# Fountain House, Inc.

## Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2018

# Fountain House, Inc.

Consolidated Financial Statements and Supplementary Information

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# Fountain House, Inc.

## Contents

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## Independent Auditor's Report

Board of Directors
Fountain House, Inc.
New York, New York

We have audited the accompanying consolidated financial statements of Fountain House, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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New York, NY 10017

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2017 consolidated financial statements and our report, dated January 25, 2018, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating schedule of financial position, consolidating schedule of activities and consolidating schedule of functional expenses are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

February 8, 2019

# Fountain House, Inc.

## Consolidated Statement of Financial Position
## (with comparative totals for 2017)

| *June 30,* | | 2018 | | 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents (Note 2) | $ | **1,439,371** | $ | 731,075 |
| Assets held for others (Note 2) | | **228,168** | | 256,615 |
| Investments, at fair value (Notes 2, 3 and 12) | | **30,008,078** | | 20,804,087 |
| Accounts Receivable, net (Notes 2 and 4): | | | | |
| Government agencies, net of allowance for doubtful accounts of $31,543 and $45,297 for 2018 and 2017, respectively | | **1,697,259** | | 2,544,472 |
| Other, net of allowance for doubtful accounts of $25,980 for 2018 and 2017 | | **209,359** | | 401,628 |
| Pledges receivable, current portion (Note 5) | | **501,396** | | 693,372 |
| Prepaid expenses and other assets | | **443,333** | | 266,566 |
| Replacement reserve (Note 13) | | **5,389,920** | | 321,303 |
| **Total Current Assets** | | **39,916,884** | | 26,019,118 |
| **Security Deposits** | | **159,994** | | 144,834 |
| **Pledges Receivable, Net - Less Current Portion** (Note 5) | | **751,238** | | 581,560 |
| **Fixed Assets, Net** (Notes 2 and 6) | | **20,102,736** | | 21,281,320 |
| | $ | **60,930,852** | $ | 48,026,832 |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued expenses | $ | **2,046,593** | $ | 1,376,768 |
| Workers' Compensation Assessment Payable Settlement - current portion (Note 15) | | **39,494** | | 38,328 |
| Assets held for others | | **228,168** | | 256,615 |
| Deferred revenue (Note 14) | | **1,594,353** | | 1,547,139 |
| Line of credit (Note 12) | | **-** | | 500,000 |
| Mortgages and notes payable - current portion (Note 7) | | **149,385** | | 199,720 |
| **Total Current Liabilities** | | **4,057,993** | | 3,918,570 |
| **Workers' Compensation Assessment Payable Settlement - Less Current Portion** (Note 15) | | **344,852** | | 384,346 |
| **Mortgages and Notes Payable**, less current portion and deferred financing costs (Note 7) | | **4,795,987** | | 1,751,562 |
| **Accrued Pension Liability** (Note 8) | | **4,575,788** | | 5,640,812 |
| **Total Liabilities** | | **13,774,620** | | 11,695,290 |
| **Commitments and Contingencies** (Notes 2, 7, 11, 12, 13, 14 and 15) | | | | |
| **Net Assets** | | | | |
| Unrestricted: | | | | |
| Available for operations | | **20,659,837** | | 12,816,186 |
| Invested in property and equipment | | **15,413,043** | | 16,851,404 |
| Board-designated (Note 2) | | **1,640,947** | | 699 |
| **Total Unrestricted** | | **37,713,827** | | 29,668,289 |
| Temporarily restricted (Note 9) | | **3,615,427** | | 836,275 |
| Permanently restricted (Note 10) | | **5,826,978** | | 5,826,978 |
| **Total Net Assets** | | **47,156,232** | | 36,331,542 |
| | $ | **60,930,852** | $ | 48,026,832 |

