



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, 2019 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditor's Report)
and Supplementary Information

YEARS ENDED JUNE 30, 2019 AND 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-21
Supplementary Information	
Consolidating Schedules of Financial Position	22-23
Consolidating Schedules of Activities.....	24-25

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, 2020 and 2019 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 Consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2020 and 2019, and the changes in their net assets and their 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 22-25 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 25, 2020

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2020**

	2019	2020
ASSETS		
Cash and equivalents (Notes 2 and 16)	\$ 1,495,379	\$ 3,510,661
Accounts receivable, net (Notes 2, 4 and 14)	1,519,710	3,166,675
Pledges receivable (Notes 2 and 5)	389,733	684,000
Investments (Notes 2 and 6)	24,432,220	26,628,323
Prepayments and other assets	181,913	438,614
Restricted deposits and funded reserves (Notes 2 and 7)	609,540	505,549
Property and equipment, net (Notes 2 and 8)	10,622,528	10,503,272
TOTAL ASSETS	\$ 39,251,023	\$ 45,437,094
LIABILITIES		
Accounts payable and accrued expenses	\$ 609,496	\$ 797,789
Accrued salaries and others	464,209	20,812
Long-term debt (Note 9)	2,989,399	2,989,399
Tenant security deposits	9,173	9,093
Government and other advances	447,851	394,058
Loan payable (Notes 2 and 10)	-	2,382,913
TOTAL LIABILITIES	4,520,128	6,594,064
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2 and 6)		
Without Donor Restrictions		
Undesignated	1,478,082	2,674,809
Designated by the Board for endowment	17,510,546	18,840,737
Property and equipment	8,242,669	8,019,422
Without Donor Restrictions - Total	27,231,297	29,534,968
With Donor Restrictions		
Perpetual in nature	6,921,674	7,787,585
Purpose restrictions	560,924	1,135,477
Time-restricted only for future periods	17,000	385,000
With Donor Restrictions - Total	7,499,598	9,308,062
TOTAL NET ASSETS	34,730,895	38,843,030
TOTAL LIABILITIES AND NET ASSETS	\$ 39,251,023	\$ 45,437,094

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, 2019 AND 2020

	2019			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
Government agencies (Note 2)	\$ 12,693,822	\$ -	\$ 12,693,822	\$ 15,235,497	\$ -	\$ 15,235,497
Special events	1,080,351	-	1,080,351	95,535	-	95,535
Direct special event expenses	(327,026)	-	(327,026)	(18,227)	-	(18,227)
Special events, net	753,325	-	753,325	77,308	-	77,308
Contributions (Notes 2 and 13)	1,060,356	1,642,371	2,702,727	1,540,379	2,846,328	4,386,707
Rental income	572,722	-	572,722	569,996	-	569,996
Net assets released from restrictions (Note 2)	2,435,925	(2,435,925)	-	1,938,775	(1,938,775)	-
Subtotal	4,822,328	(793,554)	4,028,774	4,126,458	907,553	5,034,011
Dues and fees	1,047,002	-	1,047,002	898,436	-	898,436
Interest	12,151	-	12,151	11,555	-	11,555
Subtotal	1,059,153	-	1,059,153	909,991	-	909,991
Total Operating Revenue	18,575,303	(793,554)	17,781,749	20,271,946	907,553	21,179,499
Operating Expenses						
Program services	16,463,093	-	16,463,093	18,117,021	-	18,117,021
Management and general	2,202,502	-	2,202,502	1,374,115	-	1,374,115
Fundraising	483,397	-	483,397	405,240	-	405,240
Total Operating Expenses	19,148,992	-	19,148,992	19,896,376	-	19,896,376
Operating Income (Loss)	(573,689)	(793,554)	(1,367,243)	375,570	907,553	1,283,123
Non-Operating Income						
Gifts to endowment (Notes 2 and 13)	15,000	125,090	140,090	-	70,780	70,780
Bequests (Notes 2 and 13)	-	-	-	500	-	500
Capital gifts (Note 13)	-	260,000	260,000	-	35,000	35,000
Investment income (Note 6)	1,081,526	410,001	1,491,527	1,929,691	795,131	2,724,822
Loss on disposal of property and equipment	(128,673)	-	(128,673)	(2,090)	-	(2,090)
Total Non-Operating Income	967,853	795,091	1,762,944	1,928,101	900,911	2,829,012
Changes in Net Assets	394,164	1,537	395,701	2,303,671	1,808,464	4,112,135
Net Assets - Beginning of Year	26,837,133	7,498,061	34,335,194	27,231,297	7,499,598	34,730,895
Net Assets - End of Year	\$ 27,231,297	\$ 7,499,598	\$ 34,730,895	\$ 29,534,968	\$ 9,308,062	\$ 38,843,030

