



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, 2021 and 2022

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
and Supplementary Information**

YEARS ENDED JUNE 30, 2021 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lenox Hill Neighborhood House, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Lenox Hill Neighborhood House, Inc., and Affiliates, 159-61 East 102nd Street Housing Development Fund Corporation (the "HDFC"), including Casa Mutua, Inc and Casa Mutua Limited Partnership (the "Partnership"), (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended June 30, 2021, were audited by another auditor whose report dated November 24, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules shown on pages 25-28 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 accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

The supplementary information referred to above for the year ended June 30, 2021 was subjected to the auditing procedures applied in the June 30, 2021 audit of the consolidated financial statements by another auditor, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2021 consolidated financial statements as a whole.

Mayer Hoffman McCann CPAs

New York, NY
November 22, 2022

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2022**

	2021	2022
ASSETS		
Cash and equivalents (Notes 2 and 16)	\$ 2,854,078	\$ 2,683,546
Accounts receivable, net (Notes 2, 4 and 14)	4,195,074	4,343,167
Pledges receivable (Notes 2 and 5)	205,000	672,000
Investments (Notes 2 and 6)	36,567,337	30,422,736
Prepayments and other assets	374,445	245,174
Restricted deposits and funded reserves (Notes 2 and 7)	526,385	550,369
Property and equipment, net (Notes 2 and 8)	10,546,531	11,542,403
TOTAL ASSETS	\$ 55,268,850	\$ 50,459,395
LIABILITIES		
Accounts payable and accrued expenses	\$ 625,495	\$ 861,073
Accrued salaries and others	653,107	658,207
Long-term debt (Note 9)	2,989,399	1,671,575
Tenant security deposits	7,299	7,300
Government and other advances	530,973	322,642
Loan payable (Notes 2 and 10)	2,382,913	-
TOTAL LIABILITIES	7,189,186	3,520,797
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Notes 2 and 6)		
Without Donor Restrictions		
Undesignated	2,460,404	3,381,873
Designated by the Board for endowment	26,693,699	22,173,513
Net investment in property and equipment	8,083,517	10,421,197
Without Donor Restrictions - Total	37,237,620	35,976,583
With Donor Restrictions		
Perpetual in nature	9,873,638	9,249,223
Purpose restrictions	773,406	1,042,792
Time-restricted only for future periods	195,000	670,000
With Donor Restrictions - Total	10,842,044	10,962,015
TOTAL NET ASSETS	48,079,664	46,938,598
TOTAL LIABILITIES AND NET ASSETS	\$ 55,268,850	\$ 50,459,395

