PHIPPS NEIGHBORHOODS, INC.

Financial Statements as of and for the
Years Ended June 30, 2022 and 2021 and
Independent Auditor's Report and
Supplemental Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2022

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PHIPPS NEIGHBORHOODS, INC.

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Independent Auditor's Report

To the Board of Trustees of
Phipps Neighborhoods, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Phipps Neighborhoods, Inc. ("Neighborhoods"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Neighborhoods 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Neighborhoods 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.

2021 Financial Statements Restated

The financial statements of Phipps Neighborhoods, Inc. as of and for the year ended June 30, 2021, before the restatement described in Note 13, were audited by another auditor, whose report dated December 23, 2021, expressed an unqualified opinion on those statements.

As part of our audit of the June 30, 2022, financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 Neighborhoods' 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Neighborhoods' 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.

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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of Neighborhoods' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhoods' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhoods' internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
June 6, 2023

PHIPPS NEIGHBORHOODS, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS:		
Cash - unrestricted	$ 785,990	$ 864,947
Cash - restricted	1,565,435	877,931
Government and foundation grants receivable, net	4,471,722	6,249,092
Other contributions receivable, net	561,529	1,139,498
Investments - endowment funds - donor restricted and board designated (Note 4)	7,088,762	8,501,311
Notes receivable, including accrued interest	2,420,954	2,267,096
Other assets	778,754	459,631
Leasehold improvements, furniture and equipment, net of accumulated depreciation of $107,799 and $100,681	686,818	693,935
TOTAL ASSETS	$ 18,359,964	$ 21,053,441
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued expenses	$ 3,922,746	$ 4,352,857
Loan payable - Paycheck Protection Program (Note 15)	-	2,159,461
Accrued postretirement benefits	3,222,581	3,131,079
TOTAL LIABILITIES	7,145,327	9,643,397
CONTINGENCIES (see Note 14)	-	-
NET ASSETS (DEFICIENCY):		
Without donor restrictions	1,343,110	(1,695,911)
With donor restrictions	9,871,527	13,105,955
TOTAL NET ASSETS	11,214,637	11,410,044
TOTAL LIABILITIES AND NET ASSETS	$ 18,359,964	$ 21,053,441

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND OTHER SUPPORT:		
Contributions:		
Phipps Houses - in-kind services	$ 1,002,519	$ 1,027,495
Phipps Houses - other	79,598	82,068
Other	1,372,013	844,478
Program and grant revenue	1,001,110	1,612,456
Loan forgiveness - Paycheck Protection Program loan (see Note 15)	1,692,006	-
Fundraising events	3,123,706	1,132,945
Investment and other income	270,437	183,299
Net assets released from restrictions - satisfaction of program restrictions	12,404,824	7,825,255
TOTAL REVENUE AND OTHER SUPPORT	20,946,213	12,707,996
EXPENSES:		
Program expenses	14,245,822	12,526,154
Management and general	3,003,297	2,606,965
Fundraising	646,051	408,439
TOTAL EXPENSES	17,895,170	15,541,558
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE POSTRETIREMENT ADJUSTMENT	3,051,043	(2,833,562)
POSTRETIREMENT BENEFIT ADJUSTMENT	(12,022)	(249,124)
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,039,021	(3,082,686)
NET ASSETS WITH DONOR RESTRICTIONS:		
Program and grant revenue	10,623,034	892,108
Net assets released from restrictions - satisfaction of program restrictions	(12,404,824)	(7,825,255)
Investment (loss) income	(1,452,638)	1,800,009
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(3,234,428)	(5,133,138)
DECREASE IN NET ASSETS	(195,407)	(8,215,824)
NET ASSETS, BEGINNING OF YEAR	11,410,044	19,625,868
NET ASSETS, END OF YEAR	$ 11,214,637	$ 11,410,044

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAMS			
	SUMMER YOUTH EMPLOYMENT PROGRAM	COMMUNITY SCHOOLS	LA CASA DE FELICIDAD SENIORS PROGRAM	COURTLANDT SUPPORTED HOUSING
Salaries	$ 296,056	$ 612,525	$ 38,546	$ 483,482
Payroll taxes and fringe benefits	66,865	119,755	15,594	169,024
Program supplies	8,860	113,256	3,143	61,988
Overhead reimbursement	37,819	112,709	9,432	113,256
Contracted programs and professional fees	4,464	239,086	376	7,724
Facility expense	-	-	-	-
Marketing materials and advertising	99	224	-	132
Office supplies and expense	20,306	129,090	11,169	35,363
Depreciation	-	-	-	-
Telephone	1,231	11,087	-	16,158
Insurance	5,260	36,348	905	14,340
Computer	9	240	4	81
Auto/local transportation	1,396	68,511	1,841	55,897
Temporary help	-	-	-	-
Special events	-	10,984	785	2,949
Stipends	-	45,606	-	-
Seminars and training	-	15,666	6,569	26,377
Protection	-	-	-	-
Miscellaneous	115	31,579	115	41,748
	442,480	1,546,666	88,479	1,028,519
Elimination of overhead reimbursement	(37,819)	(112,709)	(9,432)	(113,256)
	$ 404,661	$ 1,433,957	$ 79,047	$ 915,263

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAMS				
	MELROSE OPPORTUNITY CENTER	NATURALLY OCCURRING RETIREMENT COMMUNITY	NEIGHBORHOOD DEVELOPMENT AREAS	WEST FARMS OPPORTUNITY CENTER	PS 110 AFTER-SCHOOL
Salaries	$ 32,527	$ 112,137	$ 295,766	$ 81,693	$ 121,140
Payroll taxes and fringe benefits	6,659	47,952	73,472	23,181	20,252
Program supplies	7,678	871	10,015	158	17,030
Overhead reimbursement	-	-	52,305	-	16,665
Contracted programs and professional fees	484	1,644	4,110	753	4,783
Facility expense	86,548	-	-	1,037	-
Marketing materials and advertising	-	40	-	-	79
Office supplies and expense	12,172	12,939	26,703	5,143	6,126
Depreciation	-	-	-	12,682	-
Telephone	8,093	4,630	2,365	16,574	882
Insurance	433	2,602	8,916	1,652	3,362
Computer	78	4	98	5,079	90
Auto/local transportation	330	-	13,560	156	29
Temporary help	-	-	-	-	-
Special events	-	2,000	5,118	-	-
Stipends	-	-	6,300	-	-
Seminars and training	-	1,138	8,620	-	-
Protection	1,296	-	-	-	-
Miscellaneous	21,472	283	6,912	21,282	1,297
	177,770	186,240	514,260	169,390	191,735
Elimination of overhead reimbursement	-	-	(52,305)	-	(16,665)
	$ 177,770	$ 186,240	$ 461,955	$ 169,390	$ 175,070

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAMS					
	SOUTH BRONX RISING TOGETHER	CAREER NETWORK	BEACON AT IS 192	PS 68 AFTER-SCHOOL	PS 67 AFTER-SCHOOL	PS 313 AFTER-SCHOOL
Salaries	$ 422	$ 390,559	$ 321,971	$ 374,687	$ 348,257	$ 204,838
Payroll taxes and fringe benefits	113	99,587	54,863	74,857	75,764	42,256
Program supplies	-	3,926	39,716	72,185	49,860	37,679
Overhead reimbursement	-	-	65,985	61,995	62,439	35,776
Contracted programs and professional fees	31	159,367	18,921	9,757	21,301	5,402
Facility expense	-	-	-	-	-	-
Marketing materials and advertising	-	224	40	10	49	49
Office supplies and expense	-	47,956	27,057	53,081	36,764	26,376
Depreciation	-	-	-	-	-	-
Telephone	-	2,692	8,831	1,831	1,119	1,025
Insurance	-	8,137	7,817	6,580	7,730	4,180
Computer	1	6,084	4	50	142	47
Auto/local transportation	-	11,683	19,793	12,953	7,486	6,646
Temporary help	-	-	-	-	-	-
Special events	-	67,008	12,973	-	-	111
Stipends	-	44,580	-	-	-	-
Seminars and training	-	3,080	18,067	5,573	12,167	8,330
Protection	-	-	-	-	-	-
Miscellaneous	193	87,650	6,709	14,868	9,234	1,288
	760	932,533	602,747	688,427	632,312	374,003
Elimination of overhead reimbursement	-	-	(65,985)	(61,995)	(62,439)	(35,776)
	$ 760	$ 932,533	$ 536,762	$ 626,432	$ 569,873	$ 338,227