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, 2019

	Program Services								Supporting Services		Total 2019	
	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		Fund Raising
Personnel	\$ 2,625,497	\$ 2,796,033	\$ 134,386	\$ 2,339,730	\$ 2,033,000	\$ 460,662	\$ 235,250	\$ 544,974	\$ 11,169,532	\$ 1,311,369	\$ 394,829	\$ 12,875,730
Fees for services	35,155	600,056	1,224	214,405	38,292	19,422	4,244	12,779	925,577	155,142	115,399	1,196,118
Value of pro-bono legal services (Note 2)	30,421	29,189	1,867	166,111	20,060	8,102	3,332	6,935	266,017	188,021	-	454,038
Insurance	38,583	25,934	1,775	65,902	29,173	8,375	13,478	5,694	188,914	27,051	4,278	220,243
Occupancy	171,625	152,301	7,282	823,707	40,951	42,435	141,967	6,293	1,386,561	116,328	12,613	1,515,502
Information and communication technology	52,806	115,716	5,076	117,248	134,392	17,053	12,316	55,896	510,503	72,039	24,292	606,834
Supplies	41,649	10,903	1,852	35,188	5,281	9,386	1,566	4,647	110,472	11,189	13,978	135,639
Food	192,623	433,248	168	237,597	406	104	63	475	864,684	1,395	226,252	1,092,331
Transportation	57,734	16,407	5	20,553	3,665	27	70	1,508	99,969	1,960	1,143	103,072
Professional development	6,072	18,059	-	14,959	5,105	1,300	1,196	6,595	53,286	23,847	1,610	78,743
Bad debt	-	-	-	3,429	-	-	-	-	3,429	-	-	3,429
Depreciation	222,095	50,749	10,636	164,108	58,041	61,459	159,906	8,991	735,985	168,001	11,714	915,700
Interest expense	-	-	-	20,150	-	-	-	-	20,150	-	-	20,150
Miscellaneous	9,396	15,623	134	11,087	79,065	6,642	4,573	1,494	128,014	126,160	4,315	258,489
	<u>3,483,656</u>	<u>4,264,218</u>	<u>164,405</u>	<u>4,234,174</u>	<u>2,447,431</u>	<u>634,967</u>	<u>577,961</u>	<u>656,281</u>	<u>16,463,093</u>	<u>2,202,502</u>	<u>810,423</u>	<u>19,476,018</u>
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	(327,026)	(327,026)
TOTAL EXPENSES	\$ 3,483,656	\$ 4,264,218	\$ 164,405	\$ 4,234,174	\$ 2,447,431	\$ 634,967	\$ 577,961	\$ 656,281	\$ 16,463,093	\$ 2,202,502	\$ 483,397	\$ 19,148,992

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, 2020 (With Comparative Totals for 2019)

	Program Services							Supporting Services			Total 2020	Total 2019	
	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			Fund Raising
Personnel	\$ 2,449,431	\$ 3,308,255	\$ 159,205	\$ 2,601,424	\$ 2,287,534	\$ 497,580	\$ 252,476	\$ 455,954	\$ 12,011,859	\$ 762,702	\$ 308,846	\$ 13,083,407	\$ 12,875,730
Fees for services	64,351	719,584	1,624	385,593	38,238	13,986	3,900	20,390	1,247,666	156,860	20,600	1,425,126	1,196,118
Value of pro-bono legal services (Note 2)	90	22,772	21	1,604	328	16	-	8,344	33,175	15,621	14	48,810	454,038
Insurance	45,665	33,178	2,592	70,017	33,924	9,865	11,709	5,543	212,493	18,522	3,931	234,946	220,243
Occupancy	208,645	151,818	10,059	1,298,506	40,450	42,508	108,828	11,770	1,872,584	66,275	12,538	1,951,397	1,515,502
Information and communication technology	67,880	150,633	7,134	139,033	151,066	21,559	9,443	13,312	560,060	118,156	25,890	704,106	606,834
Supplies	46,060	57,262	1,080	67,394	8,234	10,815	3,072	4,880	198,797	9,067	9,807	217,671	135,639
Food	125,609	311,327	-	247,936	-	16	-	425	685,313	-	24,872	710,185	1,092,331
Transportation	36,299	17,413	125	79,195	3,268	795	910	2,004	140,009	5,038	418	145,465	103,072
Professional development	10,685	5,835	-	2,242	17,931	1,382	1,053	5,631	44,759	14,658	553	59,970	78,743
Bad debt	-	-	-	25,432	-	-	-	-	25,432	-	-	25,432	3,429
Depreciation	324,168	72,309	18,206	181,952	73,210	76,555	133,231	21,133	900,764	119,110	14,459	1,034,333	915,700
Interest expense	-	-	-	20,010	-	-	-	-	20,010	6,191	-	26,201	20,150
Miscellaneous	41,907	39,204	48	11,597	60,898	6,417	3,841	188	164,100	81,915	1,539	247,554	258,489
	3,420,790	4,889,590	200,094	5,131,935	2,715,081	681,494	528,463	549,574	18,117,021	1,374,115	423,467	19,914,603	19,476,018
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	(18,227)	(18,227)	(327,026)
TOTAL EXPENSES	\$ 3,420,790	\$ 4,889,590	\$ 200,094	\$ 5,131,935	\$ 2,715,081	\$ 681,494	\$ 528,463	\$ 549,574	\$ 18,117,021	\$ 1,374,115	\$ 405,240	\$ 19,896,376	\$ 19,148,992

