



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, 2020 and 2021

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 Auditors' Report)
and Supplementary Information**

YEARS ENDED JUNE 30, 2020 AND 2021

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	8-22
Consolidating Supplementary Information	
Consolidating Schedules of Financial Position	23-24
Consolidating Schedules of Activities.....	25-26

INDEPENDENT AUDITORS' REPORT

To the 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, 2021 and 2020 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 consolidated 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, 2021 and 2020, 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 23-26 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 24, 2021

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2021**

	2020	2021
ASSETS		
Cash and equivalents (Notes 2 and 16)	\$ 3,510,661	\$ 2,854,078
Accounts receivable, net (Notes 2, 4 and 14)	3,166,675	4,195,074
Pledges receivable (Notes 2 and 5)	684,000	205,000
Investments (Notes 2 and 6)	26,628,323	36,567,337
Prepayments and other assets	438,614	374,445
Restricted deposits and funded reserves (Notes 2 and 7)	505,549	526,385
Property and equipment, net (Notes 2 and 8)	10,503,272	10,546,531
TOTAL ASSETS	\$ 45,437,094	\$ 55,268,850
LIABILITIES		
Accounts payable and accrued expenses	\$ 797,789	\$ 625,495
Accrued salaries and others	20,812	653,107
Long-term debt (Note 9)	2,989,399	2,989,399
Tenant security deposits	9,093	7,299
Government and other advances	394,058	530,973
Loan payable (Notes 2 and 10)	2,382,913	2,382,913
TOTAL LIABILITIES	6,594,064	7,189,186
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2 and 6)		
Without Donor Restrictions		
Undesignated	2,674,809	2,460,404
Designated by the Board for endowment	18,840,737	26,693,699
Net investment in property and equipment	8,019,422	8,083,517
Without Donor Restrictions - Total	29,534,968	37,237,620
With Donor Restrictions		
Perpetual in nature	7,787,585	9,873,638
Purpose restrictions	1,135,477	773,406
Time-restricted only for future periods	385,000	195,000
With Donor Restrictions - Total	9,308,062	10,842,044
TOTAL NET ASSETS	38,843,030	48,079,664
TOTAL LIABILITIES AND NET ASSETS	\$ 45,437,094	\$ 55,268,850

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, 2020 AND 2021

	2020			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
Government agencies (Note 2)	\$ 15,235,497	\$ -	\$ 15,235,497	\$ 14,418,119	\$ -	\$ 14,418,119
Special events	95,535	-	95,535	2,508	-	2,508
Direct special event expenses	(18,227)	-	(18,227)	-	-	-
Special events, net	77,308	-	77,308	2,508	-	2,508
Contributions (Notes 2 and 13)	1,540,379	2,846,328	4,386,707	1,141,612	1,503,791	2,645,403
Rental income	569,996	-	569,996	548,005	-	548,005
Net assets released from restrictions (Note 2)	1,938,775	(1,938,775)	-	2,128,861	(2,128,861)	-
Subtotal	4,126,458	907,553	5,034,011	3,820,986	(625,070)	3,195,916
Dues and fees	898,436	-	898,436	36,421	-	36,421
Interest	11,555	-	11,555	7,203	-	7,203
Subtotal	909,991	-	909,991	43,624	-	43,624
Total Operating Revenue	20,271,946	907,553	21,179,499	18,282,729	(625,070)	17,657,659
Operating Expenses						
Program services	18,117,021	-	18,117,021	17,271,224	-	17,271,224
Management and general	1,374,115	-	1,374,115	2,264,848	-	2,264,848
Fundraising	405,240	-	405,240	323,458	-	323,458
Total Operating Expenses	19,896,376	-	19,896,376	19,859,530	-	19,859,530
Operating Income (Loss)	375,570	907,553	1,283,123	(1,576,801)	(625,070)	(2,201,871)
Non-Operating Income						
Investment income (Note 6)	1,929,691	795,131	2,724,822	5,252,963	2,061,052	7,314,015
CARES Act Employee Retention Credits	-	-	-	2,217,151	-	2,217,151
Bequests (Notes 2 and 13)	500	-	500	1,800,000	-	1,800,000
Capital gifts (Note 13)	-	35,000	35,000	-	73,000	73,000
Gifts to endowment (Notes 2 and 13)	-	70,780	70,780	-	25,000	25,000
Other	-	-	-	9,339	-	9,339
Loss on disposal of property and equipment	(2,090)	-	(2,090)	-	-	-
Total Non-Operating Income	1,928,101	900,911	2,829,012	9,279,453	2,159,052	11,438,505
Change in Net Assets	2,303,671	1,808,464	4,112,135	7,702,652	1,533,982	9,236,634
Net Assets - Beginning of Year	27,231,297	7,499,598	34,730,895	29,534,968	9,308,062	38,843,030
Net Assets - End of Year	\$ 29,534,968	\$ 9,308,062	\$ 38,843,030	\$ 37,237,620	\$ 10,842,044	\$ 48,079,664

