 was paid by the Partnership to the Neighborhood House as of September 2018. These intercompany transactions have been eliminated in the consolidated financial statements.

NOTE 13 - 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, 2017 and 2018, there were net assets of \$894,068 and \$1,111,478, respectively, temporarily restricted for use by specific programs. Net assets of \$1,939,287 and \$2,173,984, respectively, were released from donor restrictions during the years ended June 30, 2017 and 2018.

NOTE 14 - 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, 2017 and 2018, the accompanying consolidated financial statements included allowances in the amount of \$2,992 and \$312, respectively, against all accounts receivable.

The Neighborhood House leases space and pays for maintenance services 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"), as amended pursuant to an Addendum to the License Agreement dated as of May 9, 2017 ("Addendum"), and as further amended pursuant to a Second Addendum to the License Agreement dated September 17, 2018 and effective as of July 1, 2018 ("Second Addendum"). The License Agreement, as amended, terminates on August 31, 2021, unless sooner terminated, and automatically renews for additional three-year terms through August 2027, each of which may be sooner terminated pursuant to the terms of the License Agreement, as amended.

Pursuant to the License Agreement, as amended, the Neighborhood House pays Saint Peter's Church a monthly License Fee and a monthly Maintenance Fee as follows:

License Fee

\$2,575/month for the term expiring August 31, 2018
\$2,613/month for the term expiring August 31, 2021
\$2,652/month for the term expiring August 31, 2024
\$2,691/month for the term expiring August 31, 2027

Maintenance Fee

\$2515.32/month for the period expiring June 30, 2019. This monthly Maintenance Fee will increase annually in each subsequent fiscal year (i.e., July 1 through June 30) in an amount equal to the announced Social Security Administration Cost of Living Adjustment (COLA) applicable to Social Security beneficiaries.

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 1199 and is a party to a multiemployer collective bargaining agreement with Local 95.

NOTE 15 - 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 Federal Deposit Insurance Corporation insurance limits. The excess amounts did not exceed approximately \$1,658,000 and \$3,344,000 on the last day of any month during 2017 and 2018, respectively for the Neighborhood House, and \$47,000 and \$0, during 2017 and 2018, 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.

NOTE 15 - CONCENTRATIONS (Continued)

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, 2017, the Neighborhood House had \$16,222,772 in the Unrestricted Endowment and \$5,227,396 in the Restricted Endowment or a total Endowment of \$21,450,168. At June 30, 2018, the Neighborhood House had \$18,285,195 in the Unrestricted Endowment and \$6,386,583 in the Restricted Endowment or a total Endowment of \$24,671,778.

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 28, 2018, the date the consolidated financial statements were available to be issued.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	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	\$ 808,858	\$ 77,787	\$ 886,645	\$ -	\$ 886,645
Accounts receivable, net	2,321,219	5,144	2,326,363	(29,800)	2,296,563
Pledges receivable	333,500	-	333,500	-	333,500
Prepayments and other assets	225,168	15,597	240,765	-	240,765
Investments	21,450,168	-	21,450,168	-	21,450,168
Restricted deposits and funded reserves	-	561,639	561,639	-	561,639
Property and equipment, net	<u>5,715,323</u>	<u>2,846,726</u>	<u>8,562,049</u>	<u>-</u>	<u>8,562,049</u>
TOTAL ASSETS	<u>\$ 30,854,236</u>	<u>\$ 3,506,893</u>	<u>\$ 34,361,129</u>	<u>\$ (29,800)</u>	<u>\$ 34,331,329</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 415,447	\$ 195,937	\$ 611,384	\$ (29,800)	\$ 581,584
Accrued salaries and others	450,111	-	450,111	-	450,111
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	9,638	9,638	-	9,638
Government and other advances	439,033	789	439,822	-	439,822
Total Liabilities	<u>1,304,591</u>	<u>3,195,763</u>	<u>4,500,354</u>	<u>(29,800)</u>	<u>4,470,554</u>
NET ASSETS					
Unrestricted					
Property and equipment	5,715,323	418,966	6,134,289	-	6,134,289
Operations	1,490,086	(107,836)	1,382,250	-	1,382,250
Unrestricted endowment	<u>16,222,772</u>	<u>-</u>	<u>16,222,772</u>	<u>-</u>	<u>16,222,772</u>
Total unrestricted	23,428,181	311,130	23,739,311	-	23,739,311
Temporarily restricted	894,068	-	894,068	-	894,068
Restricted endowment	<u>5,227,396</u>	<u>-</u>	<u>5,227,396</u>	<u>-</u>	<u>5,227,396</u>
	<u>29,549,645</u>	<u>311,130</u>	<u>29,860,775</u>	<u>-</u>	<u>29,860,775</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,854,236</u>	<u>\$ 3,506,893</u>	<u>\$ 34,361,129</u>	<u>\$ (29,800)</u>	<u>\$ 34,331,329</u>