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, 2021 AND 2022

	2021			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
Government agencies (Note 2)	\$ 14,418,119	\$ -	\$ 14,418,119	\$ 16,748,027	\$ -	\$ 16,748,027
Special events	2,508	-	2,508	592,297	-	592,297
Direct special event expenses	-	-	-	(256,123)	-	(256,123)
Special events, net	2,508	-	2,508	336,174	-	336,174
Contributions of cash and other financial assets (Notes 2 and 13)	1,105,948	1,503,791	2,609,739	1,086,082	2,225,273	3,311,355
Contributions of nonfinancial assets (Notes 2 and 13)	35,664	-	35,664	8,100	-	8,100
Rental income	548,005	-	548,005	545,627	-	545,627
Net assets released from restrictions (Note 2)	2,128,861	(2,128,861)	-	1,515,887	(1,515,887)	-
Subtotal	3,820,986	(625,070)	3,195,916	3,491,870	709,386	4,201,256
Dues and fees	36,421	-	36,421	553,851	-	553,851
Interest	7,203	-	7,203	6,358	-	6,358
Subtotal	43,624	-	43,624	560,209	-	560,209
Total Operating Revenue	18,282,729	(625,070)	17,657,659	20,800,106	709,386	21,509,492
Operating Expenses						
Program services	17,271,224	-	17,271,224	18,020,570	-	18,020,570
Management and general	2,264,848	-	2,264,848	2,579,491	-	2,579,491
Fundraising	323,458	-	323,458	381,788	-	381,788
Total Operating Expenses	19,859,530	-	19,859,530	20,981,849	-	20,981,849
Operating Income (Loss)	(1,576,801)	(625,070)	(2,201,871)	(181,743)	709,386	527,643
Non-Operating Income (Loss)						
Investment income (loss) (Note 6)	5,252,963	2,061,052	7,314,015	(4,520,186)	(1,660,415)	(6,180,601)
CARES Act Employee Retention Credits	2,217,151	-	2,217,151	-	-	-
Forgiveness of SBA PPP Loan (Note 10)	-	-	-	2,018,076	-	2,018,076
Forgiveness of long-term debt (Note 9)	-	-	-	1,419,896	-	1,419,896
Bequests (Notes 2 and 13)	1,800,000	-	1,800,000	-	-	-
Capital contributions (Note 13)	-	73,000	73,000	-	35,000	35,000
Contributions to endowment (Notes 2, 6 and 13)	-	25,000	25,000	-	1,036,000	1,036,000
Other	9,339	-	9,339	2,920	-	2,920
Total Non-Operating Income (Loss)	9,279,453	2,159,052	11,438,505	(1,079,294)	(589,415)	(1,668,709)
Change in Net Assets	7,702,652	1,533,982	9,236,634	(1,261,037)	119,971	(1,141,066)
Net Assets - Beginning of Year	29,534,968	9,308,062	38,843,030	37,237,620	10,842,044	48,079,664
Net Assets - End of Year	\$ 37,237,620	\$ 10,842,044	\$ 48,079,664	\$ 35,976,583	\$ 10,962,015	\$ 46,938,598

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

	Program Services								Supporting Services			Total 2021
	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	\$ 2,543,297	\$ 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
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
Value of pro-bono legal services (Note 2)	20,393	2,527	-	-	-	-	-	8,404	31,324	4,340	-	35,664
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
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
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
Supplies	9,366	1,465	13	28,974	5,175	2,666	819	538	49,016	7,475	1,495	57,986
Food	26,117	51,805	-	230,633	-	-	-	1,100	309,655	-	-	309,655
Transportation	23,315	9,535	904	298,761	5,282	3,668	7,826	2,431	351,722	27,011	743	379,476
Professional development	6,045	7,622	244	13,382	6,223	870	1,160	2,246	37,792	13,054	505	51,351
Provision for doubtful accounts	-	465	-	10,785	-	-	-	-	11,250	-	-	11,250
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
Interest expense	-	-	-	20,010	-	-	-	-	20,010	4,231	-	24,241
Miscellaneous	7,819	24,629	134	18,135	88,680	680	146	552	140,775	48,446	211	189,432
	<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>
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	<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>

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, 2022 (With Comparative Totals for 2021)

	Program Services								Supporting Services			Total 2022	Total 2021
	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	\$ 2,824,462	\$ 3,766,644	\$ 269,820	\$ 2,843,077	\$ 1,248,949	\$ 468,475	\$ 195,111	\$ 368,315	\$ 11,984,853	\$ 1,709,812	\$ 321,220	\$ 14,015,885	\$ 13,185,096
Fees for services	37,450	773,902	2,197	174,068	124,288	3,787	3,335	3,789	1,122,816	317,913	53,083	1,493,812	1,568,276
Value of pro-bono legal services (Note 2)	-	-	-	-	-	-	-	-	-	8,100	-	8,100	35,664
Insurance	59,635	48,056	4,128	92,745	27,192	11,479	14,314	5,752	263,301	34,044	5,050	302,395	263,700
Occupancy	246,149	203,243	10,819	1,518,136	33,737	50,268	101,184	12,689	2,176,225	78,239	12,691	2,267,155	2,026,176
Information and communication technology	65,636	153,161	7,038	142,484	92,252	20,344	10,251	19,385	510,551	149,549	21,988	682,088	705,804
Supplies	25,737	12,561	316	51,535	2,308	6,480	3,975	3,542	106,454	10,867	2,397	119,718	57,986
Food	89,994	214,462	-	176,403	-	-	-	72	480,931	620	202,444	683,995	309,655
Transportation	33,259	14,217	389	77,755	1,792	1,328	5,548	637	134,925	16,430	626	151,981	379,476
Professional development	5,336	7,044	9	3,779	1,073	1,932	2,561	6,361	28,095	22,396	1,713	52,204	51,351
Provision for doubtful accounts	-	-	-	11,295	-	-	-	-	11,295	-	-	11,295	11,250
Depreciation	328,873	88,002	17,529	237,414	54,660	77,956	137,705	20,439	962,578	124,804	13,927	1,101,309	1,051,423
Interest expense	-	-	-	19,589	-	-	-	-	19,589	328	-	19,917	24,241
Miscellaneous	8,609	25,820	393	12,375	169,607	1,297	218	638	218,957	106,389	2,772	328,118	189,432
	3,725,140	5,307,112	312,638	5,360,655	1,755,858	643,346	474,202	441,619	18,020,570	2,579,491	637,911	21,237,972	19,859,530
Direct special event expenses	-	-	-	-	-	-	-	-	-	-	(256,123)	(256,123)	-
TOTAL EXPENSES	\$ 3,725,140	\$ 5,307,112	\$ 312,638	\$ 5,360,655	\$ 1,755,858	\$ 643,346	\$ 474,202	\$ 441,619	\$ 18,020,570	\$ 2,579,491	\$ 381,788	\$ 20,981,849	\$ 19,859,530