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, 2020

	Program Services								Supporting Services		Total 2020	
	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
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
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
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
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
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
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
Food	125,609	311,327	-	247,936	-	16	-	425	685,313	-	24,872	710,185
Transportation	36,299	17,413	125	79,195	3,268	795	910	2,004	140,009	5,038	418	145,465
Professional development	10,685	5,835	-	2,242	17,931	1,382	1,053	5,631	44,759	14,658	553	59,970
Provision for doubtful accounts	-	-	-	25,432	-	-	-	-	25,432	-	-	25,432
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
Interest expense	-	-	-	20,010	-	-	-	-	20,010	6,191	-	26,201
Miscellaneous	41,907	39,204	48	11,597	60,898	6,417	3,841	188	164,100	81,915	1,539	247,554
	<u>3,420,790</u>	<u>4,889,590</u>	<u>200,094</u>	<u>5,131,935</u>	<u>2,715,081</u>	<u>681,494</u>	<u>528,463</u>	<u>549,574</u>	<u>18,117,021</u>	<u>1,374,115</u>	<u>423,467</u>	<u>19,914,603</u>
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	(18,227)	(18,227)
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

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, 2021 (With Comparative Totals for 2020)

	Program Services							Supporting Services			Total 2021	Total 2020	
	Early Childhood Center	Older Adults	Adult Education	Homeless and Housing	Legal Advocacy	Visual and Performing Arts	Fitness and Aquatics	Health and Wellness	Management and General	Fund Raising			
Personnel	\$ 2,543,297	\$ 2,954,813	\$ 174,162	\$ 2,525,372	\$ 2,150,263	\$ 517,399	\$ 201,226	\$ 316,463	\$ 11,382,995	\$ 1,532,879	\$ 269,222	\$ 13,185,096	\$ 13,083,407
Fees for services	63,486	805,367	1,703	305,054	67,747	6,118	3,787	3,170	1,256,432	309,129	2,715	1,568,276	1,425,126
Value of pro-bono legal services (Note 2)	20,393	2,527	-	-	-	-	-	8,404	31,324	4,340	-	35,664	48,810
Insurance	51,090	32,911	2,965	80,746	35,027	10,539	12,462	4,631	230,371	29,390	3,939	263,700	234,946
Occupancy	160,892	178,680	7,033	1,486,106	28,281	29,783	70,376	8,164	1,969,315	47,764	9,097	2,026,176	1,951,397
Information and communication technology	113,597	130,719	5,442	135,704	123,865	26,562	9,634	19,757	565,280	119,729	20,795	705,804	704,106
Supplies	9,366	1,465	13	28,974	5,175	2,666	819	538	49,016	7,475	1,495	57,986	217,671
Food	26,117	51,805	-	230,633	-	-	-	1,100	309,655	-	-	309,655	710,185
Transportation	23,315	9,535	904	298,761	5,282	3,668	7,826	2,431	351,722	27,011	743	379,476	145,465
Professional development	6,045	7,622	244	13,382	6,223	870	1,160	2,246	37,792	13,054	505	51,351	59,970
Provision for doubtful accounts	-	465	-	10,785	-	-	-	-	11,250	-	-	11,250	25,432
Depreciation	330,398	73,699	18,556	182,660	74,617	78,026	135,792	21,539	915,287	121,400	14,736	1,051,423	1,034,333
Interest expense	-	-	-	20,010	-	-	-	-	20,010	4,231	-	24,241	26,201
Miscellaneous	7,819	24,629	134	18,135	88,680	680	146	552	140,775	48,446	211	189,432	247,554
	<u>3,355,815</u>	<u>4,274,237</u>	<u>211,156</u>	<u>5,336,322</u>	<u>2,585,160</u>	<u>676,311</u>	<u>443,228</u>	<u>388,995</u>	<u>17,271,224</u>	<u>2,264,848</u>	<u>323,458</u>	<u>19,859,530</u>	<u>19,914,603</u>
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	-	-	(18,227)
TOTAL EXPENSES	\$ 3,355,815	\$ 4,274,237	\$ 211,156	\$ 5,336,322	\$ 2,585,160	\$ 676,311	\$ 443,228	\$ 388,995	\$ 17,271,224	\$ 2,264,848	\$ 323,458	\$ 19,859,530	\$ 19,896,376