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

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2018

	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	\$ 1,167,900	\$ 25,298	\$ 1,193,198	\$ -	\$ 1,193,198
Accounts receivable, net	2,779,641	13,784	2,793,425	(591,225)	2,202,200
Pledges receivable	611,085	-	611,085	-	611,085
Prepayments and other assets	208,954	14,371	223,325	-	223,325
Investments	24,671,778	-	24,671,778	-	24,671,778
Restricted deposits and funded reserves	-	585,032	585,032	-	585,032
Property and equipment, net	6,087,709	3,367,218	9,454,927	-	9,454,927
TOTAL ASSETS	\$ 35,527,067	\$ 4,005,703	\$ 39,532,770	\$ (591,225)	\$ 38,941,545
LIABILITIES					
Accounts payable and accrued expenses	\$ 494,698	\$ 770,745	\$ 1,265,443	\$ (591,225)	\$ 674,218
Accrued salaries and others	457,619	-	457,619	-	457,619
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	9,406	9,406	-	9,406
Government and other advances	475,056	653	475,709	-	475,709
Total Liabilities	1,427,373	3,770,203	5,197,576	(591,225)	4,606,351
NET ASSETS					
Unrestricted					
Property and equipment	6,087,709	962,851	7,050,560	-	7,050,560
Operations	2,228,729	(727,351)	1,501,378	-	1,501,378
Unrestricted endowment	18,285,195	-	18,285,195	-	18,285,195
Total unrestricted	26,601,633	235,500	26,837,133	-	26,837,133
Temporarily restricted	1,111,478	-	1,111,478	-	1,111,478
Restricted endowment	6,386,583	-	6,386,583	-	6,386,583
	34,099,694	235,500	34,335,194	-	34,335,194
TOTAL LIABILITIES AND NET ASSETS	\$ 35,527,067	\$ 4,005,703	\$ 39,532,770	\$ (591,225)	\$ 38,941,545

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

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 11,807,110	\$ 129,261	\$ 11,936,371	\$ -	\$ 11,936,371
Special events	1,242,538	-	1,242,538	-	1,242,538
Associated expenses	<u>(371,115)</u>	<u>-</u>	<u>(371,115)</u>	<u>-</u>	<u>(371,115)</u>
Special events, net	871,423	-	871,423	-	871,423
Contributions	956,868	-	956,868	-	956,868
Rental income	-	556,418	556,418	-	556,418
Net assets released from restrictions	<u>1,939,287</u>	<u>-</u>	<u>1,939,287</u>	<u>-</u>	<u>1,939,287</u>
Subtotal	<u>3,767,578</u>	<u>556,418</u>	<u>4,323,996</u>	<u>-</u>	<u>4,323,996</u>
Dues and fees	1,123,073	81	1,123,154	(61,044)	1,062,110
Interest	695	8,898	9,593	-	9,593
Subtotal	<u>1,123,768</u>	<u>8,979</u>	<u>1,132,747</u>	<u>(61,044)</u>	<u>1,071,703</u>
Total Operating Revenues	<u>16,698,456</u>	<u>694,658</u>	<u>17,393,114</u>	<u>(61,044)</u>	<u>17,332,070</u>
Operating Expenses					
Program services	14,192,953	744,279	14,937,232	-	14,937,232
Management and general	2,104,682	61,044	2,165,726	(61,044)	2,104,682
Fundraising	<u>435,315</u>	<u>-</u>	<u>435,315</u>	<u>-</u>	<u>435,315</u>
Total Operating Expenses	<u>16,732,950</u>	<u>805,323</u>	<u>17,538,273</u>	<u>(61,044)</u>	<u>17,477,229</u>
Operating Income (Loss)	<u>(34,494)</u>	<u>(110,665)</u>	<u>(145,159)</u>	<u>-</u>	<u>(145,159)</u>
Non-Operating					
Investment income	<u>1,117,742</u>	<u>-</u>	<u>1,117,742</u>	<u>-</u>	<u>1,117,742</u>
Total Non-Operating Income	<u>1,117,742</u>	<u>-</u>	<u>1,117,742</u>	<u>-</u>	<u>1,117,742</u>
Change in Unrestricted Net Assets	<u>1,083,248</u>	<u>(110,665)</u>	<u>972,583</u>	<u>-</u>	<u>972,583</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	2,076,618	-	2,076,618	-	2,076,618
Capital gifts	10,000	-	10,000	-	10,000
Net assets released from restrictions	<u>(1,939,287)</u>	<u>-</u>	<u>(1,939,287)</u>	<u>-</u>	<u>(1,939,287)</u>
Change in Temporarily Restricted Net Assets	<u>147,331</u>	<u>-</u>	<u>147,331</u>	<u>-</u>	<u>147,331</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	381,100	-	381,100	-	381,100
Investment income	<u>322,042</u>	<u>-</u>	<u>322,042</u>	<u>-</u>	<u>322,042</u>
Change in Permanently Restricted Net Assets	<u>703,142</u>	<u>-</u>	<u>703,142</u>	<u>-</u>	<u>703,142</u>
CHANGES IN NET ASSETS/EXCESS OF EXPENSES OVER REVENUE	1,933,721	(110,665)	1,823,056	-	1,823,056
Net Assets/Equity - Beginning of Year	<u>27,615,924</u>	<u>421,795</u>	<u>28,037,719</u>	<u>-</u>	<u>28,037,719</u>
Net Assets/Equity - End of Year	<u>\$ 29,549,645</u>	<u>\$ 311,130</u>	<u>\$ 29,860,775</u>	<u>\$ -</u>	<u>\$ 29,860,775</u>