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, 2019 AND 2020**

	2019	2020
CASH FLOWS FROM OPERATIONS		
Change in net assets	\$ 395,701	\$ 4,112,135
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	915,700	1,034,333
Loss on disposal of property and equipment	128,673	2,090
Bad debt	3,429	25,432
Realized gain on the sale of investments	(341,033)	(1,096,790)
Unrealized gain on investments	(865,301)	(1,397,457)
Contributions for capital expenditures	(260,000)	(35,000)
Contributions for Board-designated endowment	(15,000)	(500)
Contributions for Thomas J. Edelman Restricted Endowment Fund	(125,090)	(70,780)
Transfer from Board-designated endowment to operations	600,000	600,000
Transfer from Board-designated endowment to capital improvements	1,271,175	-
Sub-total	1,708,254	3,173,463
Changes in operating assets and liabilities		
Decrease or (increase) in assets		
Accounts receivable	679,061	(1,672,397)
Pledges receivable	221,352	(294,267)
Prepayments and other assets	41,412	(256,701)
Increase or (decrease) in liabilities		
Accounts payable and accrued expenses	(64,722)	188,293
Accrued salaries and others	6,590	(443,397)
Tenant security deposits	(233)	(80)
Government and other advances	(27,858)	(53,793)
Net Cash Provided by Operations	2,563,856	641,121
CASH FLOWS FROM INVESTING		
Purchase of property and equipment	(2,211,974)	(917,167)
Purchase of investments	(8,931,637)	(7,926,933)
Sale of investments	10,377,529	8,225,077
Net Cash Used in Investing	(766,082)	(619,023)
CASH FLOWS FROM FINANCING		
Capital gifts	260,000	35,000
Bequests	-	500
Gifts for Board-designated endowment	15,000	-
Gifts for Thomas J. Edelman Restricted Endowment Fund	125,090	70,780
Transfer from Board-designated endowment to operations	(600,000)	(600,000)
Transfer from Board-designated endowment to capital improvements	(1,271,175)	-
Proceeds from line of credit	-	1,000,000
Loan proceeds	-	2,382,913
Repayment of line of credit	-	(1,000,000)
Net Cash (Used in) Provided by Financing	(1,471,085)	1,889,193
NET INCREASE IN CASH, EQUIVALENTS AND RESTRICTED CASH	326,689	1,911,291
Cash, equivalents and restricted cash - beginning of the year	1,778,230	2,104,919
CASH, EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 2,104,919	\$ 4,016,210
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 20,150	\$ 20,010
The amounts reported as cash, equivalents and restricted cash above consist of the following amounts reported in the consolidated statements of financial position:		
Cash and equivalents	\$ 1,495,379	\$ 3,510,661
Restricted deposits and funded reserves	609,540	505,549
Cash and equivalents and restricted cash	\$ 2,104,919	\$ 4,016,210

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

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 and 2020

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 126-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, adult learners and other nonprofits. 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 7, 8 and 13.

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 ("U.S. GAAP"). All intercompany transactions have been eliminated in consolidation.

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").

The Organization records receivables and revenue when earned based on established rates or contracts for services provided. Generally, the organization bills government agencies, third-party payors and individuals after the services are performed or when the Organization has completed its portion of the contract. 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. Government Funds are nonexchange transactions accounted for under the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958)(see below). Government funds amounted to \$12,693,822 and \$15,235,497 for the years ended June 30, 2019 and 2020, respectively, and are included in the consolidated statements of activities. To the extent amounts received exceed amounts spent, the organization records government and other advances as a liability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization records revenue from dues and fees based on the five-step model described under ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606). Dues and fees are billed either in advance or at the time of purchase. Dues and fees collected prior to the time period for which they are due are recorded as advances. Dues and fees collected in a period subsequent to when they were due are recognized as revenue in that specific year.

Gifts are recorded as revenue when they are reported to the Organization and their amounts become reasonably certain. Gifts are recorded with donor restrictions if donors stipulate their use for a specific purpose and/or for a specified time period, or if they stipulate that the gift is perpetual in nature. Non-operating revenue consists of gifts to endowment, capital gifts, bequests and investment income. The Partnership's apartment rental income is recognized as it accrues. Advanced receipt of rental income is deferred until earned. Income for services rendered between programs is recorded as revenue in the program that provides the service and as an expense in the program using the service; such amounts have been eliminated in the consolidated financial statements.

As of June 30, 2019 and 2020, respectively, the Organization received conditional grants and contracts from government agencies and organizations in the aggregate amount of \$7,534 and \$25,939, respectively. Such grants and contracts have not been recognized as revenue in the consolidated financial statements as they relate to future periods and will be recognized when relevant barriers are overcome (e.g., expending funds in accordance with their agreements).

During the years ended June 30, 2019 and 2020, contributed professional services of \$454,038 and \$48,810, 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 consolidated financial statements as it does not meet the criteria for recognition.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing Board of Directors of the Organization (the "Board") has designated, from net assets without donor restrictions, net assets for a Board-designated Endowment.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires (i.e., when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both); the related net assets are reported in the consolidated statements of activities as net assets released from restrictions. Net assets of \$2,435,925 and \$1,938,775, respectively, were released from donor restrictions during the years ended June 30, 2019 and 2020. Gifts to the endowment received with donor stipulations that they are perpetual in nature are recorded in the Thomas J. Edelman Restricted Endowment Fund f/b/o Lenox Hill Neighborhood House (the "Thomas J. Edelman Restricted Endowment Fund")(see Note 6). All investment earnings on the Thomas J. Edelman Restricted Endowment Fund are recorded as perpetual in nature until the Board authorizes an expenditure in accordance with the restrictions of the Thomas J. Edelman Restricted Endowment Fund and applicable law.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2020, allowances totaling \$2,515 and \$24,518, respectively, were recorded 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, Equivalents and Restricted Cash

Cash and equivalents include highly liquid instruments having maturities of three months or less from the date acquired, except restricted cash held in restricted deposits and funded reserves. Cash and equivalents in the Board-designated Endowment and in the Thomas J. Edelman Restricted Endowment Fund (see Note 6) are treated as investments.

Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Organization considers income designated by the Board for the Board-designated Endowment as a cash flow provided by financing activities. This includes the general allocation of funds from the operating accounts to the Board-designated Endowment.

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 6.

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.

Loans

In accounting for the terms of a loan under the Paycheck Protection Program ("PPP") from the U.S. Small Business Administration ("SBA")(see Note 10), the Organization is guided by FASB's ASU 470 (Debt) and ASU 450-30 (Gain Contingencies). Accordingly, the Organization recorded the proceeds of the PPP loan as debt and it will derecognize the liability when the loan is paid off or it believes forgiveness is reasonably certain. The Organization believes that the possibility of loan forgiveness is to be regarded as a contingent gain and therefore will not recognize the gain, and derecognize the loan, until all uncertainty is removed (i.e., all conditions for forgiveness are met).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Expenses

The costs of providing the various programs and other supporting activities of the Organization have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple programs and/or functions have been allocated among the various programs and/or functions benefited using a reasonable allocation methodology, determined by management, that is consistently applied as follows: salaries and wages, associated fringe benefits and payroll taxes are allocated based on estimates of time and effort; occupancy costs are allocated based on the estimated amount of space used by each program and function; information and communication technology expenses are allocated, when appropriate, on the basis of employee headcount for each program and supporting activity; insurance costs are allocated based on either the estimated amount of space used by each program and function or by total salary cost; and depreciation and loss on write off of property and equipment are allocated based on the estimated amount of space used by each program and function. The basis on which costs are allocated are evaluated annually or more frequently when programs or supporting functions are added or eliminated or when employee headcount changes significantly.