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, 2020 AND 2021**

	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,112,135	\$ 9,236,634
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,034,333	1,051,423
Loss on disposal of property and equipment	2,090	-
Provision for doubtful accounts	25,432	11,250
Realized gain on the sale of investments	(1,096,790)	(1,003,648)
Unrealized gain on investments	(1,397,457)	(6,101,076)
Contributions for capital expenditures	(35,000)	(73,000)
Contributions for Thomas J. Edelman Restricted Endowment Fund	(70,780)	(25,000)
Transfer from Board-designated endowment to operations	600,000	-
Transfer to Board-designated endowment from operations	(500)	(2,600,000)
Sub-total	3,173,463	496,583
Changes in operating assets and liabilities		
Decrease (increase) in assets		
Accounts receivable	(1,672,397)	(1,039,649)
Pledges receivable	(294,267)	479,000
Prepayments and other assets	(256,701)	64,169
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	188,293	(172,293)
Accrued salaries and others	(443,397)	632,295
Tenant security deposits	(80)	(1,794)
Government and other advances	(53,793)	136,914
Net Cash Provided by Operating Activities	641,121	595,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(917,167)	(1,094,682)
Purchase of investments	(7,926,933)	(5,457,666)
Sale of investments	8,225,077	2,623,376
Net Cash Used in Investing Activities	(619,023)	(3,928,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	35,000	73,000
Bequests	500	1,800,000
Gifts for Thomas J. Edelman Restricted Endowment Fund	70,780	25,000
Transfer from Board-designated endowment to operations	(600,000)	-
Transfer to Board-designated endowment from operations	-	800,000
Proceeds from line of credit	1,000,000	-
Loan proceeds	2,382,913	-
Repayment of line of credit	(1,000,000)	-
Net Cash Provided by Financing Activities	1,889,193	2,698,000
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS AND RESTRICTED CASH	1,911,291	(635,747)
Cash and equivalents and restricted cash - beginning of year	2,104,919	4,016,210
CASH AND EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 4,016,210	\$ 3,380,463
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 20,010	\$ 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	\$ 3,510,661	\$ 2,854,078
Restricted deposits and funded reserves	505,549	526,385
Cash and equivalents and restricted cash	\$ 4,016,210	\$ 3,380,463

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, 2020 and 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 127-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, the 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 \$15,235,497 and \$14,418,119 for the years ended June 30, 2020 and 2021, 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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

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, investment income and certain other income that is derived from activities that are not related to the Organization's core programs and operations. 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, 2020 and 2021, respectively, the Organization received conditional grants and contracts from government agencies and organizations in the aggregate amounts of \$25,939 and \$110,356, 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, 2020 and 2021, contributed professional services of \$48,810 and \$35,664, 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.