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAMS					
	WEST FARMS BEACON	LEBANON WEST FARMS UPK	DALY AVENUE UPK	CPW AFTER-SCHOOL	HONEYWELL MENTAL HEALTH	ACCION
Salaries	$ 431,873	$ 342,643	$ 438,688	$ 349,576	$ 153,460	$ 357,731
Payroll taxes and fringe benefits	108,229	96,040	107,205	71,201	56,710	76,292
Program supplies	17,213	22,198	23,669	43,952	6,211	25,683
Overhead reimbursement	69,269	-	-	67,133	22,605	58,739
Contracted programs and professional fees	9,614	10,232	10,730	17,811	2,699	7,682
Facility expense	-	76,361	40,000	-	-	-
Marketing materials and advertising	40	79	158	79	40	40
Office supplies and expense	23,730	55,233	77,638	33,745	12,297	29,608
Depreciation	-	-	-	-	-	-
Telephone	2,836	4,596	6,491	2,056	2,410	1,611
Insurance	9,390	7,100	5,610	7,053	4,096	9,220
Computer	-	4	5	137	5	44
Auto/local transportation	5,788	-	-	13,183	16,126	6,489
Temporary help	-	139,612	46,328	-	-	-
Special events	-	-	-	2,105	5,380	585
Stipends	-	-	-	-	-	-
Seminars and training	8,104	600	600	9,095	5,826	7,482
Protection	-	-	1,662	-	-	-
Miscellaneous	11,848	34,183	25,941	6,078	646	4,831
	697,934	788,881	784,725	623,204	288,511	586,037
Elimination of overhead reimbursement	(69,269)	-	-	(67,133)	(22,605)	(58,739)
	$ 628,665	$ 788,881	$ 784,725	$ 556,071	$ 265,906	$ 527,298

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	PROGRAMS		
	SOUNDVIEW CORNER-STONE	ARCHES	TRANSITIONAL HOUSING AT LEE GOODWIN
Salaries	$ 796,163	$ 113,183	$ 617,300
Payroll taxes and fringe benefits	172,509	28,583	226,431
Program supplies	42,596	2,581	10,376
Overhead reimbursement	143,980	21,317	87,848
Contracted programs and professional fees	49,362	1,983	7,683
Facility expense	-	-	-
Marketing materials and advertising	158	79	40
Office supplies and expense	82,901	11,168	39,568
Depreciation	-	-	-
Telephone	16,775	337	7,223
Insurance	28,513	12,180	15,165
Computer	39	4	4
Auto/local transportation	20,586	1,109	20,480
Temporary help	-	-	-
Special events	2,555	-	40
Stipends	-	-	-
Seminars and training	20,127	2,951	9,926
Protection	-	-	-
Miscellaneous	29,563	1,520	1,173
	1,405,827	196,995	1,043,257
Elimination of overhead reimbursement	(143,980)	(21,317)	(87,848)
	$ 1,261,847	$ 175,678	$ 955,409

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	OTHERS	TOTAL PROGRAMS AND GRANTS	MANAGEMENT AND GENERAL (NON-DONATED)	MAGEMENT AND GENERAL (DONATED BY PHIPPS)	FUND-RAISING	TOTAL
Salaries	$ 656,937	$ 7,972,160	$ 1,048,546	$ 777,238	$ 275,401	$ 10,073,345
Payroll taxes and fringe benefits	98,927	1,932,321	236,707	163,689	74,769	2,407,486
Program supplies	11,384	632,228	22,458	-	1,610	656,296
Overhead reimbursement	-	1,039,272	-	-	-	1,039,272
Contracted programs and professional fees	56,973	652,972	156,458	588	1,803	811,821
Facility expense	24,000	227,946	-	161,536	-	389,482
Marketing materials and advertising	209	1,868	10	-	-	1,878
Office supplies and expense	157,661	973,794	13,781	7,706	522	995,803
Depreciation	(5,565)	7,117	-	6,401	-	13,518
Telephone	51,546	172,399	3,624	14,155	73	190,251
Insurance	20,598	227,187	21,031	301	6,627	255,146
Computer	184	12,437	30,898	67,127	2,040	112,502
Auto/local transportation	24,796	308,838	7,641	-	911	317,390
Temporary help	-	185,940	62,575	-	-	248,515
Special events	13,479	126,072	18,958	5,495	252,521	403,046
Stipends	14,150	110,636	-	-	-	110,636
Seminars and training	157,333	327,631	112,310	13,455	-	453,396
Protection	380	3,338	-	-	-	3,338
Miscellaneous	10,410	370,938	40,781	9,828	29,774	451,321
	1,293,402	15,285,094	1,775,778	1,227,519	646,051	18,934,442
Elimination of overhead reimbursement	-	(1,039,272)	-	-	-	(1,039,272)
	$ 1,293,402	$ 14,245,822	$ 1,775,778	$ 1,227,519	$ 646,051	$ 17,895,170

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAMS			
	SUMMER YOUTH EMPLOYMENT PROGRAM	COMMUNITY SCHOOLS	LA CASA DE FELICIDAD SENIORS PROGRAM	COURTLANDT SUPPORTED HOUSING
Salaries	$ 165,748	$ 795,306	$ 40,609	$ 619,739
Payroll taxes and fringe benefits	32,836	189,171	16,962	288,795
Program supplies	-	216,478	8,265	8,054
Overhead reimbursement	15,231	145,869	6,274	118,018
Contracted programs and professional fees	21,397	244,582	535	11,681
Facility expense	-	-	-	-
Marketing materials and advertising	-	-	-	95
Office supplies and expense	1,780	100,915	5,119	38,331
Depreciation	-	-	-	-
Telephone	172	15,185	-	14,613
Insurance	1,607	13,551	311	5,833
Computer	266	195	-	162
Auto/local transportation	-	-	47	21,061
Temporary help	-	1,119	-	-
Special events	-	11,975	-	-
Stipends	100	19,250	-	-
Seminars and training	-	33,662	422	7,574
Protection	-	-	-	-
Miscellaneous	709	24,517	56	13,690
	239,846	1,811,775	78,600	1,147,646
Elimination of overhead reimbursement	(15,231)	(145,869)	(6,274)	(118,018)
	$ 224,615	$ 1,665,906	$ 72,326	$1,029,628

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAMS				
	MELROSE OPPORTUNITY CENTER	NATURALLY OCCURRING RETIREMENT COMMUNITY	NEIGHBORHOOD DEVELOPMENT AREAS	WEST FARMS OPPORTUNITY CENTER	PS 110 AFTER-SCHOOL
Salaries	$ 10,065	$ 112,059	$ 305,381	$ 56,240	$ 80,529
Payroll taxes and fringe benefits	2,107	57,068	100,737	11,885	16,743
Program supplies	-	2,539	18,548	186	10,220
Overhead reimbursement	-	-	55,580	-	13,500
Contracted programs and professional fees	490	1,603	12,409	1,023	4,075
Facility expense	86,548	-	-	7,511	-
Marketing materials and advertising	-	-	-	-	-
Office supplies and expense	9,735	12,631	31,975	2,910	17,038
Depreciation	-	-	-	12,682	-
Telephone	6,840	4,344	1,818	24,023	150
Insurance	135	926	3,110	546	1,301
Computer	98	-	325	752	-
Auto/local transportation	890	-	-	35	183
Temporary help	-	-	1,151	-	-
Special events	-	-	150	-	-
Stipends	-	-	9,400	-	-
Seminars and training	61	1,366	1,440	265	1,201
Protection	-	-	-	-	-
Miscellaneous	11,756	858	5,475	5,991	2
	128,725	193,394	547,499	124,049	144,942
Elimination of overhead reimbursement	-	-	(55,580)	-	(13,500)
	$ 128,725	$ 193,394	$ 491,919	$ 124,049	$ 131,442