Income Taxes

The Organization is unaware of any uncertain tax positions as of June 30, 2020 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 consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reclassification

Certain line items in the 2019 consolidated financial statements were reclassified to conform to the 2020 presentation. Such reclassification did not have an impact on net assets.

Changes in Accounting Principles and Recent Accounting Pronouncements

FASB ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606), was adopted for the year ended June 30, 2020. ASU 2014-09 and subsequently issued ASUs provide guidance on costs to obtain or fulfill a contract with a customer. It also requires disclosures to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires restricted cash or restricted cash equivalents to be included in the beginning-of-period and end-of-period total amounts on the statements of cash flows. The Organization adopted the new guidance retrospectively as of January 1, 2019. As a result, the beginning-of-period amount reported on the consolidated statements of cash flow increased by \$585,032 to include amounts previously reported as restricted deposits and funded reserves. The adoption of this ASU did not affect net assets as previously reported.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has also adopted FASB's ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" ("ASU 2018-08"). This guidance assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution or government grant is conditional. The adoption of ASU 2018-08 did not affect net assets as previously reported.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors the liquidity required to meet its planned operating needs and other commitments, including non-operating expenditures, while also striving to maximize the investment of its available funds and to provide for unanticipated liquidity needs. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable, marketable fixed income and equity securities in its Board-designated Endowment, marketable fixed income and equity securities available for use, in accordance with law and donor restrictions, from the Thomas J. Edelman Restricted Endowment Fund, and a line of credit. See Notes 4, 5, 6 and 10. For purposes of analyzing liquidity and the availability of resources to meet general operating expenditures and other commitments, including non-operating expenditures, over a twelve-month period, the Organization considers all expenditures, both general operating and non-operating, related to its program activities and supporting services.

As of June 30, 2020, financial assets available without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	At June 30,	
	2019	2020
Cash and equivalents	\$ 1,495,379	\$ 3,510,661
Accounts receivable, net	1,519,710	3,166,675
Pledges receivables due in less than one year	344,733	574,000
Investments in the Board-designated Endowment	17,510,546	18,840,737
Total	<u>\$ 20,870,368</u>	<u>\$ 26,092,073</u>

The Organization's endowment funds consist of the Board-designated Endowment and the Thomas J. Edelman Restricted Endowment Fund (see Note 6). The Board-designated Endowment of \$17,510,546 (as of June 30, 2019) and \$18,840,737 (as of June 30, 2020) is subject to a withdrawal rate as determined annually by the Board of the Organization as part of the Board's annual budget approval and appropriation process for the succeeding year. In 2019 and 2020, the withdrawal rate for general expenditures has been 2.74% and 2.52%, respectively, of the total value of the Board-designated Endowment and the Thomas J. Edelman Restricted Endowment Fund using a three-year smoothing average. The Thomas J. Edelman Restricted Endowment Fund of \$6,921,674 (as of June 30, 2019) and \$7,787,585 (as of June 30, 2020) was not used for any expenditures in 2019 or 2020; withdrawals can be authorized by the Board of the Organization in accordance with law and donor restrictions. As further described in Note 11, the Organization has a line of credit for \$1,000,000 that can be used to support its operations as needed.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	At June 30,	
	2019	2020
Due from government agencies	\$ 1,498,667	\$ 3,090,511
Due from tenants	4,221	13,404
Other	19,337	87,278
Sub-total	1,522,225	3,191,193
Less: Allowance for doubtful accounts	(2,515)	(24,518)
Total	\$ 1,519,710	\$ 3,166,675

As of November 25, 2020, all but \$1,679,433 of fiscal 2020 accounts receivable had been collected.

NOTE 5 - PLEDGES RECEIVABLE

Pledges outstanding were as follows:

	At June 30,	
	2019	2020
Due in less than a year	\$ 344,733	\$ 574,000
Due in more than one year	45,000	110,000
Total	\$ 389,733	\$ 684,000

As of November 25, 2020, all but \$255,000 of fiscal 2020 pledges receivable had been collected.

NOTE 6 - 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 designated by the Board which are unencumbered by donor restrictions ("Board-designated Endowment"); and 2) funds received with donor stipulations that they are perpetual in nature (the "Thomas J. Edelman Restricted Endowment Fund"). In combination, these funds are referred to as the Endowment.

At June 30, 2019, the Board-designated Endowment totaled \$17,510,546 and the Thomas J. Edelman Restricted Endowment Fund totaled \$6,921,674, or \$24,432,220 in total. At June 30, 2020, the Board-designated Endowment totaled \$18,840,737 and the Thomas J. Edelman Restricted Endowment Fund totaled \$7,787,585, or \$26,628,322 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).