*See accompanying notes to consolidated financial statements.*

# Fountain House, Inc.

## Consolidated Statement of Activities
## (with comparative totals for 2017)

*Year ended June 30,*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | **2018** | 2017 |
|---|---|---|---|---|---|
| **Public Support and Revenue** | | | | | |
| Government grants and contracts | $ 9,145,318 | $ - | $ - | **$ 9,145,318** | $ 9,597,939 |
| Medicaid | 2,379,956 | - | - | **2,379,956** | 2,100,272 |
| Contributions | 6,614,627 | 1,222,453 | - | **7,837,080** | 2,887,039 |
| Special events, net of direct benefits to donors of $196,305 and $187,404 in 2018 and 2017, respectively | 1,618,742 | - | - | **1,618,742** | 1,399,042 |
| Program service fees, dues and rental revenue | 2,435,013 | - | - | **2,435,013** | 2,273,748 |
| Investment income – used for operations (Note 3) | 310,646 | 722,069 | - | **1,032,715** | 1,038,900 |
| Interest income – other (Note 3) | 11,587 | - | - | **11,587** | 3,395 |
| Other income | 1,271,015 | - | - | **1,271,015** | 506,340 |
| Net assets released from restrictions (Note 9) | 1,927,756 | (1,927,756) | - | **-** | - |
| **Total Public Support and Revenue** | 25,714,660 | 16,766 | - | **25,731,426** | 19,806,675 |
| **Expenses** | | | | | |
| Program services: | | | | | |
| Community services | 7,852,339 | - | - | **7,852,339** | 7,261,357 |
| Housing | 9,903,693 | - | - | **9,903,693** | 10,079,878 |
| **Total Program Services** | 17,756,032 | - | - | **17,756,032** | 17,341,235 |
| Supporting services: | | | | | |
| Management and general | 3,469,067 | - | - | **3,469,067** | 3,296,206 |
| Fundraising | 557,750 | - | - | **557,750** | 539,474 |
| **Total Supporting Services** | 4,026,817 | - | - | **4,026,817** | 3,835,680 |
| **Total Expenses** | 21,782,849 | - | - | **21,782,849** | 21,176,915 |
| **Change in Net Assets from Operations Before Other Changes and Change in Unfunded Pension Obligation** | 3,931,811 | 16,766 | - | **3,948,577** | (1,370,240) |
| **Other Changes** | | | | | |
| Grants for capital improvements | - | - | - | **-** | 1,124,656 |
| Net assets released for capital improvements (Note 9) | 40,004 | (40,004) | - | **-** | - |
| Investment income (loss) other than amount used for operations (Notes 3 and 10) | (2,690,013) | 2,802,390 | - | **112,377** | 1,178,654 |
| Gain on sale of property and other changes (Note 6) | 6,022,000 | - | - | **6,022,000** | - |
| **Change in Net Assets Before Change in Unfunded Pension Obligation** | 7,303,802 | 2,779,152 | - | **10,082,954** | 933,070 |
| **Change in Unfunded Pension Obligation** (Note 8) | 741,736 | - | - | **741,736** | 4,413,667 |
| **Change in Net Assets** | 8,045,538 | 2,779,152 | - | **10,824,690** | 5,346,737 |
| **Net Assets,** beginning of year | 29,668,289 | 836,275 | 5,826,978 | **36,331,542** | 30,984,805 |
| **Net Assets,** end of year | $ 37,713,827 | $ 3,615,427 | $ 5,826,978 | **$ 47,156,232** | $ 36,331,542 |