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, 2021 AND 2022**

	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,236,634	\$ (1,141,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,051,423	1,101,309
Provision for doubtful accounts	11,250	11,295
Realized gain on the sale of investments	(1,003,648)	(996,939)
Unrealized (gain) loss on investments	(6,101,076)	7,388,602
Forgiveness of long-term debt	-	(1,419,896)
Forgiveness of SBA PPP Loan	-	(2,018,076)
Contributions for capital expenditures	(73,000)	(35,000)
Contributions for Thomas J. Edelman Restricted Endowment Fund	(25,000)	(36,000)
Contribution for Elizabeth G. Betts Restricted Endowment Fund	-	(1,000,000)
Transfer to Board-designated endowment from operations	(2,600,000)	-
Sub-total	496,583	1,854,229
Changes in operating assets and liabilities		
Decrease (increase) in assets		
Accounts receivable	(1,039,649)	(159,388)
Pledges receivable	479,000	(467,000)
Prepayments and other assets	64,169	129,271
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(172,293)	337,650
Accrued salaries and others	632,295	5,100
Tenant security deposits	(1,794)	1
Government and other advances	136,914	(208,331)
Net Cash Provided by Operating Activities	595,225	1,491,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,094,682)	(2,097,181)
Purchase of investments	(5,457,666)	(4,797,777)
Sale of investments	2,623,376	4,550,715
Net Cash Used in Investing Activities	(3,928,972)	(2,344,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	73,000	35,000
Bequests	1,800,000	-
Contributions for Thomas J. Edelman Restricted Endowment Fund	25,000	36,000
Contribution for Elizabeth G. Betts Restricted Endowment Fund	-	1,000,000
Repayment of SBA PPP Loan	-	(364,837)
Transfer to Board-designated endowment from operations	800,000	-
Net Cash Provided by Financing Activities	2,698,000	706,163
NET DECREASE IN CASH AND EQUIVALENTS AND RESTRICTED CASH	(635,747)	(146,548)
Cash and equivalents and restricted cash - beginning of year	4,016,210	3,380,463
CASH AND EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 3,380,463	\$ 3,233,915
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 20,010	\$ 19,589
Non-cash Financing Activity:		
Forgiveness of long-term debt	\$ -	\$ (1,419,896)
Forgiveness of SBA PPP Loan	\$ -	\$ (2,018,076)
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	\$ 2,854,078	\$ 2,683,546
Restricted deposits and funded reserves	526,385	550,369
Cash and equivalents and restricted cash	\$ 3,380,463	\$ 3,233,915

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, 2021 and 2022

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Lenox Hill Neighborhood House, Inc. (the "Neighborhood House" or "Organization") is a 128-year-old settlement house that provides an extensive array of human services—social, educational, health, housing, mental health, nutritional and fitness—which significantly improve the lives of thousands of people each year in New York City. 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. 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 14.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

Lenox Hill Neighborhood House, Inc. and Affiliates' consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and include entities controlled by the Neighborhood House. 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 ("Contributions").