NOTE 6 - ENDOWMENT (Continued)Changes in Endowment in Fiscal 2019

	Board-designated Endowment	Thomas J. Edelman Restricted Endowment	Total
Beginning of year	\$ 18,285,195	\$ 6,386,583	\$ 24,671,778
Contributions	15,000	125,090	140,090
Transfer from Board-designated Endowment to operations	(600,000)	-	(600,000)
Transfer from Board-designated Endowment to capital improvements	(1,271,175)	-	(1,271,175)
Investment activity			
Interest and dividends	314,706	122,410	437,116
Realized gain (loss)	436,178	(95,145)	341,033
Unrealized gain	440,432	424,869	865,301
Management fees	(109,790)	(42,133)	(151,923)
Sub-total investment activity	1,081,526	410,001	1,491,527
Total Changes	(774,649)	535,091	(239,558)
End of year	\$ 17,510,546	\$ 6,921,674	\$ 24,432,220

Changes in Endowment in Fiscal 2020

	Board-designated Endowment	Thomas J. Edelman Restricted Endowment	Total
Beginning of year	\$ 17,510,546	\$ 6,921,674	\$ 24,432,220
Contributions	500	70,780	71,280
Transfer from Board-designated Endowment to operations	(600,000)	-	(600,000)
Investment activity			
Interest and dividends	274,343	111,847	386,190
Realized gain	826,163	270,627	1,096,790
Unrealized gain	939,291	458,166	1,397,457
Management fees	(110,106)	(45,509)	(155,615)
Sub-total investment activity	1,929,691	795,131	2,724,822
Total Changes	1,330,191	865,911	2,196,102
End of year	\$ 18,840,737	\$ 7,787,585	\$ 26,628,322

NOTE 6 - ENDOWMENT (Continued)

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, was \$30,808,748 as of November 25, 2020. The Neighborhood House's investments are managed on a discretionary basis by Wilkinson Global Asset Management LLC ("Wilkinson Global"), an independent investment firm. The Endowment is segregated into two separate accounts: the Board-designated Endowment and the Thomas J. Edelman Restricted Endowment Fund. Investments consisted of the following at June 30, 2019 and 2020:

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2019	2020	2019	2020	2019	2020
Cash and equivalents	\$ 821,706	\$ 604,631	\$ 340,929	\$ 318,185	\$ 1,162,635	\$ 922,816
Equities	11,979,224	13,128,533	4,688,211	5,371,638	16,667,435	18,500,171
Fixed income	4,709,616	5,107,573	1,892,534	2,097,762	6,602,150	7,205,335
Total	<u>\$17,510,546</u>	<u>\$18,840,737</u>	<u>\$ 6,921,674</u>	<u>\$ 7,787,585</u>	<u>\$24,432,220</u>	<u>\$26,628,322</u>

Investments are subject to market fluctuations that could substantially change their values. Net assets with donor restrictions that are perpetual in nature at June 30, 2019 and 2020 were \$6,921,674 and \$7,787,585, respectively, and were included in investments.

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2019	2020	2019	2020	2019	2020
Interest and dividends	\$ 314,706	\$ 274,343	\$122,410	\$111,847	\$ 437,116	\$ 386,190
Realized gain (loss) on investments	436,178	826,163	(95,145)	270,627	341,033	1,096,790
Unrealized gain on investments	440,432	939,291	424,869	458,166	865,301	1,397,457
	1,191,316	2,039,797	452,134	840,640	1,643,450	2,880,437
Less: Management fees	(109,790)	(110,106)	(42,133)	(45,509)	(151,923)	(155,615)
Total	<u>\$1,081,526</u>	<u>\$1,929,691</u>	<u>\$410,001</u>	<u>\$795,131</u>	<u>\$1,491,527</u>	<u>\$ 2,724,822</u>

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

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

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

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

NOTE 6 - ENDOWMENT (Continued)

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, 2019 and 2020 are classified as Level 1 and were as follows:

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2019	2020	2019	2020	2019	2020
Assets Carried at Fair Value						
Investments						
Equities (Common Stocks)	\$11,979,224	\$13,128,533	\$4,688,211	\$5,371,638	\$16,667,435	\$18,500,171
Government obligations	298,134	339,763	110,420	140,591	408,554	480,354
Corporate bonds	4,411,482	4,767,810	1,782,114	1,957,171	6,193,596	6,724,981
Total	<u>\$16,688,840</u>	<u>\$18,236,106</u>	<u>\$6,580,745</u>	<u>\$7,469,400</u>	<u>\$23,269,585</u>	<u>\$25,705,506</u>

Financial assets, carried at fair value, in the Endowment at June 30, 2019 and 2020 do not include cash of (\$1,159,566 and \$922,626, respectively) and interest receivable of (\$3,069 and \$190, respectively).

NOTE 7 - 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 the 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, 2020 are \$440,858 (Project Operating Reserve) and \$64,691 (Project Replacement Reserve). As of June 30, 2019 and 2020, 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 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2020:

	<u>2019</u>	<u>2020</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	13,388,184	14,016,176	3-20 years
Furniture and equipment	<u>1,835,771</u>	<u>2,119,145</u>	5 - 10 years
Sub-total	18,788,435	19,699,801	
Less: Accumulated depreciation	<u>(8,165,907)</u>	<u>(9,196,529)</u>	
Total	<u>\$ 10,622,528</u>	<u>\$ 10,503,272</u>	

The Organization's headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past 18 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 9 - LONG-TERM DEBT

At June 30, 2020, 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 10 - LOAN PAYABLE

The Organization received a PPP loan through Chase from the SBA in the amount of \$2,382,913 on May 1, 2020. The full amount of this loan was outstanding at June 30, 2020. PPP loan payments are deferred and the loan is forgivable up to the full amount if certain criteria are satisfied. If the loan is not forgiven, either in full or in part, interest on the balance is due at the rate of 1%. The rules on forgiveness continue to be clarified by the SBA and Chase.

NOTE 11 - LINE OF CREDIT

The Organization renewed a \$1,000,000 commercial line of credit with a major bank in February 2020. This line is collateralized by all of the Organization's business assets. There was no outstanding balance on the line of credit at June 30, 2020. Drawings were subject to interest at the London Inter-Bank Offered Rate (LIBOR) plus 3.00%. The line of credit expires on February 20, 2022 with an option to renew.