The Organization received Employee Retention Credits ("ERC"), a fully refundable payroll tax credit for qualified wages paid (including allocable qualified health plan expenses), for the period March 12, 2020 through June 30, 2021 under the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")(enacted March 2020), the Consolidated Appropriations Act, 2021("Relief Act")(enacted December 2020) and the American Rescue Plan Act of 2021 ("American Rescue Plan Act")(enacted March 2021). The Organization received ERCs totaling \$2,217,151 reflected as non-operating for the year ended June 30, 2021. Of that amount, \$2,090,797 was paid to the Neighborhood House through receipt of direct payments from the U.S. Internal Revenue Service ("IRS") and offsetting of payroll taxes; the remaining \$126,354 is expected in direct payment from the IRS.

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

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,938,775 and \$2,128,861, respectively, were released from donor restrictions during the years ended June 30, 2020 and 2021. 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.

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, 2020 and 2021, allowances totaling \$24,518 and \$30,844, 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

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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, 2021 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

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 and 2021, 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,	
	2020	2021
Cash and equivalents	\$ 3,510,661	\$ 2,854,078
Accounts receivable, net	3,166,675	4,195,074
Pledges receivables due in less than one year	574,000	145,000
Investments in the Board-designated Endowment	18,840,737	26,693,699
Total	<u>\$ 26,092,073</u>	<u>\$ 33,887,851</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 \$18,840,737 (as of June 30, 2020) and \$26,693,699 (as of June 30, 2021) 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. The Thomas J. Edelman Restricted Endowment Fund of \$7,787,585 (as of June 30, 2020) and \$9,873,638 (as of June 30, 2021) was not used for any expenditures in 2020 or 2021; 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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	At June 30,	
	2020	2021
Due from government agencies	\$ 3,090,511	\$ 4,119,666
Due from tenants	13,404	19,122
Other	87,278	87,130
Sub-total	3,191,193	4,225,918
Less: Allowance for doubtful accounts	(24,518)	(30,844)
Total	\$ 3,166,675	\$ 4,195,074

As of November 24, 2021, all but \$1,582,204 of fiscal 2021 accounts receivable had been collected.

NOTE 5 - PLEDGES RECEIVABLE

Pledges outstanding were as follows as of June 30:

	At June 30,	
	2020	2021
Due in less than one year	\$ 574,000	\$ 145,000
Due in more than one year	110,000	60,000
Total	\$ 684,000	\$ 205,000

As of November 24, 2021, all but \$195,000 of fiscal 2021 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, 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. At June 30, 2021, the Board-designated Endowment totaled \$26,693,699 and the Thomas J. Edelman Restricted Endowment Fund totaled \$9,873,638, or \$36,567,337 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

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 6 - ENDOWMENT (Continued)

Act (“NYPMIFA”). The Neighborhood House focuses on total return (capital gains or losses plus interest and dividends).

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

Changes in Endowment in Fiscal 2021

	Board-designated Endowment	Thomas J. Edelman Restricted Endowment	Total
Beginning of year	\$ 18,840,737	\$ 7,787,585	\$ 26,628,322
Contributions	1,800,000	25,000	1,825,000
Transfer from operating account	800,000	-	800,000
Investment activity			
Interest and dividends	296,236	115,738	411,974
Realized gain	671,259	332,389	1,003,648
Unrealized gain	4,430,958	1,670,118	6,101,076
Management fees	(145,491)	(57,192)	(202,683)
Sub-total investment activity	5,252,962	2,061,053	7,314,015
Total Changes	7,852,962	2,086,053	9,939,015
End of year	\$ 26,693,699	\$ 9,873,638	\$ 36,567,337

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

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 \$38,880,774 as of November 24, 2021. 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:

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2020	2021	2020	2021	2020	2021
Cash and equivalents	\$ 604,631	\$ 909,913	\$ 318,185	\$ 356,892	\$ 922,816	\$ 1,266,805
Equities	13,128,533	20,615,689	5,371,638	7,620,656	18,500,171	28,236,345
Fixed income	5,107,573	5,168,097	2,097,762	1,896,090	7,205,335	7,064,187
Total	\$18,840,737	\$26,693,699	\$ 7,787,585	\$ 9,873,638	\$26,628,322	\$36,567,337

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, 2020 and 2021 were \$7,787,585 and \$9,873,638, respectively, and were included in investments.