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAMS					
	SOUTH BRONX RISING TOGETHER	CAREER NETWORK	BEACON AT IS 192	PS 68 AFTER-SCHOOL	PS 67 AFTER-SCHOOL	PS 313 AFTER-SCHOOL
Salaries	$ 9,354	$ 272,083	$ 236,473	$ 181,397	$ 259,487	$ 121,950
Payroll taxes and fringe benefits	5,275	89,110	47,142	39,124	67,610	30,230
Program supplies	-	-	17,193	17,382	19,949	2,406
Overhead reimbursement	-	-	46,400	26,715	38,768	17,291
Contracted programs and professional fees	115	216,595	18,909	13,420	19,472	13,677
Facility expense	-	-	-	-	-	-
Marketing materials and advertising	-	420	26	-	-	-
Office supplies and expense	-	451	29,207	33,187	28,810	2,932
Depreciation	-	-	-	-	-	-
Telephone	-	1,994	4,919	1,480	1,120	688
Insurance	133	2,241	4,825	3,409	4,195	1,655
Computer	-	165	540	-	-	39
Auto/local transportation	-	1,650	3,373	-	116	-
Temporary help	-	-	923	290	290	504
Special events	-	500	2,508	8,370	-	-
Stipends	-	9,416	-	-	-	-
Seminars and training	-	3,166	3,461	1,190	1,429	473
Protection	-	-	-	-	-	-
Miscellaneous	303	64,588	8,862	140	2,045	721
	15,180	662,379	424,761	326,104	443,291	192,566
Elimination of overhead reimbursement	-	-	(46,400)	(26,715)	(38,768)	(17,291)
	$ 15,180	$ 662,379	$ 378,361	$ 299,389	$ 404,523	$ 175,275

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAMS					
	WEST FARMS BEACON	LEBANON WEST FARMS UPK	DALY AVENUE UPK	CPW AFTER-SCHOOL	HONEYWELL MENTAL HEALTH	ACCION
Salaries	$ 292,604	$ 266,095	$ 225,073	$ 242,970	$ 177,107	$ 265,756
Payroll taxes and fringe benefits	82,293	94,299	84,347	63,688	75,533	53,201
Program supplies	17,214	4,547	9,032	26,130	1,118	28,381
Overhead reimbursement	44,670	-	-	39,612	28,009	38,582
Contracted programs and professional fees	17,514	5,545	5,419	26,402	4,141	30,909
Facility expense	-	75,650	40,000	-	-	-
Marketing materials and advertising	26	-	-	-	-	-
Office supplies and expense	41,251	23,634	15,633	77,405	7,525	5,689
Depreciation	-	-	-	-	-	-
Telephone	2,623	4,413	6,741	1,855	2,570	700
Insurance	4,400	3,272	1,390	3,301	1,928	4,743
Computer	4,464	-	-	78	-	155
Auto/local transportation	14,173	-	-	-	6,183	-
Temporary help	923	3,651	11,679	891	-	550
Special events	-	-	-	200	-	-
Stipends	-	-	-	-	-	-
Seminars and training	6,793	61	-	3,537	1,584	5,874
Protection	-	-	-	-	-	-
Miscellaneous	9,556	14,254	22,766	1,497	956	797
	538,504	495,421	422,080	487,566	306,654	435,337
Elimination of overhead reimbursement	(44,670)	-	-	(39,612)	(28,009)	(38,582)
	$ 493,834	$ 495,421	$ 422,080	$ 447,954	$ 278,645	$ 396,755

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	PROGRAMS			
	SOUNDVIEW CORNER-STONE	ARCHES	TRANSITIONAL HOUSING AT SOJOURNER TRUTH	TRANSITIONAL HOUSING AT LEE GOODWIN
Salaries	$ 589,256	$ 106,186	$ 453,632	$ 603,638
Payroll taxes and fringe benefits	136,493	28,862	243,501	240,637
Program supplies	21,935	436	8,205	8,631
Overhead reimbursement	46,298	18,515	-	89,614
Contracted programs and professional fees	37,668	2,028	8,942	9,994
Facility expense	425	-	-	-
Marketing materials and advertising	158	-	-	-
Office supplies and expense	102,058	8,387	15,146	29,855
Depreciation	-	-	-	-
Telephone	14,495	300	1,260	5,952
Insurance	31,579	10,018	17,290	5,936
Computer	115	102	-	162
Auto/local transportation	-	850	-	24,851
Temporary help	1,855	-	-	-
Special events	790	-	-	-
Stipends	-	-	-	-
Seminars and training	3,670	2,615	-	8,549
Protection	-	-	1,812	-
Miscellaneous	35,448	1,851	11,374	16,853
	1,022,243	180,150	761,162	1,044,672
Elimination of overhead reimbursement	(46,298)	(18,515)	-	(89,614)
	$ 975,945	$ 161,635	$ 761,162	$ 955,058

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	OTHERS	TOTAL PROGRAMS AND GRANTS	MANAGEMENT AND GENERAL (NON-DONATED)	MAGEMENT AND GENERAL (DONATED BY PHIPPS)	FUND-RAISING	TOTAL
Salaries	$ 785,277	$ 7,274,014	$ 789,763	$ 913,930	$ 279,444	$ 9,257,151
Payroll taxes and fringe benefits	(20,322)	2,077,327	212,677	99,109	86,684	2,475,797
Program supplies	27,053	473,902	52,628	-	190	526,720
Overhead reimbursement	-	788,946	225,000	(225,000)	-	788,946
Contracted programs and professional fees	57,911	786,456	201,826	906	7,036	996,224
Facility expense	-	210,134	-	155,841	-	365,975
Marketing materials and advertising	105	830	6,575	-	-	7,405
Office supplies and expense	180,358	821,962	18,750	7,014	13,999	861,725
Depreciation	5,565	18,247	-	25,788	-	44,035
Telephone	19,931	138,186	15,391	6,076	-	159,653
Insurance	3,967	131,602	20,816	198	6,707	159,323
Computer	5,839	13,457	1,050	32,008	-	46,515
Auto/local transportation	20,012	93,424	5,247	-	260	98,931
Temporary help	-	23,826	2,114	-	-	25,940
Special events	1,825	26,318	5,636	-	8,023	39,977
Stipends	22,700	60,866	-	-	-	60,866
Seminars and training	643	89,036	5,198	-	261	94,495
Protection	2,281	4,093	-	-	-	4,093
Miscellaneous	27,410	282,475	16,802	11,621	5,835	316,733
	1,140,554	13,315,100	1,579,473	1,027,491	408,439	16,330,504
Elimination of overhead reimbursement	-	(788,946)	-	-	-	(788,946)
	$ 1,140,554	$ 12,526,154	$ 1,579,474	$ 1,027,491	$ 408,439	$ 15,541,558

See notes to financial statements.