*See accompanying notes to consolidated financial statements.*

# Fountain House, Inc.

## Consolidated Statement of Cash Flows
## (with comparative totals for 2017)

| *Year ended June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Change in net assets | $ | **10,824,690** | $ | 5,346,737 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | | | |
| Depreciation and amortization | | **988,017** | | 1,095,934 |
| Interest expense related to deferred financing cost | | **16,963** | | - |
| Net realized gains on investments | | **291,964** | | (1,367,634) |
| Net unrealized (gains) on investments | | **(117,123)** | | (630,387) |
| Bad debt expense | | **124,481** | | 95,933 |
| Donated securities | | **-** | | (83,959) |
| Gain on sale of property, net of closing costs | | **(6,022,000)** | | - |
| Change in unfunded pension obligation | | **(741,736)** | | (4,413,667) |
| Change in operating assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Assets held for others | | **28,447** | | (31,602) |
| Government agencies receivables | | **722,732** | | (1,038,901) |
| Other receivables | | **192,269** | | (340,540) |
| Pledges receivable | | **22,298** | | (834,244) |
| Prepaid expenses and other assets | | **(176,767)** | | (22,424) |
| Security deposits | | **(15,160)** | | (24,126) |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | | **669,825** | | 176,035 |
| Deferred revenue | | **47,214** | | 61,825 |
| Assets held for others | | **(28,447)** | | 31,602 |
| Workers' compensation assessment payable settlement | | **(38,328)** | | (27,495) |
| Accrued pension liability | | **(323,288)** | | 700,539 |
| **Net Cash Provided by (Used in) Operating Activities** | | **6,466,051** | | (1,306,374) |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of investments | | **(18,565,018)** | | (17,627,820) |
| Proceeds from sales of investments | | **15,247,094** | | 20,955,033 |
| Net increase in replacement reserve | | **(5,068,617)** | | (28,906) |
| Purchase of fixed assets | | **(1,527,630)** | | (1,865,928) |
| Proceeds from sales of property | | **2,043,690** | | - |
| **Net Cash Provided by Investing Activities** | | **(7,870,481)** | | 1,432,379 |
| **Cash Flows from Financing Activities** | | | | |
| Proceeds from mortgage loan payable | | **5,018,900** | | - |
| Principal payments on mortgage notes | | **(2,406,174)** | | (182,138) |
| Proceeds from line of credit | | **500,000** | | 2,100,000 |
| Principal payments on line of credit | | **(1,000,000)** | | (1,600,000) |
| **Net Cash Provided by Financing Activities** | | **2,112,726** | | 317,862 |
| **Net Increase in Cash and Cash Equivalents** | | **708,296** | | 443,867 |
| **Cash and Cash Equivalents,** beginning of year | | **731,075** | | 287,208 |
| **Cash and Cash Equivalents,** end of year | $ | **1,439,371** | $ | 731,075 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Cash paid for interest | $ | **225,642** | $ | 192,875 |

*See accompanying notes to consolidated financial statements.*

## 1. Nature of Organization

Fountain House, Inc. (FHI), the parent organization, is a not-for-profit organization formed in New York in 1948. FHI provides community-based support services to men and women who suffer from major mental illness utilizing the Clubhouse Model developed by FHI which is now utilized by over 300 other organizations around the world. FHI's support services are delivered by different units and programs, each of which is operated by both FHI's members and its professional staff. The units and programs include education, culinary, research, wellness, home and garden, communications, welcome center, employment, FH Bronx, farm, art gallery, silver center, evening and weekend, housing, and advocacy.

Fountain House of New Jersey, Inc. (FHNJ) is a not-for-profit organization incorporated in the state of New Jersey in 1969 for the purpose of assisting men and women who suffer from major mental illnesses and providing a center for their continued progress in the area of social and vocational rehabilitation. FHNJ operates a farm where, as part of the social and vocational rehabilitation, the program participants participate in caring for the livestock and landscaping and tending the gardens.

Fountain House Housing Development Fund Company, Inc. (FHHDFC) was formed in New York in 1979 to provide both a permanent and transitional housing facility for mentally ill adults.

Fountain House Community Living Program, Inc. (FHCLP), Fountain House Housing, Inc. (FHH) and Fountain House Residential Corp. (FHRC) were formed in New York in 1984, 1980 and 1983, respectively, for the purpose of providing low-income housing to the mentally ill. The Housing Companies, which are substantially financed by the U.S. Department of Housing and Urban Development (HUD), operate apartment facilities in New York City under Section 202 of the National Housing Act. The Housing Companies received approval for housing assistance payments to tenants, pursuant to Section 202 of the National Housing Act, from HUD.

FH Homes Housing Development Funding Corporation, HUD Project No. 012-11394 (FH Homes) was incorporated in 2015 as a wholly controlled entity of Fountain House, Inc. (FHI). FH Homes' purpose is to provide housing to the mentally ill. FH Homes commenced operations on August 17, 2017 to consolidate the program activities and refinance the debt of both FHCLP and FHH. As part of the refinancing transaction, FH Homes received a new mortgage on August 17, 2017 for $5,018,900 and approval from HUD to use the mortgage proceeds to pay off all existing mortgages for FHH and FHCLP as of August 16, 2017, existing liabilities due to HUD and outstanding liabilities for FHH and FHCLP that were due to FHI.

As part of this mortgage, on August 17, 2017, HUD withheld $375,183 for noncritical repairs and alterations, as identified by HUD. The $375,183 will be disbursed to FH Homes with approval by HUD upon completion of the identified repairs and alterations. An additional $1,347,605 was withheld by HUD for the establishment of the replacement reserve and escrow fund.