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2020	2021	2020	2021	2020	2021
Interest and dividends	\$ 274,343	\$ 296,236	\$111,847	\$115,738	\$ 386,190	\$ 411,974
Realized gain on investments	826,163	671,259	270,627	332,389	1,096,790	1,003,648
Unrealized gain on investments	939,291	4,430,958	458,166	1,670,118	1,397,457	6,101,076
	2,039,797	5,398,453	840,640	2,118,245	2,880,437	7,516,698
Less: Management fees	(110,106)	(145,491)	(45,509)	(57,192)	(155,615)	(202,683)
Total	\$1,929,691	\$5,252,962	\$795,131	\$2,061,053	\$2,724,822	\$7,314,015

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 6 - 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 the 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, 2020 and 2021 are classified as Level 1 and were as follows:

	Board-designated Endowment		Thomas J. Edelman Restricted Endowment		Total	
	2020	2021	2020	2021	2020	2021
Assets Carried at Fair Value						
Investments						
Equities (Common Stock)	\$13,128,533	\$20,615,689	\$5,371,638	\$7,620,656	\$18,500,171	\$28,236,345
Government obligations	339,763	387,841	140,591	150,132	480,354	537,973
Corporate bonds	4,767,810	4,780,256	1,957,171	1,745,958	6,724,981	6,526,214
Total	\$18,236,106	\$25,783,786	\$7,469,400	\$9,516,746	\$25,705,506	\$35,300,532

Financial assets, carried at fair value, in the Endowment at June 30, 2020 and 2021 do not include cash of (\$922,626 and \$1,265,488, respectively) and interest receivable of (\$190 and \$1,317, respectively).

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

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). The balances of these accounts as of June 30, 2021 are \$445,393 (Project Operating Reserve) and \$80,992 (Project Replacement Reserve). As of June 30, 2020 and 2021, 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.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2021	Estimated Useful Lives
Land	\$ 1,664,999	\$ 1,664,999	N/A
Buildings	1,899,481	1,899,481	25-50 years
Improvements	14,016,176	14,947,266	3-20 years
Furniture and equipment	<u>2,119,145</u>	<u>2,282,737</u>	5 - 10 years
Sub-total	19,699,801	20,794,483	
Less: Accumulated depreciation	<u>(9,196,529)</u>	<u>(10,247,952)</u>	
Total	<u>\$ 10,503,272</u>	<u>\$ 10,546,531</u>	

The Organization’s headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past 19 years, the building has been entirely renovated and its principal systems and finishes restored or replaced. In October 2021, the market value of the land on which the building sits had an estimated market value of \$49.8 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 million as of November 2021 based on an independent appraisal completed by KTR.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 9 - LONG-TERM DEBT

At June 30, 2021, the Partnership was liable for two mortgages on the building at 159-61 East 102nd Street as follows:

- An 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. Based upon the terms of the Agreement, note and mortgage with HHAC, upon the satisfactory completion of all of the Organization’s obligations at the end of the term on May 14, 2022, the mortgage and note will be deemed satisfied without repayment required and a mortgage satisfaction extinguishing the obligations will be issued to the Organization.

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, 2021. PPP loan payments were deferred and the loan was eligible for forgiveness up to the full amount of the loan if certain criteria were satisfied. The Organization submitted a loan forgiveness application in the amount of \$2,018,075 and was notified in July 2021 by Chase that the SBA had forgiven this entire amount. The Organization thereafter paid Chase the remaining \$364,838 of the PPP loan, as well as \$4,549 in interest due under the terms of the PPP loan program.

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, 2021. 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 collective bargaining agreements with 1199SEIU National Healthcare Workers East (“1199”); and Local 95 (“Local 95”) of AFSCME (“AFSCME”) Community & Social Agency Employees Union District Council 1707 (“DC 1707”), which represent certain Neighborhood House staff. The Neighborhood House has pension obligations on behalf of employees in these unions as required by the respective collective bargaining agreements. Effective September 1, 2019, DC 1707 unified with AFSCME District Council 37 (“DC 37”) with representational responsibilities fulfilled by DC 1707 and all matters related to the negotiation and administration of the collective bargaining agreement managed by DC 37. The agreement with 1199 expires on September 30, 2025; the agreement

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 12 - PENSION PLANS (Continued)

with Local 95/DC 1707/DC 37 expires on January 31, 2022.