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

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 13,068,268	\$ 129,650	\$ 13,197,918	\$ -	\$ 13,197,918
Special events	1,092,340	-	1,092,340	-	1,092,340
Associated expenses	(330,017)	-	(330,017)	-	(330,017)
Special events, net	762,323	-	762,323	-	762,323
Contributions	1,081,053	-	1,081,053	-	1,081,053
Rental income	-	581,215	581,215	-	581,215
Net assets released from restrictions	2,173,984	-	2,173,984	-	2,173,984
Subtotal	4,017,360	581,215	4,598,575	-	4,598,575
Dues and fees	1,033,476	240	1,033,716	(62,462)	971,254
Interest	2,053	8,828	10,881	-	10,881
Subtotal	1,035,529	9,068	1,044,597	(62,462)	982,135
Total Operating Revenues	18,121,157	719,933	18,841,090	(62,462)	18,778,628
Operating Expenses					
Program services	15,494,397	733,102	16,227,499	-	16,227,499
Management and general	2,195,325	62,461	2,257,786	(62,462)	2,195,324
Fundraising	449,231	-	449,231	-	449,231
Total Operating Expenses	18,138,953	795,563	18,934,516	(62,462)	18,872,054
Operating Loss	(17,796)	(75,630)	(93,426)	-	(93,426)
Non-Operating					
Bequests	500	-	500	-	500
Investment income	3,190,748	-	3,190,748	-	3,190,748
Total Non-Operating Income	3,191,248	-	3,191,248	-	3,191,248
Change in Unrestricted Net Assets	3,173,452	(75,630)	3,097,822	-	3,097,822
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	2,206,394	-	2,206,394	-	2,206,394
Capital gifts	185,000	-	185,000	-	185,000
Net assets released from restrictions	(2,173,984)	-	(2,173,984)	-	(2,173,984)
Change in Temporarily Restricted Net Assets	217,410	-	217,410	-	217,410
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Gifts to endowment	119,750	-	119,750	-	119,750
Investment income	1,039,437	-	1,039,437	-	1,039,437
Change in Permanently Restricted Net Assets	1,159,187	-	1,159,187	-	1,159,187
CHANGES IN NET ASSETS/EXCESS OF EXPENSES OVER REVENUE	4,550,049	(75,630)	4,474,419	-	4,474,419
Net Assets/Equity - Beginning of Year	29,549,645	311,130	29,860,775	-	29,860,775
Net Assets/Equity - End of Year	\$ 34,099,694	\$ 235,500	\$ 34,335,194	\$ -	\$ 34,335,194

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

See Independent Auditors' Report.