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 \$14,418,119 and \$16,748,027 for the years ended June 30, 2021 and 2022, 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, 2021 and 2022**

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.

Contributions are recorded as revenue when they are reported to the Organization and their amounts become reasonably certain. Contributions 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 contribution is perpetual in nature. Non-operating revenue consists of contributions to endowment, capital contributions, 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.

The Organization has some conditional grants and contracts from government agencies and organizations which require completion in periods subsequent to the end of a fiscal year. The portion of such grants and contracts which relate to the subsequent periods have not been recognized as revenue in the consolidated financial statements; these amounts will be recognized at a future time when relevant barriers are overcome. As of June 30, 2021 and 2022, respectively, the Organization had \$110,356 and \$44,143, respectively, in such funds.

During the years ended June 30, 2021 and 2022, contributed professional services of \$35,664 and \$8,100, 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 revenue 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 as reserves for future expenditures.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,128,861 and \$1,515,887, respectively, were released from donor restrictions during the years ended June 30, 2021 and 2022. Contributions to the endowment received with donor stipulations that they are perpetual in nature are recorded in either the Thomas J. Edelman Restricted Endowment Fund f/b/o Lenox Hill Neighborhood House (the “Thomas J. Edelman Restricted Endowment Fund”) or the Elizabeth G. Betts Restricted Endowment Fund f/b/o Lenox Hill Neighborhood House (the “Elizabeth G. Betts Restricted Endowment Fund”)(see Note 6). All investment earnings on the Thomas J. Edelman Restricted Endowment Fund and the Elizabeth G. Betts Restricted Endowment Fund are recorded as perpetual in nature until the Board authorizes an expenditure in accordance with the restrictions of the respective funds 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, 2021 and 2022, allowances totaling \$30,844 and \$19,614, 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 and the Elizabeth G. Betts 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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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 derecognized the liability when the loan was paid off.

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, 2022 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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 11. 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, 2021 and 2022, 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,	
	2021	2022
Cash and equivalents	\$ 2,854,078	\$ 1,683,546
Accounts receivable, net	4,195,074	4,343,167
Pledges receivables due in less than one year	145,000	597,000
Investments in the Board-designated Endowment	26,693,699	22,173,513
Total	<u>\$ 33,887,851</u>	<u>\$ 28,797,226</u>

The Organization's endowment funds consist of the Board-designated Endowment, the Thomas J. Edelman Restricted Endowment Fund and the Elizabeth G. Betts Restricted Endowment Fund (see Note 6). The Board-designated Endowment of \$26,693,699 (as of June 30, 2021) and \$22,173,513 (as of June 30, 2022) 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 \$9,873,638 (as of June 30, 2021) and \$8,249,223 (as of June 30, 2022) was not used for any expenditures in 2021 or 2022; withdrawals can be authorized by the Board of the Organization in accordance with law and donor

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

restrictions. The Elizabeth G. Betts Restricted Endowment Fund was created after June 30, 2022 through a contribution of \$1,000,000 received by the Organization on June 30, 2022. 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 as of June 30:

	At June 30,	
	2021	2022
Due from government agencies	\$ 4,119,666	\$ 4,294,791
Due from tenants	19,122	47,790
Other	87,130	20,200
Sub-total	4,225,918	4,362,781
Less: Allowance for doubtful accounts	(30,844)	(19,614)
Total	\$ 4,195,074	\$ 4,343,167

As of November 22, 2022, all but \$394,220 of fiscal 2022 accounts receivable had been collected.

NOTE 5 - PLEDGES RECEIVABLE

Pledges outstanding were as follows as of June 30:

	At June 30,	
	2021	2022
Due in less than one year	\$ 145,000	\$ 597,000
Due in more than one year	60,000	75,000
Total	\$ 205,000	\$ 672,000

As of November 22, 2022, all but \$597,000 of fiscal 2022 pledges receivable had been collected.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

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 several 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” and the “Elizabeth G. Betts Restricted Endowment Fund”). In combination, these funds are referred to as the Endowment.