The Neighborhood House does not administer either of these 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, 2020 and 2021, the Neighborhood House contributed an average of 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, 2020 and 2021 totaling \$369,493 and \$383,308, respectively, are included in personnel expense in the consolidated statements of functional expenses.

The risks inherent in multiemployer pension plans such as the 1199 Pension Plan are different from sponsoring or participating in a single-employer plan 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 1199 Pension Plan is based on information obtained from the Form 5500 Annual Report filed by the Plan and certified by the Plan's actuaries.

Based on 1199 Pension Plan's annual report on Form 5500, the 1199 Pension Plan was 83.6% and 82.3% funded for its plan years beginning January 1, 2019 and January 1, 2020, respectively. According to the audited financial statements of the 1199 Pension Plan and the actuarial certification, the 1199 Pension Plan was therefore not in an endangered or critical status under the PPA for the Plan Year beginning January 1, 2020.

The Neighborhood House recently learned for the first time that the DC 37 Plan is not filed with the U.S. Department of Labor as a multiemployer plan, but rather as a single employer plan, sponsored by the Head Start Sponsoring Board Council ("HSSBC") which is the Primary Employer under the DC 37 Plan. The DC 37 Plan covers employees working for a number of organizations, including the Neighborhood House. The current collective bargaining agreement between HSSBC and Local 95 calls for a contribution of 10.89% of salary to the Plan, which the Neighborhood House has consistently paid.

In February 2021, HSSBC notified the Neighborhood House and other organizations whose employees participate in the DC 37 Plan that as of April 1, 2021 it was instituting an increase to 18% of salary in the monthly contribution to the DC 37 Plan in order for the DC 37 Plan "to remain in place and to continue to provide benefits to participants." While there would be only minimal impact on the Neighborhood House to pay this increase, notwithstanding this notice, the Neighborhood House has continued to pay 10.89% of salary based upon the requirements of the collective bargaining agreement and has budgeted for 18% payments in the event that it will be required to make such contributions.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 12 - PENSION PLANS (Continued)

Although the DC 37 Plan has elected to be treated as a single employer plan, because multiple unrelated employers contribute to the DC 37 Plan, it faces many of the same risks as a multiemployer plan in this respect. Moreover, these risks may be exacerbated in the case of the DC 37 Plan because, as a single employer plan, there is no well-established legal regime for pursuing withdrawing employers.

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

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2020	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2020	Green	N/A	N/A	September 30, 2021

Defined Contribution Plans

The Neighborhood House has a defined contribution 403(b) thrift plan (“403(b) Plan”) covering certain eligible employees and a separate 457(b) Deferred Compensation Plan (“457(b) Plan”). Contributions to the 403(b) plan for the years ended June 30, 2020 and 2021 amounted to \$159,509 and \$153,367, respectively. The Neighborhood House made additional contributions for certain key employees to the 403(b) Plan and the 457(b) Plan. The Neighborhood House paid \$81,685 in January 2020 to these key employees, all of which was reflected in the consolidated financial statements for the year ended June 30, 2019. The Neighborhood House paid \$90,000 in January 2021 to these key employees, none of which was reflected in the consolidated financial statements for the year ended June 30, 2020. All of these contributions are included in personnel expense on the consolidated statements of functional expenses.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 13 - CONTRIBUTIONS AND SPECIAL EVENTS

Contributions consisted of the following as of June 30:

	At June 30,	
	2020	2021
<u>Operating</u>		
Foundations	\$ 2,890,429	\$ 1,600,620
Individuals and others	1,447,468	1,009,119
Contributed services	48,810	35,664
Sub-total	4,386,707	2,645,403
<u>Non-operating</u>		
Gifts for Thomas J. Edelman Restricted Endowment	70,780	25,000
Bequests	500	1,800,000
Capital gifts	35,000	73,000
Sub-total	106,280	1,898,000
Total	\$ 4,492,987	\$ 4,543,403