PHIPPS NEIGHBORHOODS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (195,407)	$ (8,215,824)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Paycheck Protection Program loan forgiveness (see Note 15)	(1,692,006)	-
Depreciation	7,117	18,247
Accrued postretirement benefits	79,480	(164,820)
Change in present value of contributions receivable	(72,136)	549,080
Postretirement benefit adjustment	12,022	249,124
Net realized gain on sales of securities	(97,478)	(180,322)
Interest and dividends on investments	(104,430)	(99,432)
Net unrealized loss (gain) on investments	1,614,457	(1,609,077)
Decrease in government and foundation grants and other contributions receivable	2,427,475	6,858,091
(Increase) decrease in other assets	(319,123)	1,035,214
(Decrease) increase in accounts payable and accrued expenses	(430,111)	284,976
Net cash provided by (used in) operating activities	1,229,860	(1,274,743)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to leasehold improvements	-	(87,464)
Purchases of marketable securities	(2,000)	(300,000)
Sales of marketable securities	2,000	300,000
Increase in notes receivable, including accrued interest	(153,858)	(90,643)
Net cash used in investing activities	(153,858)	(178,107)
CASH FLOWS FROM FINANCING ACTIVITIES -		
Principal payments - Paycheck Protection Program (Note 15)	(467,455)	-
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	608,547	(1,452,850)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	1,742,878	3,195,728
CASH AND RESTRICTED CASH, END OF YEAR	$ 2,351,425	$ 1,742,878

See notes to financial statements.

1. ORGANIZATION AND OPERATIONS

Phipps Neighborhoods, Inc. ("Neighborhoods" or the "Organization") is a not-for-profit corporation founded in 1972 to provide educational and social services to residents of housing developments owned and/or sponsored by Phipps Houses ("Phipps") and their communities. Neighborhoods provides a broad range of programs, which includes education, recreation, childcare, youth development, case management and employment services. In 2013, Neighborhoods created an affiliated not-for-profit corporation, Phipps Neighborhoods Early Childhood Services Corporation ("PN ECSC"), which was dissolved in February 2021. There was no activity in PN ECSC in the year ended June 30, 2021. Phipps is a not-for-profit corporation organized in 1905 to provide affordable and well-designed housing for working class New Yorkers.

Under rulings obtained from the Internal Revenue Service ("IRS"), Neighborhoods is classified for federal income tax purposes as a tax-exempt organization, organized and operating exclusively for charitable purposes under Section 501(c)(3) of the Internal Revenue Code, with further classification as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -The financial statements of Neighborhoods have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), which require Neighborhoods to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Neighborhoods' management and the board of directors.

Net Assets With Donor Restrictions*:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Neighborhoods or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash - Neighborhoods maintains cash accounts at a financial institution that is federally insured up to $250,000 per depositor. At various times during the year, account balances may have exceeded the insured limit. Neighborhoods mitigates this risk by regularly monitoring the financial stability of the financial institution.

Investments - Financial instruments are carried at fair value. GAAP establishes a framework for measuring fair value and expands disclosures about fair value measurements. GAAP defines fair value as 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 a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets and liabilities.

Valuation techniques under GAAP are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Neighborhoods' market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Valuations are based on quoted market prices in active markets for identical investments at the reporting date.

Level 2 - Valuations are based on (i) quoted prices for similar investments, in active markets; (ii) quoted prices for similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments or similar investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments; (ii) the investments cannot be independently valued; or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

***Leasehold improvements, Furniture and Equipment* -** Expenditures for additions are capitalized at cost. Amortization of leasehold improvements is computed using the straight-line method over the term of the related lease or life of the asset, whichever is shorter. Depreciation of furniture and equipment is computed using the straight-line method over their estimated useful lives of 10 years. Neighborhoods evaluates long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed to be impaired if the carrying value of the asset is in excess of its fair value. There were no impairment charges recognized as of June 30, 2022 and 2021.

***Net Asset Classification*s -** Neighborhoods classifies net assets in accordance with GAAP, which is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor restricted endowment funds. Additionally, Neighborhoods is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which is a modified version of UPMIFA that made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law imposes a requirement on organizations to act prudently when spending endowment assets, while allowing the organizations to appropriate endowment funds, including the principal, taking into account the uses, benefits, purposes and duration for which the fund was established.

Revenue Recognition:

Government and Other Grants - Government and other grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Government and other grants contracts are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government and other grant revenues are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred.

Contributions - Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

Allowance for Doubtful Accounts - Neighborhoods provides an allowance for doubtful accounts for accounts receivable, which is management's best estimate of the amount of probable credit losses in existing accounts receivable. No allowance was deemed necessary at June 30, 2022 and 2021.

Investment Income - Investment income is recognized when earned and consists of interest, dividends and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Interest and dividends earned in the donor restricted endowment fund of $96,589 and $88,928 in the years ended June 30, 2022 and 2021, respectively, are reported as changes in net assets with donor restrictions. Realized and unrealized capital gains and losses in the donor restricted endowment fund are reported as changes in net assets with donor restrictions, as approved by Neighborhoods' Board of Trustees, in accordance with NYPMIFA.

Donated Services - Amounts are recognized in the statement of activities if those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

Cash Flows - For cash flow purposes, assets held for limited use (endowment funds) are not considered to be cash or cash equivalents.

Change in Estimate - The following changes in assumptions were reflected in the measurement of the accrued other postretirement benefit obligation as of June 30, 2022:

- The discount rate used in the measurement of the accrued other postretirement obligation was changed from 2.65% to 3.00%. The discount rate is based on an analysis of the plan's projected cash flows using spot rates as of June 30, 2022 from the Buck Regular Yield Curve, rounded to the nearest 5 basis points. This curve was developed based on the yields of high-quality corporate bonds. The impact of the discount rate change was a decrease to the year-end accumulated postretirement benefit obligation of $687,000.

- The mortality rates used to calculate accrued other postretirement obligation were updated from A) the Pri.H-2012 Mortality Table with a modified MP-2020 projection scale to B) the Pri.H-2012 Mortality Table with a modified MP-2021 projection scale. These tables are analogous to those used in the 2021 pension disclosure. The change to the mortality improvement scale was made to reflect more recent data published by the Society of Actuaries. The impact of the mortality update was a decrease to the year-end accumulated postretirement benefit obligation of $28,000.

- We revised the health care trend schedule from an initial rate of 5.50% in 2022 grading down to 4.50% in 2024 to an initial rate of 6.50% in 2022 grading down to 4.50% in 2030. This trend schedule reflects information from Buck's most recent trend survey which shows slight increases in overall trend rates. Note that, due to the caps Phipps currently has in place, the impact of revising the trend schedule is minimal as it increased the year-end accumulated postretirement benefit obligation by $72,000.

The following changes in assumptions were reflected in the measurement of the accrued other postretirement benefit obligation as of June 30, 2021:

- The discount rate used in the measurement of the accrued other postretirement obligation was changed from 3.45% to 2.65%. The discount rate is based on an analysis of the Plan's projected cash flows using spot rates as of June 30, 2021 from the Buck Regular Yield Curve, rounded to the nearest 5 basis points. This curve was developed based on the yields of high-quality corporate bonds. The impact of the discount rate change was an increase to the year-end accumulated postretirement benefit obligation of $1,341,000.

- The mortality rates used to calculate accrued other postretirement obligation were updated from A) the Pri.H-2012 Mortality Table with a modified MP-2019 projection scale to B) the Pri.H-2012 Mortality Table with a modified MP-2020 projection scale. These tables are analogous to those used in the 2020 pension disclosure. The change to the mortality improvement scale was made to reflect more recent data published by the Society of Actuaries. The impact of the mortality update was a decrease to the year-end accumulated postretirement benefit obligation of $3,000,000.

Estimates and Assumptions - The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Neighborhoods. These costs were allocated based on actual time spent.

Reclassification - Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation.

Accounting Pronouncement Recently Adopted

Gifts-in-Kind (Topic 958)

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The ASU was adopted as of July 1, 2021 and was applied on a retrospective basis. The adoption of this ASU did not have a material impact on Neighborhoods' financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The FASB issued ASU 2020-05, which deferred the effective date for Neighborhoods until annual periods beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

3. GOVERNMENT AND FOUNDATION GRANTS AND OTHER CONTRIBUTIONS RECEIVABLE, NET

Grants and other contributions receivable represent amounts pledged by donors that have not been received by Neighborhoods and are all expected to be received within one year.