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. At June 30, 2022, the Board-designated Endowment totaled \$22,173,513 and the Thomas J. Edelman Restricted Endowment Funds totaled \$8,249,223, or \$30,422,736 in total. On June 30, 2022, the Organization received \$1,000,000 which was used to establish the Elizabeth G. Betts Restricted Endowment after the end of the fiscal year.

The Neighborhood House’s current investment policy for the Endowment is to invest in a mix of equity and fixed income securities based on a target allocation set periodically by the Board’s Finance and Audit Committee. The objective is to preserve the “real” or inflation adjusted principal of the Endowment, to obtain relatively stable returns, to achieve long-term growth and to comply with the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Neighborhood House focuses on total return (capital gains or losses plus interest and dividends).

Changes in Endowment in Fiscal 2021

	Board- designated Endowment	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, 2021 and 2022

NOTE 6 - ENDOWMENT (Continued)

Changes in Endowment in Fiscal 2022

	Board- designated Endowment	Restricted Endowment	Total
Beginning of year	\$ 26,693,699	\$ 9,873,638	\$ 36,567,337
Contributions	-	36,000	36,000
Investment activity			
Interest and dividends	317,592	117,811	435,403
Realized gain	681,723	315,216	996,939
Unrealized loss	(5,356,734)	(2,031,868)	(7,388,602)
Management fees	(162,767)	(61,574)	(224,341)
Sub-total investment activity	(4,520,186)	(1,660,415)	(6,180,601)
Total Changes	(4,520,186)	(1,624,415)	(6,144,601)
End of year	\$22,173,513	\$8,249,223	\$30,422,736

Endowment assets consist of investments which are carried at fair value. The value of investments, all of which were marketable, was \$32,001,487 as of November 22, 2022. 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 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		Restricted Endowment		Total	
	2021	2022	2021	2022	2021	2022
Cash and equivalents	\$ 909,913	\$ 1,237,603	\$ 356,892	\$ 488,771	\$ 1,266,805	\$ 1,726,374
Equities	20,615,689	14,036,183	7,620,656	5,183,216	28,236,345	19,219,399
Fixed income	5,168,097	6,899,727	1,896,090	2,577,236	7,064,187	9,476,963
Total	\$26,693,699	\$22,173,513	\$ 9,873,638	\$ 8,249,223	\$36,567,337	\$30,422,736

In addition, as of June 30, 2022, the Organization's net assets that were perpetual in nature included the following cash contribution that would form the Elizabeth G. Betts Restricted Endowment Fund subsequent to the end of the fiscal year:

Cash and equivalents	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
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LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 6 - ENDOWMENT (Continued)

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, 2021 and 2022 were \$9,873,638 and \$8,249,223, respectively, and were included in investments.

	Board-designated Endowment		Restricted Endowment		Total	
	2021	2022	2021	2022	2021	2022
Interest and dividends	\$ 296,236	\$ 317,592	\$115,738	\$117,811	\$ 411,974	\$435,403
Realized gain on investments	671,259	681,723	332,389	315,216	1,003,648	996,939
Unrealized gain (loss) on investments	4,430,958	(5,356,734)	1,670,118	(2,031,868)	6,101,076	(7,388,602)
	5,398,453	(4,357,419)	2,118,245	(1,598,841)	7,516,698	(5,956,260)
Less: Management fees	(145,491)	(162,767)	(57,192)	(61,574)	(202,683)	(224,341)
Total	<u>\$5,252,962</u>	<u>(\$4,520,186)</u>	<u>\$2,061,053</u>	<u>(\$1,660,415)</u>	<u>\$7,314,015</u>	<u>(\$6,180,601)</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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

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, 2021 and 2022 are classified as Level 1 and were as follows:

	Board-designated Endowment		Restricted Endowment		Total	
	2021	2022	2021	2022	2021	2022
Assets Carried at Fair Value						
Investments						
Equities (Common Stock)	\$20,615,689	\$14,036,183	\$7,620,656	\$5,183,216	\$28,236,345	\$19,219,399
U.S. Government Obligations	387,841	2,630,155	150,132	1,017,158	537,973	3,647,313
Corporate Bonds	4,780,256	4,269,572	1,745,958	1,560,078	6,526,214	5,829,650
Total	\$25,783,786	\$20,935,910	\$9,516,746	\$7,760,452	\$35,300,532	\$28,696,362

Financial assets, carried at fair value, in the Endowment at June 30, 2021 and 2022 do not include cash of (\$1,265,488 and \$1,726,104, respectively) and interest receivable of (\$1,317 and \$270, respectively).