Accordingly, on August 17, 2017, FH Homes assumed administration of the two programs formerly owned by FHH and FHCLP, which are: (1) a 20-unit apartment facility located at 2264-66 Amsterdam Avenue in Manhattan, New York and (2) a 19-unit apartment facility located at 441-445 West 47th Street in Manhattan, New York (herein both referred to as the Project). The contracts with the funding source for FHH and FHCLP were transferred to FH Homes on August 17, 2017.

FHCLP, FHH. FHRC and FH Homes combined are referred to as the Housing Companies.

## 2. Summary of Significant Accounting Policies

### *Principles of Consolidation*

The consolidated financial statements include the accounts of FHI and its wholly controlled entities, as follows: FHNJ, FHHDFC, FH Homes, FHCLP, FHH and FHRC, which are affiliated through common management and/or common ownership. All material intercompany transactions and balances have been eliminated. Collectively, FHI, FHNJ, FHHDFC, FH Homes, FHCLP, FHH and FHRC are referred to as the Organization herein. Certain administrative expenses have been allocated by FHI, based upon management's estimate of the programs benefited by the related expenditures.

### *Basis of Presentation*

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

### *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

*Permanently Restricted* – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The income and net capital appreciation from all permanently restricted assets are available for unrestricted and temporarily restricted purposes.

*Temporarily Restricted* – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets as "net assets released from restrictions" and reported in the consolidated statement of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

*Unrestricted* – This class consists of the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. The Board of Directors of FHI has designated $1,640,947 and $699 of its unrestricted net assets for capital improvements, renovations and repairs as of June 30, 2018 and 2017, respectively.

### *Net Asset Classification*

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), made significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts. The adoption of this law did not have a material effect on the Organization's consolidated financial statements.

### *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except for cash held as part of the investment portfolio.

### *Accounts Receivable, Net*

Accounts receivable represents government contract and third-party revenues that have been billed but not collected as of the date of the accompanying consolidated financial statements.

### *Provision for Doubtful Accounts*

The Organization provides allowances for accounts receivable based upon prior year experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts was $57,523 and $71,277 for the years ended June 30, 2018 and 2017, respectively.

### *Deferred Financing Costs*

Deferred financing costs represent costs incurred to obtain financing and are netted with long-term mortgage and notes payable on the statement of financial position. Amortization of those costs is recorded on an effective interest method over the term of the indebtedness. Interest expense related to the amortization of deferred financing cost was $16,963 and $0 for the years ended June 30, 2018 and 2017, respectively. Accumulated amortization at June 30, 2018 and 2017 amounted to $16,963 and $0, respectively.

### *Assets Held for Others*

Assets held for others represent funds held by the Organization on behalf of program members.

### *Fixed Assets*

Fixed assets are stated at their original costs or at their fair values on the dates of donation. Fixed assets with a purchase price in excess of $5,000 for FHI and $3,000 for FHNJ and the Housing Companies are capitalized. Depreciation is provided using the straight-line method, applied over the estimated useful lives of the assets, which range from 5 to 40 years.

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes.

Certain property owned by FHNJ, located in Montague, New Jersey includes certain donors' sale constraints that any sales of a portion of the donated property must be in accordance with the original donor's sale constraints stipulated with the original donation.

### *Impairment of Long-Lived Assets*

U.S. GAAP requires the Organization to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended June 30, 2018 and 2017, there have been no such losses.

### *Accrued Vacation*

Based on their tenure, the Organization's employees are entitled to be paid for unused vacation time if they leave the Organization. Accordingly, the Organization recognizes liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2018 and 2017, this accrued vacation obligation was $167,623 and $120,790, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

### *Fair Value Measurements*

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Organization would use in pricing its asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Organization estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

*Level 1* - Valuations are based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

*Level 2* - Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

***Investment Income***

Investment income and related income and expenses are recorded on a trade-date basis. Realized and unrealized gains and losses are reported in the consolidated statement of activities as change in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

***Contributions and Promises to Give***

Contributions and promises to give are recorded as revenue when either cash is received or when donors make a promise to give. Contributions and promises to give are recorded at fair value at the time of the contribution or promise to give and classified as unrestricted, temporarily restricted or permanently restricted support. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions to be received over periods longer than one year are discounted at interest rates commensurate with the risk involved. Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of initial assessment.