4. INVESTMENTS - ENDOWMENT FUNDS - DONOR RESTRICTED AND BOARD DESIGNATED

The following are descriptions of Neighborhoods' investment categories:

Fixed Income - Neighborhoods' holdings in fixed income consist principally of fixed income funds carried at their aggregate market values, which are determined by quoted market prices. Each of these investments can be liquidated daily. Their valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Equities - Neighborhoods' holdings in equities consist principally of stock securities carried at their aggregate market value, which is determined by quoted market prices. Each of these investments can be liquidated daily. Their valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Limited Partnership - The fair value of the limited partnership is determined by the investment manager using either an in-house valuation team or a third-party administrative service, and is valued using a net asset value ("NAV") per share. Neighborhoods reviews and evaluates the value provided by the investment manager, and believes that the carrying amount of its investment in the limited partnership is a reasonable estimate of fair value. The financial statements of the investee are audited annually by independent auditors.

There were no transfers between levels during the years ended June 30, 2022 and 2021.

At June 30, 2022 and 2021, the cost basis of investments was $6,776,691 and $6,574,784, respectively. Neighborhoods accounts for its investments in accordance with the fair value hierarchy of GAAP.

The following tables set forth by level, within the fair value hierarchy, Neighborhoods' assets at fair value as of June 30, 2022 and 2021:

	Level 1	**Total**
June 30, 2022		
Cash	$ 300,002	$ 300,002
Fixed income	2,082,744	2,082,744
Equities	4,368,509	4,368,509
Equities - limited partnership *	-	337,507
Total	$ 6,751,255	$ 7,088,762

	Level 1	**Total**
June 30, 2021		
Cash	$ 308,106	$ 308,106
Fixed income	2,262,014	2,262,014
Equities	5,512,143	5,512,143
Equities - limited partnership *	-	419,048
Total	$ 8,082,263	$ 8,501,311

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts presented in the preceding tables are intended to permit reconciliation of the fair value hierarchy to the accompanying statements of financial position.

The valuation methods as described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Neighborhoods believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with GAAP, Neighborhoods' disclosures include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the NAV per share as of June 30, 2022. For Neighborhoods, such assets include an investment in a limited partnership.

The following table for June 30, 2022 and 2021 sets forth a summary of Neighborhoods' investment with a reported NAV:

Fair Value Estimated NAV per Share at June 30, 2022 and 2021:

	Fair Value **	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
2022	$ 337,507	$ -	Monthly	None noted	15 days
2021	419,048	-	Monthly	None noted	15 days

** The fair value of the investment has been estimated using the NAV of the investment.

Endowment funds consist of a Donor Restricted Endowment Fund and a Board Designated Endowment Fund.

In 1997, Neighborhoods established, through donor restricted contributions, a donor restricted endowment fund, which consists of monies bequeathed to it, which must be held in perpetuity. Interest and dividends earned on the fund are reported as changes in net assets without donor restrictions, while realized and unrealized gains are reported as changes in net assets with donor restrictions. The investment income earned on the fund is donor restricted. Neighborhoods, as a New York State organization, is subject to the provisions of NYPMIFA. Under the provisions of the law, Neighborhoods must exercise a prudent standard of care when spending funds belonging to its Donor Restricted Endowment Fund. NYPMIFA also allows Neighborhoods to appropriate endowment funds under its own discretion, including the principal, as it finds prudent, while taking into consideration the uses, benefits, purpose and duration for which the fund was established. In exercising the prudent standard of care, Neighborhoods must consider the following factors, among others, that might be relevant when considering the purpose for which Donor Restricted Endowment Funds will be spent:

- the duration and preservation of the fund
- purpose of the fund
- general economic conditions
- possible effect of inflation or deflation
- expected total return from income and appreciation of investments
- other resources of the organization
- the organization's investment policy
- alternatives to spending from the fund and the effects of those alternatives.

Neighborhoods has adopted investment and spending policies for its Donor Restricted Endowment Fund that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the original historical value of those assets donated in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested to achieve a total maximum rate of return at a level consistent with prudent management, taking into consideration the safety of principal, potential for market appreciation and income. To achieve its long-term rate-of-return objectives, Neighborhoods relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Neighborhoods invests in a diversified portfolio of assets that place greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints. Neighborhoods measures performance of the endowment funds according to a custom blended benchmark.

In 1989, the Board established a Board Designated Endowment Fund with an initial deposit of $164,000, with various deposits and withdrawals in subsequent years. There were no deposits or withdrawals in the years ended June 30, 2022 and 2021.

Cash and investments in the endowments, at fair value, was comprised of the following at June 30, 2022 and 2021:

	2022	2021
Donor Restricted Endowment Fund		
Cash	$ 288,384	$ 296,587
Investments	5,662,233	7,010,080
	5,950,617	7,306,667
Board Designated Endowment Fund		
Cash	11,618	11,519
Investments	1,126,527	1,183,125
	1,138,145	1,194,644
Total	$ 7,088,762	$ 8,501,311

Changes in the endowment funds during fiscal 2022 and 2021 are summarized as follows:

	2022	2021
Donor Restricted Endowment Fund		
Market value, beginning of year	$ 7,306,667	$ 5,417,729
Interest and dividend income	96,589	88,928
Realized gain on sales, net	93,958	177,511
Change in unrealized (loss) gain, net	(1,546,597)	1,622,499
Market value, end of year	5,950,617	7,306,667
Cost, end of year	5,589,734	5,399,187
Unrealized gain, end of year	$ 360,883	$ 1,907,480
Board Designated Endowment Fund		
Market value, beginning of year	$ 1,194,644	$ 1,194,751
Interest and dividend income	7,841	10,504
Realized gain on sales	3,520	2,811
Change in unrealized loss, net	(67,860)	(13,422)
Market value, end of year	1,138,145	1,194,644
Cost, end of year	1,186,956	1,175,594
Unrealized (loss) gain, end of year	$ (48,811)	$ 19,050

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents Neighborhoods' financial assets available within one year of the statement of financial position date for general expenditure:

	2022	2021
Cash	$ 785,990	$ 864,947
Other contributions receivable	561,529	1,139,498
Grants receivable	4,471,722	6,249,092
Financial assets available to meet cash needs for general expenditures within one year	$ 5,819,241	$ 8,253,537

As part of Neighborhoods' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need to cover operating deficits, Neighborhoods will seek outside financing.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets at June 30, 2022 and 2021 are required to be expended, generally over a period of one year, for the following programs:

	2022	2021
Youth	$ 1,369,486	$ 2,251,166
Transitional housing	464,850	1,030,567
Supportive housing	65,224	337,834
Early childhood education	33,303	30,620
Education and employment	10,928	288,568
Various programs	2,402,571	2,189,397
	4,346,362	6,128,152
Restricted in perpetuity	5,525,165	6,977,803
Total	$ 9,871,527	$ 13,105,955

The amounts of net assets released from restrictions during the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Youth	$ 7,113,369	$ 5,178,421
Supportive housing	1,157,835	971,359
Transitional housing	1,497,245	265,523
Education and employment	812,723	838,879
Early childhood education	1,516,455	566,080
Other	307,197	4,993
	$ 12,404,824	$ 7,825,255

Expenditures related to net assets inherently result in a timing difference. Generally, these expenses are reported in a financial year subsequent to the "matching" income, which was reported in prior financial years.

7. FUNDRAISING EVENTS

In 2022 and 2021, Neighborhoods sponsored two fundraising events, the *Community Builder Awards and Octoberfest.* The costs of the fundraising events are allocated between direct benefits received by donors and costs incurred by Neighborhoods in the execution of the event. Revenues and expenses in connection with the events are as follows:

	2022	2021
Revenues	$ 3,123,706	$ 1,132,945
Less event costs:		
Direct benefits to donors	(232,549)	-
Other	(12,007)	(1,100)
Net contributions	$ 2,879,150	$ 1,131,845

Other fundraising expenses amounted to $401,495 and $407,339 during the years ended June 30, 2022 and 2021, respectively.