Special event income consisted of the following as of June 30:

	At June 30,	
	2020	2021
Special events	\$ 95,535	\$ 2,508
Direct special event expenses	(18,227)	-
Special events, net	\$ 77,308	\$ 2,508

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 Organization manages the building under a management agreement which expires on December 31, 2021, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2020 and 2021, the Partnership paid \$14,703 and \$15,291, respectively, to the Neighborhood House for partnership management and \$48,930 and \$48,930, respectively, for property management. 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. At June 30, 2021, the Partnership owed the Neighborhood House \$1,003,769, of which \$926,893 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, 2020 and 2021, the consolidated financial statements included allowances in the amounts of \$24,518 and \$30,844, respectively, against all accounts receivable.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 and 2021**

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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. In June 2020, due to the COVID-19 pandemic, by agreement with Saint Peter's Church, the Neighborhood House ceased making maintenance payments under the License Agreement, as amended.

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 \$4,121,750 and \$3,708,322 on the last day of any month during 2020 and 2021, respectively, for the Neighborhood House, and \$0 and \$0, during 2020 and 2021, 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, 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. At June 30, 2021, the Neighborhood House had \$26,693,699 in the Board-designated Endowment and \$9,873,638 in the Thomas J. Edelman Restricted Endowment, or a total Endowment of \$36,567,337.

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 24, 2021, 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, 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
Net investment in 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 FINANCIAL POSITION
AS OF JUNE 30, 2021

	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	\$ 2,803,710	\$ 50,368	\$ 2,854,078	\$ -	\$ 2,854,078
Accounts receivable, net	5,085,886	112,957	5,198,843	(1,003,769)	4,195,074
Pledges receivable	205,000	-	205,000	-	205,000
Investments	36,567,337	-	36,567,337	-	36,567,337
Prepayments and other assets	353,954	20,491	374,445	-	374,445
Restricted deposits and funded reserves	-	526,385	526,385	-	526,385
Property and equipment, net	7,255,099	3,291,432	10,546,531	-	10,546,531
TOTAL ASSETS	\$ 52,270,986	\$ 4,001,633	\$ 56,272,619	\$ (1,003,769)	\$ 55,268,850
LIABILITIES					
Accounts payable and accrued expenses	\$ 412,743	\$ 1,216,521	\$ 1,629,264	\$ (1,003,769)	\$ 625,495
Accrued salaries and others	653,107	-	653,107	-	653,107
Long-term debt	-	2,989,399	2,989,399	-	2,989,399
Tenant security deposits	-	7,299	7,299	-	7,299
Government and other advances	529,305	1,668	530,973	-	530,973
Loan payable	2,382,913	-	2,382,913	-	2,382,913
TOTAL LIABILITIES	3,978,068	4,214,887	8,192,955	(1,003,769)	7,189,186
NET ASSETS					
Without Donor Restrictions					
Undesignated	3,502,075	(1,041,671)	2,460,404	-	2,460,404
Designated by the Board for endowment	26,693,699	-	26,693,699	-	26,693,699
Net investment in property and equipment	7,255,099	828,418	8,083,517	-	8,083,517
Without Donor Restrictions - Total	37,450,873	(213,253)	37,237,620	-	37,237,620
With Donor Restrictions					
Perpetual in nature	9,873,638	-	9,873,638	-	9,873,638
Purpose restrictions	773,406	-	773,406	-	773,406
Time-restricted only for future periods	195,000	-	195,000	-	195,000
With Donor Restrictions - Total	10,842,044	-	10,842,044	-	10,842,044
TOTAL NET ASSETS	48,292,917	(213,253)	48,079,664	-	48,079,664
TOTAL LIABILITIES AND NET ASSETS	\$ 52,270,985	\$ 4,001,634	\$ 56,272,619	\$ (1,003,769)	\$ 55,268,850