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

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, 2021 are \$445,393 (Project Operating Reserve) and \$80,992 (Project Replacement Reserve). The balances of these accounts as of June 30, 2022 are \$449,584 (Project Operating Reserve) and \$100,785 (Project Replacement Reserve). As of June 30, 2021 and 2022, 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:

	<u>2021</u>	<u>2022</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	14,947,266	16,101,663	3-20 years
Furniture and equipment	2,282,737	2,332,031	5 - 10 years
Construction in progress	-	893,490	
Sub-total	<u>20,794,483</u>	<u>22,891,664</u>	
Less: Accumulated depreciation	<u>(10,247,952)</u>	<u>(11,349,261)</u>	
Total	<u>\$ 10,546,531</u>	<u>\$ 11,542,403</u>	

The Organization’s headquarters at 331 East 70th Street in Manhattan was built in 1928 and is fully depreciated. Over the past 20 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.

Of the \$11,542,403 in Property and equipment as of June 30, 2022, \$893,490 represents construction in progress. Of this amount, \$787,039 was spent on the construction of an elevator at 159-61 East 102nd Street, [the completion of which is expected on November 4, 2022.]

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 9 - LONG-TERM DEBT

At June 30, 2022, the Partnership was liable for a mortgage on the building at 159-61 East 102nd 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 to the mortgagee, HPD. A servicing fee of one quarter of one percent (0.25%) per annum is payable monthly.

The Partnership was previously liable for a second mortgage with the New York State Homeless Housing and Assistance Corporation ("HHAC"). The principal amount of \$1,317,824 and interest of \$102,072, for a total of \$1,419,896, was deemed satisfied without repayment on May 14, 2022. A mortgage satisfaction extinguishing the obligations was 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. 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 was notified in July 2021 by Chase that the SBA had forgiven \$2,018,076 further to the Organization's loan forgiveness application. The Organization thereafter paid Chase the remaining \$364,837 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 2022. 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, 2022. Drawings were subject to interest at the London Inter-Bank Offered Rate (LIBOR) plus 3.00%. The line of credit expires in February 2024 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 with Local 95/DC 1707/DC 37 expired on January 31, 2022 and no subsequent agreement has yet been reached.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 12 - PENSION PLANS (Continued)

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, 2021 and 2022, the Neighborhood House contributed an average of 12.60% and 11.63% of salary, respectively, for 1199 employees and 10.89% and 18%, 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, 2021 and 2022 totaling \$383,308 and \$498,444, 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 82.3% and 84.5% funded for its plan years beginning January 1, 2020 and January 1, 2021, 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, 2021.

The Neighborhood House learned relatively recently 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 18% of salary to the Plan.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

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 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, 2025

Pension Plan	Employer Identification Number	Pension Plan Number	Beginning of Plan Year	PPA Zone Status As of Beginning of Plan Year 2021	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Local 1199 Plan	13-3604862	001	January 1, 2021	Green	N/A	N/A	September 30, 2025

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, 2021 and 2022 amounted to \$153,367 and \$212,681, respectively. The Neighborhood House made additional contributions for certain key employees to the 403(b) Plan and the 457(b) Plan. For fiscal 2021 and 2022, these additional contributions, excluding applicable fringe benefit costs, totaled \$90,000 in each year and were paid in subsequent fiscal years.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

NOTE 13 - CONTRIBUTIONS OF CASH AND OTHER FINANCIAL AND NONFINANCIAL ASSETS AND SPECIAL EVENTS

Contributions consisted of the following as of June 30:

	At June 30,	
	2021	2022
<u>Operating</u>		
Contributions of cash and other financial assets	\$ 2,609,739	\$ 3,311,355
Contributions of nonfinancial assets	35,664	8,100
Sub-total	2,645,403	3,319,455
<u>Non-operating</u>		
Contributions to Endowment	25,000	1,036,000
Bequests	1,800,000	-
Capital contributions	73,000	35,000
Sub-total	1,898,000	1,071,000
Total	\$ 4,543,403	\$ 4,390,455

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

	At June 30,	
	2021	2022
Special events	\$ 2,508	\$ 592,297
Direct special event expenses	-	(256,123)
Special events, net	\$ 2,508	\$ 336,174

Contributions of nonfinancial assets consisted of the following as of June 30:

Nonfinancial Asset	At June 30,		Usage in Programs/Activities	Donor-imposed Restrictions	Fair Value Techniques
	2021	2022			
Contributed legal services	\$ 35,664	\$ 8,100	Various legal matters	No associated donor restrictions	Based on current rates of legal services provided by law firms and hours of service

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, 2022, but which automatically renews for one-year terms unless earlier terminated under certain conditions. For the years ended June 30, 2021 and 2022, the Partnership paid \$15,291 and \$15,902, respectively, to the Neighborhood House for partnership management and \$48,930 and \$48,930, respectively, for property management. 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. At June 30, 2022, the Partnership owed the Neighborhood House \$2,481,376, of which \$2,387,970 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.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 and 2022

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, 2021 and 2022, the consolidated financial statements included allowances in the amounts of \$30,844 and \$19,614, 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 \$3,708,322 and \$4,197,039 on the last day of any month during 2021 and 2022, respectively, for the Neighborhood House, and \$0 and \$0, during 2021 and 2022, 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, 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. At June 30, 2022, the Neighborhood House had \$22,173,513 in the Board-designated Endowment and \$8,249,223 in the Thomas J. Edelman Restricted Endowment, or a total Endowment of \$30,422,736.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2022**

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 22, 2022, 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, 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	\$ 412,744	\$ 1,216,520	\$ 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	3,978,069	4,214,886	8,192,955	(1,003,769)	7,189,186
NET ASSETS (DEFICIT)					
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 (DEFICIT)	48,292,917	(213,253)	48,079,664	-	48,079,664
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 52,270,986	\$ 4,001,633	\$ 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 FINANCIAL POSITION
AS OF JUNE 30, 2022

	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	\$ 2,669,967	\$ 13,579	\$ 2,683,546	\$ -	\$ 2,683,546
Accounts receivable, net	6,650,008	174,535	6,824,543	(2,481,376)	4,343,167
Pledges receivable	672,000	-	672,000	-	672,000
Investments	30,422,736	-	30,422,736	-	30,422,736
Prepayments and other assets	226,891	18,283	245,174	-	245,174
Restricted deposits and funded reserves	-	550,369	550,369	-	550,369
Property and equipment, net	6,948,621	4,593,782	11,542,403	-	11,542,403
TOTAL ASSETS	\$ 47,590,223	\$ 5,350,548	\$ 52,940,771	\$ (2,481,376)	\$ 50,459,395
LIABILITIES					
Accounts payable and accrued expenses	\$ 662,037	\$ 2,680,412	\$ 3,342,449	\$ (2,481,376)	\$ 861,073
Accrued salaries and others	658,207	-	658,207	-	658,207
Long-term debt	-	1,671,575	1,671,575	-	1,671,575
Tenant security deposits	-	7,300	7,300	-	7,300
Government and other advances	322,318	324	322,642	-	322,642
TOTAL LIABILITIES	1,642,562	4,359,611	6,002,173	(2,481,376)	3,520,797
NET ASSETS (DEFICIT)					
Without Donor Restrictions					
Undesignated	5,863,512	(2,481,639)	3,381,873	-	3,381,873
Designated by the Board for endowment	22,173,513	-	22,173,513	-	22,173,513
Net investment in property and equipment	6,948,621	3,472,576	10,421,197	-	10,421,197
Without Donor Restrictions - Total	34,985,646	990,937	35,976,583	-	35,976,583
With Donor Restrictions					
Perpetual in nature	9,249,223	-	9,249,223	-	9,249,223
Purpose restrictions	1,042,792	-	1,042,792	-	1,042,792
Time-restricted only for future periods	670,000	-	670,000	-	670,000
With Donor Restrictions - Total	10,962,015	-	10,962,015	-	10,962,015
TOTAL NET ASSETS (DEFICIT)	45,947,661	990,937	46,938,598	-	46,938,598
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 47,590,223	\$ 5,350,548	\$ 52,940,771	\$ (2,481,376)	\$ 50,459,395