8. PROGRAM AND GRANT REVENUE AND EXPENSES

The sources of program and grant revenue during the years ended June 30, 2022 and 2021 are as follows:

2022

Source	Without Donor Restrictions	With Donor Restrictions	Total
Government grants	$ -	$ 9,428,333	$ 9,428,333
Program revenue	1,001,110	-	1,001,110
Other grants	-	1,194,701	1,194,701
	$ 1,001,110	$ 10,623,034	$ 11,624,144

2021

Source	Without Donor Restrictions	With Donor Restrictions	Total
Government grants	$ -	$ 433,750	$ 433,750
Program revenue	1,612,456	-	1,612,456
Other grants	-	458,358	458,358
	$ 1,612,456	$ 892,108	$ 2,504,564

Program expenses relate to the following during the years ended June 30, 2022 and 2021:

	2022	2021
Youth	$ 7,612,239	$ 7,001,853
Supportive housing	1,181,169	1,308,274
Transitional housing	955,409	1,716,222
Education and employment	1,682,262	1,172,681
Early childhood education	1,573,606	917,500
Other	1,241,137	409,624
	$ 14,245,822	$ 12,526,154
Number of programs	69	52

Youth Programs consist of after-school educational and recreational programs, Beacon sites, summer camp and teen programs.

> ***After-School Programs*** (Primarily funded by the New York City Department of Youth and Community Development ("DYCD"), the New York State Department of Education and the United Way) include 10 school-based programs and five community school programs providing structured educational, recreational, and cultural enrichment activities to elementary, middle and high school students.
>
> ***Beacon/Cornerstone Programs*** (Funded by DYCD) are a multi-service hub, located in schools or New York City Housing Authority developments, providing a variety of after-school, weekend, and summer programs for youth, families and the community, including: structured educational programs with an emphasis on literacy, leadership development, community outreach and improvement, and cultural and recreational activities.

Supportive Housing consists of programs for mentally ill and formerly homeless men at Honeywell Apartments and Courtlandt Community through a referral program with the New York City Department of Homeless Services ("DHS").

Transitional Housing consists of programs providing social services to homeless families living in transitional housing at Lee Goodwin Residence and Sojourner Truth Houses (through January 2021). The New York City Department of Health and Mental Hygiene ("DHM") funds Lee Goodwin Residence. DHS funded 2136 Crotona Parkway HDFC, owner of Sojourner Truth House, which, in turn, contracted with Neighborhoods to provide the required services. 2136 Crotona Parkway HDFC is a not-for-profit affiliate of Phipps.

Education & Employment Programs consist of center-based programming and include several programs to provide teens and young adults continuing education, including college and career awareness, and work readiness skills.

> ***Phipps Neighborhoods Center at 178th Street*** provides basic literacy and English as a second language ("ESL") classes, assistance with accessing public benefits, and employment coaching and resources.
>
> ***Phipps Neighborhoods Opportunity Centers at Melrose and West Farms*** are community-based adult education centers that offer a range of programs, including literacy, ESL and financial counseling and career training in the healthcare sector.

Early Childhood Education Programs (Funded by the New York City Department of Education) consist of Universal Pre-Kindergarten ("UPK") at two locations. Neighborhoods' UPK childcare programs serve four-year old children for a ten-month duration (September through June).

Other Programs include education and direct services to adults, seniors, and families, such as resident and family services. Community education programs also supported include financial counseling. These programs are funded by New York City government, foundations and individual donors, under donor-designated program periods of one to two years.

9. PENSION AND OTHER POSTRETIREMENT BENEFITS

Neighborhoods accounts for postretirement benefits in accordance with GAAP, which requires organizations to recognize a net liability or asset to report the funded status of their defined benefit pension and other postretirement plans on their statements of financial position, with an offsetting adjustment to other changes in net assets. Adjustments, which decreased net assets by $12,022 and $249,124 were recognized in other changes in net assets during the years ended June 30, 2022 and 2021, respectively, and are included as postretirement benefit adjustment on the accompanying statements of activities.

Pension Plan - Non-union employees of Neighborhoods, hired through June 30, 2013, who met eligibility requirements as to age and length of service, participate in the noncontributory defined benefit pension plan of Phipps. Phipps administers a separate pension plan containing all plan assets and Phipps maintains full responsibility for the Plan and its obligations. Pension plan benefits are based on the participant's years of service and Average Final Compensation, as defined. Plan assets of the defined benefit plan are not specifically identified to each participating affiliate. Therefore, a breakdown of plan assets is not reflected in these financial statements. Neighborhoods has no legal obligation for benefits under the plan. Phipps' pension plan funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus additional amounts, as Phipps determines to be appropriate from time to time, up to the maximum permitted, and to charge each subsidiary an allocable amount of net periodic benefit cost based on its employee census. Pension expense amounted to $286,064 and $496,958 during the years ended June 30, 2022 and 2021, respectively, and is included in management and general expenses on the accompanying statements of activities. Eligible employees of Neighborhoods hired on or after July 1, 2013 participate in the Phipps 401(k) deferred compensation plan.

401(k) Plan - Eligible non-union employees of Neighborhoods, who have completed 60 days of service, may participate in the Phipps 401(k) deferred compensation plan. Participants in the plan may defer up to 90% of pretax annual compensation, as limited to the maximum annual amount permitted by law ($20,500 and $19,500 in calendar years 2022 and 2021, respectively). Such deferred amounts earn a return relative to a fund selection by the participant from those offered by the plan administrator. Participants are immediately vested in their contributions plus actual earnings thereon. Administrator expenses of the plan, with the exception of the third-party administrator expenses, are paid by Neighborhoods. Third-party administrator expenses are paid by the participants. The plan permits, but does not require, the employer to make a matching contribution. Through December 31, 2013, Neighborhoods elected not to make such contributions. Beginning January 1, 2014, eligible new hires are eligible to receive a non-elective employer contribution of 4% of eligible pay to the plan by Neighborhoods. Additionally, Neighborhoods provides a 100% match on the participant's first 4% of eligible pay contributed to the plan for a maximum total employer contribution of 8% per annum. 401(k) expense was $239,547 and $249,229 during the years ended June 30, 2022 and 2021, respectively, and is included in management and general expenses on the accompanying statements of activities. The plan provides for a five-year graded vesting of employer contributions. Employees hired before July 1, 2013 are not eligible at this time for any employer contribution.

Other Postretirement Benefits - Neighborhoods provides postretirement health care and life insurance benefits in excess of benefits provided under Medicare Plans A and B to non-union employees (along with their spouses and eligible dependents) who retire at age 65 or above with a minimum of five years of service. In addition, employees who retire early at age 55 or above with a minimum of ten years of service or who retire due to disability are also eligible for such benefits. Retiree contributions for a percentage of plan costs are required (based on years of service and final salary). The plan is funded on the pay-as-you-go basis. ASC 715 requires the cost of postretirement benefits to be accrued during the service lives of employees. While it is Neighborhoods' intent to provide these postretirement benefits to its employees, it has the right to terminate or modify these benefits at any time.

Phipps maintains a benefit Plan and allocates a portion of postretirement benefit expense annually to each participating entity. Other postretirement benefit expense (recovery) applicable to Neighborhoods, which is included in management and general expenses on the accompanying statements of activities was $79,480 and $(164,820) during the years ended June 30, 2022 and 2021, respectively.