NOTE 12 - 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 ("Local 95") of AFSCME ("AFSCME") Community & Social Agency Employees Union District Council 1707 ("DC 1707"). In September 2019, the Organization was notified by DC 1707 that, effective September 1, 2019, DC 1707 had unified with AFSCME District Council 37 ("DC 37") and that representational responsibilities would be fulfilled by DC 1707 and that all matters related to the negotiation and administration of the collective bargaining agreement would be managed by DC 37. The agreement with 1199 expires on September 30, 2021; the agreement with Local 95/DC 1707/DC 37 expires on January 31, 2022.

The Neighborhood House has pension obligations on behalf of employees in each union as required by the respective collective bargaining agreements. 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, 2019 and 2020, the Neighborhood House contributed an average of 12.14% and 12.60% of salary, respectively, for 1199 employees and 10.89% and 10.89%, respectively, for Local 95/DC 1707/DC 37 employees. Pension expenses for employees covered by these two collective bargaining agreements for the years ended June 30, 2019 and 2020 totaling \$336,884 and \$369,493, 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 83.5% and 83.6% funded for its plan years beginning January 1, 2018 and January 1, 2019, 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, 2019.

NOTE 12 - PENSION PLANS (Continued)

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2018	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2018	Green	N/A	N/A	September 30, 2021

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2019	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2019	Green	N/A	N/A	September 30, 2021

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, 2019 and 2020 amounted to \$154,679 and \$159,509, 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 2019 and 2020, these additional contributions, excluding applicable fringe benefit costs, totaled \$81,685 and \$0, respectively, and are paid in subsequent fiscal years. All of these contributions are included in personnel expense on the consolidated statements of functional expenses.

NOTE 13 - CONTRIBUTIONS AND SPECIAL EVENTS

Contributions consisted of the following:

	At June 30,	
	2019	2020
<u>Operating</u>		
Foundations	\$ 1,659,342	\$ 2,890,429
Individuals and others	589,347	1,447,468
Contributed services	454,038	48,810
Sub-total	<u>2,702,727</u>	<u>4,386,707</u>
<u>Non-operating</u>		
Gifts for Thomas J. Edelman Restricted Endowment	125,090	70,780
Gifts for Board-designated Endowment	15,000	-
Bequests	-	500
Capital gifts	260,000	35,000
Sub-total	<u>400,090</u>	<u>106,280</u>
Total	<u>\$ 3,102,817</u>	<u>\$ 4,492,987</u>

Special event income consisted of the following:

	At June 30,	
	2019	2020
Special events	\$ 1,080,351	\$ 95,535
Associated direct expenses	(327,026)	(18,227)
Special events, net	<u>\$ 753,325</u>	<u>\$ 77,308</u>

NOTE 14 - 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, 2020, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2019 and 2020, the Partnership paid \$14,137 and \$14,703, respectively, to the Neighborhood House for partnership management and \$48,899 and \$48,930, respectively, for property management. At June 30, 2019, the Partnership owed the Neighborhood House \$673,593, of which \$620,104 was for capital improvements made at the building which were paid for by the Neighborhood House. At June 30, 2020, the Partnership owed the Neighborhood House \$712,540, of which \$632,104 was for capital improvements made at the building which were paid for by the Neighborhood House. These intercompany transactions have been eliminated in the consolidated financial statements.

NOTE 15 - 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, 2019 and 2020, the consolidated financial statements included allowances in the amounts of \$2,515 and \$24,518, 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"), a Second Addendum to the License Agreement dated September 17, 2018 and effective as of July 1, 2018 ("Second Addendum"), and a Third Addendum dated December 2, 2019 and effective as of that date ("Third Addendum"). The License Agreement, as amended, terminates on June 30, 2030, unless sooner terminated, and automatically renews for one additional five-year term. Pursuant to the License Agreement, as amended, the Neighborhood House pays Saint Peter's Church a monthly License Fee and a monthly Maintenance Fee, both of which will increase throughout the duration of the agreement.

The License Agreement 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.

NOTE 16 - 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 \$2,996,000 and \$4,121,750 on the last day of any month during 2019 and 2020, respectively, for the Neighborhood House, and \$0 and \$0, during 2019 and 2020, 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 Endowments are managed by Wilkinson Global. Investment securities and cash are held in a custody account at BNY Mellon Wealth Management. At June 30, 2019, the Neighborhood House had

NOTE 16 - CONCENTRATIONS (Continued)

\$17,510,546 in the Board-designated Endowment and \$6,921,674 in the Thomas J. Edelman Restricted Endowment, or a total Endowment of \$24,432,220. At June 30, 2020, the Neighborhood House had \$18,840,737 in the Board-designated Endowment and \$7,787,585 in the Thomas J. Edelman Restricted Endowment or a total Endowment of \$26,628,322.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through November 25, 2020, the date the consolidated financial statements were available to be issued.

COVID-19 Pandemic Considerations

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale and has created significant uncertainty, volatility and disruption across economies. The extent to which the COVID-19 pandemic impacts the Organization's services, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration, spread, severity and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the financial position of the Organization's government funders and their resulting funding decisions, the remedial actions and stimulus measures adopted by local and federal governments and the extent to which normal economic and operating conditions can resume. The Organization cannot reasonably estimate the impact at this time.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2019