*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 of cash and other financial assets	1,105,948	-	1,105,948	-	1,105,948
Contributions of nonfinancial assets	35,664	-	35,664	-	35,664
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 of cash and other financial assets	1,503,791	-	1,503,791	-	1,503,791
Capital contributions	73,000	-	73,000	-	73,000
Net assets released from restrictions	(2,128,861)	-	(2,128,861)	-	(2,128,861)
Contribution 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.

See Independent Auditors' Report.

LENOX HILL NEIGHBORHOOD HOUSE, INC. AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES
AS OF JUNE 30, 2022

	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	\$ 16,589,019	\$ 159,008	\$ 16,748,027	\$ -	\$ 16,748,027
Special events	592,297	-	592,297	-	592,297
Direct special event expenses	(256,123)	-	(256,123)	-	(256,123)
Special events, net	336,174	-	336,174	-	336,174
Contributions of cash and other financial assets	1,086,082	-	1,086,082	-	1,086,082
Contributions of nonfinancial assets	8,100	-	8,100	-	8,100
Rental income	-	545,627	545,627	-	545,627
Net assets released from restrictions	1,515,887	-	1,515,887	-	1,515,887
Subtotal	2,946,243	545,627	3,491,870	-	3,491,870
Dues and fees	618,483	200	618,683	(64,832)	553,851
Interest	461	5,897	6,358	-	6,358
Subtotal	618,944	6,097	625,041	(64,832)	560,209
Total Operating Revenue	20,154,206	710,732	20,864,938	(64,832)	20,800,106
Operating Expenses					
Program services	17,122,409	898,161	18,020,570	-	18,020,570
Management and general	2,579,491	64,832	2,644,323	(64,832)	2,579,491
Fundraising	381,788	-	381,788	-	381,788
Total Operating Expenses	20,083,688	962,993	21,046,681	(64,832)	20,981,849
Operating Income (Loss)	70,518	(252,261)	(181,743)	-	(181,743)
Non-Operating Income (Loss)					
Investment loss	(4,520,186)	-	(4,520,186)	-	(4,520,186)
Forgiveness of SBA PPP Loan	1,981,520	36,556	2,018,076	-	2,018,076
Forgiveness of long-term debt	-	1,419,896	1,419,896	-	1,419,896
Other	2,920	-	2,920	-	2,920
Total Non-Operating Income (Loss)	(2,535,746)	1,456,452	(1,079,294)	-	(1,079,294)
Change in Net Assets Without Donor Restrictions	(2,465,228)	1,204,191	(1,261,037)	-	(1,261,037)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:					
Contributions of cash and other financial assets	2,225,273	-	2,225,273	-	2,225,273
Capital contributions	35,000	-	35,000	-	35,000
Net assets released from restrictions	(1,515,887)	-	(1,515,887)	-	(1,515,887)
Contributions to endowment	1,036,000	-	1,036,000	-	1,036,000
Investment loss	(1,660,415)	-	(1,660,415)	-	(1,660,415)
Change in Net Assets With Donor Restrictions	119,971	-	119,971	-	119,971
CHANGE IN NET ASSETS	(2,345,257)	1,204,191	(1,141,066)	-	(1,141,066)
Net Assets - Beginning of Year	48,292,917	(213,253)	48,079,664	-	48,079,664
Net Assets - End of Year	\$ 45,947,660	\$ 990,938	\$ 46,938,598	\$ -	\$ 46,938,598

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

See Independent Auditors' Report.