The change in benefit obligation, funded status of the Plan, amounts recognized as a decrease in net assets, and the net periodic benefit cost at June 30, 2022 and 2021 and for the years then ended were as follows:

	2022	2021
Benefit obligation at end of prior year	$ 9,376,000	$ 8,676,000
Service cost (with interest)	809,000	586,000
Interest cost	246,000	250,000
Plan participants' contributions	45,000	45,000
Actuarial loss (gain)	(693,000)	(43,000)
Actual benefits paid	(133,000)	(138,000)
Accumulated benefit obligation at end of year	9,650,000	9,376,000
Plan assets at end of year	-	-
Funded status at end of year	$ (9,650,000)	$(9,376,000)

Amounts recognized in the consolidated statements of assets, liabilities and net assets without restrictions (income tax basis) consist of:

Current liabilities	$ (170,000)	$ (136,000)
Non-current liabilities	(9,480,000)	(9,240,000)
Net amount recognized	$ (9,650,000)	$(9,376,000)

Additionally, in accordance with ASC 715, Phipps allocates to each participating entity a portion of the liability resulting from the excess of the accumulated benefit obligation over Plan assets at the end of the year. Neighborhoods' share of the liability amounting to $3,222,581 and $3,131,079 as of June 30, 2022 and 2021, respectively, is included in accrued postretirement benefits on the accompanying statements of financial position.

Amounts recognized as an increase (decrease) in net assets but not yet included in net periodic benefit cost consist of:

	2022	2021
Net actuarial loss	$ 1,172,000	$ 1,925,000
Prior service credit	(1,889,000)	(2,678,000)
Total	$ (717,000)	$ (753,000)

The components of Net Periodic Benefit Cost are as follows:

	2022	2021
Service cost (with interest)	$ 809,000	$ 586,000
Interest cost	246,000	250,000
Recognition of prior service cost	(789,000)	(789,000)
Recognition of gains and losses	60,000	-
Total periodic expense	326,000	47,000

Other changes in net assets not yet included and reclassifications of amounts previously recognized as changes in net assets but not included in net periodic benefit cost when they arose:

	2022	2021
Recognized prior service cost	789,000	789,000
Net actuarial (gain) loss	(693,000)	(43,000)
Recognized actuarial gain	(60,000)	-
Total recognized in other changes in net assets	36,000	746,000
Total recognized in net periodic benefit cost and other changes in net assets	$ 362,000	$ 793,000
Expected employer contributions in the following fiscal year	$ 175,000	$ 138,000

Expected net benefit payments:

2022	$ 175,000
2023	210,000
2024	240,000
2025	268,000
2026	297,000
2027 - 2031	1,878,000

	2022	2021
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	3.00%	2.65%
Rate of compensation increase	3.00%	3.00%
Current year health care trend rate	6.50%	6.50%
Ultimate health care trend rate	4.50%	4.50%
Year ultimate rate is reached	2030	2024

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	2.65%	3.45%
Rate of compensation increase	3.00%	3.00%
Current year health care trend rate	6.00%	6.50%
Ultimate health care trend rate	4.50%	4.50%
Year ultimate rate is reached	2024	2024
Corridor	10.00%	10.00%

10. RELATED PARTY TRANSACTIONS

Phipps advances funds to Neighborhoods from time-to-time to help Neighborhoods' meet its operating expenses, while Neighborhoods waits to receive its requisitioned funding from government and foundation funders. Advances payable to Phipps totaled $2,200,000 and $2,350,000 at June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses on the accompanying statements of financial position.

Phipps contributes, at cost, which approximates fair value, services of professional and accounting personnel, materials and equipment and facilities to Neighborhoods. Such contributions amounted to $1,002,519 and $1,027,495 during the years ended June 30, 2022 and 2021, respectively, and were recorded by Neighborhoods as contribution revenue without donor restrictions and management and general expenses on the accompanying statements of financial position. In addition, Phipps pledged cash contributions of $126,138 and $82,068 to Neighborhoods during the years ended June 30, 2022 and 2021, respectively, with the restriction that such amounts be expended by Neighborhoods for current fundraising, public relations purposes and a leadership program. As of June 30, 2022 and 2021, $63,300 and $24,578, respectively, was receivable from Phipps for such contributions and is included in contributions receivable on the accompanying statements of financial position.

Neighborhoods has leased commercial space from Daly 180 Housing Development Fund Corporation ("Daly"), La Puerta De Vitalidad Associates, L.P. ("LPV"), Crotona Park West Housing Development Fund Corporation ("CPW") and Lebanon West Farms Associates, L.P. ("LWF"), all affiliates of Phipps. Neighborhoods has used the space to operate the Daly Avenue Universal Prekindergarten Center, the Daly Avenue Child Care Center, the Melrose Community Center, the Lebanon West Farms Universal Prekindergarten Center and the Justice Corps Program.

Rental expense under the leases during the years ended June 30, 2022 and 2021, which is included in program expenses on the accompanying statements of activities is as follows:

Housing Project	**Lease Expiration**	**2022**	**2021**
Daly	Month-to-month	$ 40,000	$ 40,000
LPV	Month-to-month	86,548	86,548
CPW	March 2031	24,000	4,000
LWF	August 2030	65,625	65,625
		$ 216,173	$ 196,173

The rental expense at CPW is contributed to Neighborhoods by CPW and is included in other contributions on the accompanying statements of activities. Future minimum rental payments for the LWF lease as of June 30, 2022 approximates $66,150 for each of the years 2023 through 2027 and $226,013, thereafter.

In connection with an expired lease with RCB Apartments Associates, L.P. ("RCB"), Neighborhoods loaned RCB $1,038,550, which is outstanding at both June 30, 2022 and 2021, for the construction of an Early Head Start Center. The loan is evidenced by a note and mortgage and accrues interest at 5% per annum, compounded annually, through the maturity date; the later of June 30, 2040 or the date RCB's mortgages are paid in full. Interest is payable only from Surplus Cash Flow, as defined, while the principal is payable at maturity. Interest receivable of $764,502 and $678,641 has been accrued at June 30, 2022 and 2021, respectively. RCB is an affiliate of Phipps. The note receivable and accrued interest thereon are included in notes receivable on the accompanying statements of financial position.

Neighborhoods is the holder of a $177,000 note receivable from Crotona Estates, a housing project owned by 1691 Fulton Avenue Associates, L.P. ("1691 Fulton"). The note, which bears simple interest at the rate of 5.02% per annum and matures in November 2036, is payable from 1691 Fulton's Surplus Cash, as defined. Interest receivable of $139,282 and $130,396 has been accrued at June 30, 2022 and 2021, respectively. 1691 Fulton is an affiliate of Phipps. The note receivable and accrued interest thereon are included in notes receivable on the accompanying statements of financial position.

In 2016, Neighborhoods advanced $700,000 to LWF for the construction of a prekindergarten center at Lebanon West Farms Apartments ("LWF Apts."), which was evidenced by a note and a mortgage on LWF Apts. and repaid in prior years. The loan accrues interest at 10% per annum, compounded annually, and matures on the earlier of July 27, 2046 or the date that the general partner is removed from LWF. Interest receivable of $301,620 and $242,509 has been accrued at June 30, 2022 and 2021, respectively. The accrued interest is included in notes receivable on the accompanying statements of financial position.

The RCB loan is collateralized, while the loan to Crotona Estates is not collateralized. A loan is considered delinquent when the required monthly payment is not received within three months after the due date established in the loan agreement.

Based on management's assessment, Neighborhoods provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after Neighborhoods has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or loan to affiliated entities.

Neighborhoods considers a loan to be impaired when, based upon current information and events, it believes it is probable that Neighborhoods will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans to affiliated entities are individually evaluated for impairment. In determining impairment, Neighborhoods considers the length of time the loan remains unpaid and the financial conditions of the entity. When a loan is impaired, Neighborhoods measures the impairment based on the present value of the expected future cash flows discounted using the loan's effective interest rate. If the expected proceeds from the loan are less than the recorded investment in the loan, Neighborhoods recognizes impairment by creating a valuation allowance with a corresponding charge to bad debt expense for the difference.

As of June 30, 2022 and 2021, no allowance for doubtful accounts has been recorded, affecting the valuation of loans to affiliated entities, as the credit risk associated with these loans was considered to be modest and there were no loans to affiliates that were impaired.