*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	(18,227)	-	(18,227)	-	(18,227)
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	1,938,775	-	1,938,775	-	1,938,775
Subtotal	3,556,462	569,996	4,126,458	-	4,126,458
Dues and fees	961,968	100	962,068	(63,632)	898,436
Interest	1,990	9,565	11,555	-	11,555
Subtotal	963,958	9,665	973,623	(63,632)	909,991
Total Operating Revenue	19,592,510	743,068	20,335,578	(63,632)	20,271,946
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	405,240	-	405,240	-	405,240
Total Operating Expenses	19,063,227	896,781	19,960,008	(63,632)	19,896,376
Operating Income (Loss)	529,283	(153,713)	375,570	-	375,570
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	(2,090)	-	(2,090)	-	(2,090)
Total Non-Operating Income	1,928,101	-	1,928,101	-	1,928,101
Change in Net Assets Without Donor Restrictions	2,457,384	(153,713)	2,303,671	-	2,303,671
CHANGE 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 endowment	70,780	-	70,780	-	70,780
Investment income	795,131	-	795,131	-	795,131
Change in Net Assets With Donor Restrictions	1,808,464	-	1,808,464	-	1,808,464
CHANGE IN NET ASSETS	4,265,848	(153,713)	4,112,135	-	4,112,135
Net Assets - Beginning of Year	34,682,581	48,314	34,730,895	-	34,730,895
Net Assets - End of Year	\$ 38,948,429	\$ (105,399)	\$ 38,843,030	\$ -	\$ 38,843,030

*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, 2021

	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	\$ 14,219,111	\$ 199,008	\$ 14,418,119	\$ -	\$ 14,418,119
Special events	2,508	-	2,508		2,508
Direct special event expenses	-	-	-	-	-
Special events, net	2,508	-	2,508	-	2,508
Contributions	1,141,612	-	1,141,612	-	1,141,612
Rental income	-	548,005	548,005	-	548,005
Net assets released from restrictions	2,128,861	-	2,128,861	-	2,128,861
Subtotal	3,272,981	548,005	3,820,986	-	3,820,986
Dues and fees	100,416	225	100,641	(64,220)	36,421
Interest	961	6,242	7,203	-	7,203
Subtotal	101,377	6,467	107,844	(64,220)	43,624
Total Operating Revenue	17,593,469	753,480	18,346,949	(64,220)	18,282,729
Operating Expenses					
Program services	16,474,110	797,114	17,271,224	-	17,271,224
Management and general	2,264,848	64,220	2,329,068	(64,220)	2,264,848
Fundraising	323,458	-	323,458	-	323,458
Total Operating Expenses	19,062,416	861,334	19,923,750	(64,220)	19,859,530
Operating (Loss)	(1,468,947)	(107,854)	(1,576,801)	-	(1,576,801)
Non-Operating Income					
Investment income	5,252,963	-	5,252,963	-	5,252,963
CARES Act Employee Retention Credits	2,217,151	-	2,217,151	-	2,217,151
Bequests	1,800,000	-	1,800,000	-	1,800,000
Other	9,339	-	9,339	-	9,339
Total Non-Operating Income	9,279,453	-	9,279,453	-	9,279,453
Change in Net Assets Without Donor Restrictions	7,810,506	(107,854)	7,702,652	-	7,702,652
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:					
Contributions	1,503,791	-	1,503,791	-	1,503,791
Capital gifts	73,000	-	73,000	-	73,000
Net assets released from restrictions	(2,128,861)	-	(2,128,861)	-	(2,128,861)
Gifts to endowment	25,000	-	25,000	-	25,000
Investment income	2,061,052	-	2,061,052	-	2,061,052
Change in Net Assets With Donor Restrictions	1,533,982	-	1,533,982	-	1,533,982
CHANGE IN NET ASSETS	9,344,488	(107,854)	9,236,634	-	9,236,634
Net Assets - Beginning of Year	38,948,429	(105,399)	38,843,030	-	38,843,030
Net Assets - End of Year	\$ 48,292,917	\$ (213,253)	\$ 48,079,664	\$ -	\$ 48,079,664

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

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