	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	\$ 1,452,728	\$ 42,651	\$ 1,495,379	\$ -	\$ 1,495,379
Accounts receivable, net	2,187,682	5,621	2,193,303	(673,593)	1,519,710
Pledges receivable	389,733	-	389,733	-	389,733
Investments	24,432,220	-	24,432,220	-	24,432,220
Prepayments and other assets	165,905	16,008	181,913	-	181,913
Restricted deposits and funded reserves	-	609,540	609,540	-	609,540
Property and equipment, net	7,350,201	3,272,327	10,622,528	-	10,622,528
TOTAL ASSETS	\$ 35,978,469	\$ 3,946,147	\$ 39,924,616	\$ (673,593)	\$ 39,251,023
LIABILITIES					
Accounts payable and accrued expenses	\$ 384,594	\$ 898,495	\$ 1,283,089	\$ (673,593)	\$ 609,496
Accrued salaries and others	464,209	-	464,209	-	464,209
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	9,173	9,173	-	9,173
Government and other advances	447,085	766	447,851	-	447,851
TOTAL LIABILITIES	1,295,888	3,897,833	5,193,721	(673,593)	4,520,128
NET ASSETS					
Without Donor Restrictions					
Undesignated	2,322,236	(844,154)	1,478,082	-	1,478,082
Designated by the Board for endowment	17,510,546	-	17,510,546	-	17,510,546
Property and equipment	7,350,201	892,468	8,242,669	-	8,242,669
Without Donor Restrictions - Total	27,182,983	48,314	27,231,297	-	27,231,297
With Donor Restrictions					
Perpetual in nature	6,921,674	-	6,921,674	-	6,921,674
Purpose restrictions	560,924	-	560,924	-	560,924
Time-restricted only for future periods	17,000	-	17,000	-	17,000
With Donor Restrictions - Total	7,499,598	-	7,499,598	-	7,499,598
TOTAL NET ASSETS	34,682,581	48,314	34,730,895	-	34,730,895
TOTAL LIABILITIES AND NET ASSETS	\$ 35,978,469	\$ 3,946,147	\$ 39,924,616	\$ (673,593)	\$ 39,251,023

*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, 2020

	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	\$ 3,388,142	\$ 122,519	\$ 3,510,661	\$ -	\$ 3,510,661
Accounts receivable, net	3,833,168	46,047	3,879,215	(712,540)	3,166,675
Pledges receivable	684,000	-	684,000	-	684,000
Investments	26,628,323	-	26,628,323	-	26,628,323
Prepayments and other assets	424,771	13,843	438,614	-	438,614
Restricted deposits and funded reserves	-	505,549	505,549	-	505,549
Property and equipment, net	7,388,303	3,114,969	10,503,272	-	10,503,272
TOTAL ASSETS	\$ 42,346,707	\$ 3,802,927	\$ 46,149,634	\$ (712,540)	\$ 45,437,094
LIABILITIES					
Accounts payable and accrued expenses	\$ 601,395	\$ 908,934	\$ 1,510,329	\$ (712,540)	\$ 797,789
Accrued salaries and others	20,812	-	20,812	-	20,812
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	9,093	9,093	-	9,093
Government and other advances	393,158	900	394,058	-	394,058
Loan payable	2,382,913	-	2,382,913	-	2,382,913
TOTAL LIABILITIES	3,398,278	3,908,326	7,306,604	(712,540)	6,594,064
NET ASSETS					
Without Donor Restrictions					
Undesignated	3,411,327	(736,518)	2,674,809	-	2,674,809
Designated by the Board for endowment	18,840,737	-	18,840,737	-	18,840,737
Property and equipment	7,388,303	631,119	8,019,422	-	8,019,422
Without Donor Restrictions - Total	29,640,367	(105,399)	29,534,968	-	29,534,968
With Donor Restrictions					
Perpetual in nature	7,787,585	-	7,787,585	-	7,787,585
Purpose restrictions	1,135,477	-	1,135,477	-	1,135,477
Time-restricted only for future periods	385,000	-	385,000	-	385,000
With Donor Restrictions - Total	9,308,062	-	9,308,062	-	9,308,062
TOTAL NET ASSETS	38,948,429	(105,399)	38,843,030	-	38,843,030
TOTAL LIABILITIES AND NET ASSETS	\$ 42,346,707	\$ 3,802,927	\$ 46,149,634	\$ (712,540)	\$ 45,437,094

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

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
AS OF JUNE 30, 2019

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates*	Sub-total	Consolidating Eliminations	Consolidated Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Operating Revenue					
Government agencies	\$ 12,563,775	\$ 130,047	\$ 12,693,822	\$ -	\$ 12,693,822
Special events	1,080,351	-	1,080,351	-	1,080,351
Direct special event expenses	<u>(327,026)</u>	<u>-</u>	<u>(327,026)</u>	<u>-</u>	<u>(327,026)</u>
Special events, net	753,325	-	753,325	-	753,325
Contributions	1,060,356	-	1,060,356	-	1,060,356
Rental income	-	572,722	572,722	-	572,722
Net assets released from restrictions	<u>2,435,925</u>	<u>-</u>	<u>2,435,925</u>	<u>-</u>	<u>2,435,925</u>
Subtotal	<u>4,249,606</u>	<u>572,722</u>	<u>4,822,328</u>	<u>-</u>	<u>4,822,328</u>
Dues and fees	1,109,765	273	1,110,038	(63,036)	1,047,002
Interest	<u>2,649</u>	<u>9,502</u>	<u>12,151</u>	<u>-</u>	<u>12,151</u>
Subtotal	<u>1,112,414</u>	<u>9,775</u>	<u>1,122,189</u>	<u>(63,036)</u>	<u>1,059,153</u>
Total Operating Revenue	<u>17,925,795</u>	<u>712,544</u>	<u>18,638,339</u>	<u>(63,036)</u>	<u>18,575,303</u>
Operating Expenses					
Program services	15,626,399	836,694	16,463,093	-	16,463,093
Management and general	2,202,502	63,036	2,265,538	(63,036)	2,202,502
Fundraising	<u>483,397</u>	<u>-</u>	<u>483,397</u>	<u>-</u>	<u>483,397</u>
Total Operating Expenses	<u>18,312,298</u>	<u>899,730</u>	<u>19,212,028</u>	<u>(63,036)</u>	<u>19,148,992</u>
Operating Loss	<u>(386,503)</u>	<u>(187,186)</u>	<u>(573,689)</u>	<u>-</u>	<u>(573,689)</u>
Non-Operating Income					
Gift to Board-designated endowment	15,000	-	15,000	-	15,000
Investment income	1,081,526	-	1,081,526	-	1,081,526
Loss on disposal of property and equipment	<u>(128,673)</u>	<u>-</u>	<u>(128,673)</u>	<u>-</u>	<u>(128,673)</u>
Total Non-Operating Income	<u>967,853</u>	<u>-</u>	<u>967,853</u>	<u>-</u>	<u>967,853</u>
Change in Net Assets Without Donor Restrictions	<u>581,350</u>	<u>(187,186)</u>	<u>394,164</u>	<u>-</u>	<u>394,164</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:					
Contributions	1,642,371	-	1,642,371	-	1,642,371
Capital gifts	260,000	-	260,000	-	260,000
Net assets released from restrictions	(2,435,925)	-	(2,435,925)	-	(2,435,925)
Gifts to Thomas J. Edelman Restricted Endowment Fund	125,090	-	125,090	-	125,090
Investment income	<u>410,001</u>	<u>-</u>	<u>410,001</u>	<u>-</u>	<u>410,001</u>
Change in Net Assets With Donor Restrictions	<u>1,537</u>	<u>-</u>	<u>1,537</u>	<u>-</u>	<u>1,537</u>
CHANGES IN NET ASSETS	<u>582,887</u>	<u>(187,186)</u>	<u>395,701</u>	<u>-</u>	<u>395,701</u>
Net Assets - Beginning of Year	<u>34,099,694</u>	<u>235,500</u>	<u>34,335,194</u>	<u>-</u>	<u>34,335,194</u>
Net Assets - End of Year	<u>\$ 34,682,581</u>	<u>\$ 48,314</u>	<u>\$ 34,730,895</u>	<u>\$ -</u>	<u>\$ 34,730,895</u>