11. GENERAL LIABILITY INSURANCE PROGRAM

Phipps and its affiliates formed an insurance trust to administer the general liability claims under the insured deductible level of $100,000 per claim, up to $1,000,000 in the aggregate through May 31, 2022, which has increased to $250,000 per claim and up to $2,500,000 in the aggregate as of June 1, 2022. In the years ended June 30, 2022 and 2021, Neighborhoods deposited $70,000 and $85,000 into the insurance trust to cover estimated claims under the insured deductible level through May 31, 2022 and 2021, respectively. Neighborhoods recognizes a loss from actual claims when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Claims and related fees totaled $27,905 and $30,218 for the years ended June 30, 2022 and 2021, respectively. In December 2020, Neighborhoods received a partial refund of its deposit in the insurance trust in the amount of $309,002. No refund of Neighborhoods' deposit was received in the year ended June 30, 2022. Deposits to the insurance trust, including interest earned thereon of $383 and $139 in the years ended June 30, 2022 and 2021, respectively, in excess of claims and fees incurred of $499,958 and $457,480 at June 30, 2022 and 2021, respectively, are included in other assets on the accompanying statements of financial position.

12. TAXES

Management has analyzed the tax positions taken by the Neighborhoods and has concluded that, as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.. There was no unrelated business income for the years ended June 30, 2022 and 2021.

13. CORRECTION OF ERRORS

Management of the Organization has restated its opening net assets as of July 1, 2021 to reflect the overstatement of contribution receivables and net assets related to improperly applying Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)* and incorrectly recording contributions as unconditional. The effect on the Organization's financial statements as of and for the year ended June 30, 2021 is summarized as follows:

	As previously stated	Adjustments	As restated
Total assets	$ 46,315,253	$ (25,261,812)	$ 21,053,441
Total liabilities	$ 9,643,397	$ -	$ 9,643,397
Total net assets*	$ 36,671,856	$ (25,261,812)	$ 11,410,044
Change in net assets	$ 17,045,988	$ (25,261,812)	$ (8,215,824)

* Includes the effect of change in net assets

14. CONTINGENCIES

In early 2020, an outbreak of a novel strain of the coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity, which could result in a loss of program revenue and other material adverse effects to Neighborhoods' financial position, results of operations, and cash flows. Neighborhoods is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. Neighborhoods' performance in future periods will be heavily influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on Neighborhoods' operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on Neighborhoods.

15. LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

On April 23, 2020, Neighborhoods applied for and received approval for a Paycheck Protection Program ("PPP") loan administered by the United States Small Business Administration ("SBA"). As mentioned in Note 13, the PPP was legislated as part of the CARES Act, and was a program designed to provide a direct incentive for small businesses to keep their workers on their payroll. Under the PPP, the loan could be partially or fully forgiven if the business kept its employee counts and employee wages stable. If not forgiven, the loan required monthly payments of principal and interest at 1.00% per annum and was due in April 2022. As of June 30, 2021, Neighborhoods' PPP loan had a balance of $2,159,461. In July 2021, Neighborhoods received loan forgiveness of $1,692,006 in accordance with SBA guidelines, pursuant to the CARES Act, and the remaining outstanding loan balance of $467,455, and accrued interest of $5,778, was repaid in August 2021. The application for these funds required Neighborhoods to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of Neighborhoods. This certification further required Neighborhoods to take into account the current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that was not significantly detrimental to its business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, was dependent on Neighborhoods having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

16. SUBSEQUENT EVENTS

Neighborhoods' management has performed subsequent event procedures through June 6, 2023, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustments to the financial statements. All significant subsequent events have been disclosed in the notes to the financial statements.

PHIPPS NEIGHBORHOODS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services,				
Passed through the New York City Department of Youth				
and Community Development - Community Services Block Grant:				
Healthy Families - West Farms Technology				
and Career Center	93.569	810607A	$ -	$ 74,816
Healthy Families - Opportunity Center	93.569	810307A	-	92,910
Soundview Education Support	93.569	810908A	-	84,744
Soundview Opportunity Youth NDA	93.569	810910A	-	32,929
Soundview Healthy Families	93.569	810907A	-	97,862
Education Support UA	93.569	810608A	-	76,796
Opportunity Youth - WF	93.569	810610A	-	24,704
La Casa De Felicidad Seniors	93.569	810308A	-	81,670
Sub Total Assistance Listing Number 93.569			-	566,431
U.S. Department of Health and Human Services				
Through its Centers for Disease Control and Prevention,				
Passed through the Fund for Public Health in New York:				
New York City Neighborhood Health	93.391	84294	-	502,827
Sub Total Assistance Listing Number 93.391			-	502,827
Total U.S. Department of Health and Human Services			-	1,069,258

PHIPPS NEIGHBORHOODS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Sub recipients	Total Federal Expenditures
U.S. Department of Agriculture,				
Passed through the New York State Department				
of Health – Child and Adult Care Food Program (CACFP):				
Daly Avenue UPK	10.558	4219	$ -	$ 33,675
Lebanon West Farms UPK	10.558	4219	-	35,227
Sub Total Assistance Listing Number 10.558			-	68,902
Total Expenditures of Federal Awards			$ -	$ 1,138,160

The accompanying notes are an integral part of this schedule.

PHIPPS NEIGHBORHOODS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Phipps Neighborhoods, Inc. ("Neighborhoods") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Neighborhoods, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Neighborhoods.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Not-for-Profit Organizations or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

Neighborhoods has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Phipps Neighborhoods, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Phipps Neighborhoods, Inc. ("Neighborhoods"), which comprise the statements of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 6, 2023, which includes an emphasis of matter paragraph as indicated on page 2.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhoods' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhoods' internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhoods' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item *2022-001* to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhoods' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Neighborhoods' Response to Findings

Neighborhoods' response to the findings is identified in our audit and described in the accompanying schedule of findings and questioned costs. Neighborhoods' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

New York, New York
June 6, 2023

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Phipps Neighborhoods, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Phipps Neighborhoods, Inc.'s ("Neighborhoods") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Neighborhoods' major federal program for the year ended June 30, 2022. Neighborhoods' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Neighborhoods complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Neighborhoods 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 opinion on compliance for its major federal program. Our audit does not provide a legal determination of Neighborhoods' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Neighborhoods' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Neighborhoods' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Neighborhoods' compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Neighborhoods' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Neighborhoods' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Neighborhoods' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

New York, New York
June 6, 2023

PHIPPS NEIGHBORHOODS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued or whether the financial statements audited were prepared in accordance with GAAP		Unmodified
Internal control over financial reporting:		
• Material weakness (es) identified?	[x] Yes	[ ] No
• Significant deficiency(ies) identified?	[ ] Yes	[x] None reported
Noncompliance material to financial statements noted?	[ ] Yes	[x] No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	[ ] Yes	[x] No
• Significant deficiency(ies) identified?	[ ] Yes	[x] None reported
Type of auditor's report issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	[ ] Yes	[x] No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.569	Community Services Block Grant

Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?	[x] Yes	[ ] No

Section II - Financial Statement Findings

Finding 2022-001 Restatement of the Organizations Opening Net Assets (Material Weakness)

Criteria:
In accordance with accounting principles generally accepted in the United States of America ("GAAP"), conditional contributions should not be recognized in revenue until all donor-imposed barriers are overcome.

Condition:
The Organization's revenue recognition processes did not identify certain conditions within the grant agreements as required and recognized conditional contributions in revenue before the barriers were overcome.

Cause:
Internal controls over the proper revenue recognition within the financial reporting process in accordance with GAAP were not operating effectively.

Effect:
As a result, revenue was not recognized correctly and improper revenue recognition could result in errors in accounting and promulgation from GAAP.

Identification as a repeat finding:
No.

Recommendation:
We recommend that the Organization strengthen its policies and procedures and controls relating to revenue recognition, including the identification of conditions or other items in accordance with GAAP as part of the financial reporting process.

View of responsible officials:
Management is in the process of implementing financial reporting close procedures and controls that include an assessment of revenue recognition for grants and contracts in accordance with GAAP.

Section III - Federal Award Findings and Questioned Costs

None.

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