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

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
AS OF JUNE 30, 2020

	Lenox Hill Neighborhood House, Inc.	159-61 East 102nd Street Housing Development Fund Corporation and Affiliates*	Sub-total	Consolidating Eliminations	Consolidated Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Operating Revenue					
Government agencies	\$ 15,072,090	\$ 163,407	\$ 15,235,497	\$ -	\$ 15,235,497
Special events	95,535	-	95,535		95,535
Direct special event expenses	<u>(18,227)</u>	<u>-</u>	<u>(18,227)</u>	<u>-</u>	<u>(18,227)</u>
Special events, net	77,308	-	77,308	-	77,308
Contributions	1,540,379	-	1,540,379	-	1,540,379
Rental income	-	569,996	569,996	-	569,996
Net assets released from restrictions	<u>1,938,775</u>	<u>-</u>	<u>1,938,775</u>	<u>-</u>	<u>1,938,775</u>
Subtotal	<u>3,556,462</u>	<u>569,996</u>	<u>4,126,458</u>	<u>-</u>	<u>4,126,458</u>
Dues and fees	961,968	100	962,068	(63,632)	898,436
Interest	<u>1,990</u>	<u>9,565</u>	<u>11,555</u>	<u>-</u>	<u>11,555</u>
Subtotal	<u>963,958</u>	<u>9,665</u>	<u>973,623</u>	<u>(63,632)</u>	<u>909,991</u>
Total Operating Revenue	<u>19,592,510</u>	<u>743,068</u>	<u>20,335,578</u>	<u>(63,632)</u>	<u>20,271,946</u>
Operating Expenses					
Program services	17,283,872	833,149	18,117,021	-	18,117,021
Management and general	1,374,115	63,632	1,437,747	(63,632)	1,374,115
Fundraising	<u>405,240</u>	<u>-</u>	<u>405,240</u>	<u>-</u>	<u>405,240</u>
Total Operating Expenses	<u>19,063,227</u>	<u>896,781</u>	<u>19,960,008</u>	<u>(63,632)</u>	<u>19,896,376</u>
Operating Income (Loss)	<u>529,283</u>	<u>(153,713)</u>	<u>375,570</u>	<u>-</u>	<u>375,570</u>
Non-Operating Income					
Bequests	500	-	500	-	500
Investment income	1,929,691	-	1,929,691	-	1,929,691
Loss on disposal of property and equipment	<u>(2,090)</u>	<u>-</u>	<u>(2,090)</u>	<u>-</u>	<u>(2,090)</u>
Total Non-Operating Income	<u>1,928,101</u>	<u>-</u>	<u>1,928,101</u>	<u>-</u>	<u>1,928,101</u>
Change in Net Assets Without Donor Restrictions	<u>2,457,384</u>	<u>(153,713)</u>	<u>2,303,671</u>	<u>-</u>	<u>2,303,671</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:					
Contributions	2,846,328	-	2,846,328	-	2,846,328
Capital gifts	35,000	-	35,000	-	35,000
Net assets released from restrictions	(1,938,775)	-	(1,938,775)	-	(1,938,775)
Gifts to Thomas J. Edelman Restricted Endowment Fund	70,780	-	70,780	-	70,780
Investment income	<u>795,131</u>	<u>-</u>	<u>795,131</u>	<u>-</u>	<u>795,131</u>
Change in Net Assets With Donor Restrictions	<u>1,808,464</u>	<u>-</u>	<u>1,808,464</u>	<u>-</u>	<u>1,808,464</u>
CHANGES IN NET ASSETS	4,265,848	(153,713)	4,112,135	-	4,112,135
Net Assets - Beginning of Year	<u>34,682,581</u>	<u>48,314</u>	<u>34,730,895</u>	<u>-</u>	<u>34,730,895</u>
Net Assets - End of Year	<u>\$ 38,948,429</u>	<u>\$ (105,399)</u>	<u>\$ 38,843,030</u>	<u>\$ -</u>	<u>\$ 38,843,030</u>

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

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