***Governmental Grants and Contracts***

Revenue from governmental grants and contracts is recognized as the expenditures for each contract or grant is incurred. All contract or grant monies received in excess of revenue earned are recorded as deferred revenue on the consolidated statement of financial position. Reimbursements are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

***Program Service Fees, Dues, Medicaid Revenue and Rental Revenue***

Fees and rental revenue from service programs are recognized as earned, in accordance with contractual provisions. Dues relating to the current year's membership are recognized as revenue in the current year. The recognition of revenue related to dues received in advance for a future year's membership is deferred until that year. The Organization provides services that are reimbursed by Medicaid. The Organization recognizes Medicaid revenue based upon the rates and the time services are provided.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

***Functional Expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Certain administrative costs have been allocated, as determined by management, among the programs and supporting services based on benefits received.

### *Income Taxes*

FHI, FHHDFC, FH Homes, FHCLP, FHH and FHRC were incorporated in the State of New York. FHNJ was incorporated in the state of New Jersey. These entities are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore have made no provision for income taxes in the accompanying consolidated financial statements. FHI, FHNJ and FHHDFC have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. The Housing Companies are exempt from federal income tax under Section 501(a) of the Code and from state and local taxes under comparable laws. There was no unrelated business income for the year ended June 30, 2018.

Under U.S. GAAP, an organization must recognize a tax liability associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended June 30, 2018 and 2017, there was no interest or penalties recorded or included in the consolidated statement of activities.

### *Concentration of Credit Risk*

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

### *Comparative Financial Information*

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of activities, the prior year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction the Organization's consolidated financial statements for the year ended June 30, 2017 from which the summarized information was derived.

### *Risks and Uncertainties*

The Organization's investments consist of a variety of investment securities. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the value of the Organization's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

***Recently Adopted Accounting Pronouncement***

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Organization adopted this standard for these consolidated financial statements.

*Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*

In May 2015, the FASB issued ASU 2015-07, “Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent),” which allows for those entities that have elected the practical expedient to use the net asset value (NAV) as a measure of fair value and to no longer categorize these investments within the fair value hierarchy. The practical expedient criteria differ from the criteria used to categorize other fair value measurements within the hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at NAV (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from NAV. The ASU is effective for the Organization’s fiscal years beginning after December 15, 2016, with early application permitted, and should be applied retrospectively. The retrospective approach requires that an investment for which fair value is measured using the NAV practical expedient be removed from the fair value hierarchy in all periods presented in an entity’s financial statements. The Organization adopted this standard for these consolidated financial statements.

***Accounting Pronouncements Issued but Not Yet Adopted***

*Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

*Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

*Leases (Topic 842)*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU requires a lessee to record, 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. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018, which also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

***Reclassifications***

Certain amounts included in the fiscal year 2017 consolidated financial statements have been reclassified to conform to the fiscal year 2018 presentation.

## 3. Investments and Fair Value Measurements

Investment income consists of the following:

| *Year ended June 30,* | | 2018 | | 2017 |
|---|---|---|---|---|
| Interest and dividends | $ | **467,739** | $ | 389,150 |
| Net realized gains on sale of investments | | **774,931** | | 1,367,634 |
| Net unrealized gains on investments | | **117,123** | | 630,387 |
| Investment expenses | | **(203,114)** | | (165,300) |
| | $ | **1,156,679** | $ | 2,221,871 |

Total investment income is categorized on the consolidated statements of activities as follows:

| *Year ended June 30,* | | 2018 | | 2017 |
|---|---|---|---|---|
| Investment income - used for operations | $ | **1,032,715** | $ | 1,038,900 |
| Interest income - other | | **11,587** | | 3,395 |
| Investment income other than amount used for operations | | **112,377** | | 1,179,576 |
| | $ | **1,156,679** | $ | 2,221,871 |

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with U.S. GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy. A description of the valuation techniques applied to the Organization's major categories of assets measured at fair value are as follows:

*Money Market Fund*

Money market funds are valued based on the NAV of the shares held by the Organization. NAV is based upon the fair value of the money market fund's underlying investments. The Organization's investments in the money market funds can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of June 30, 2018.

*Limited Partnership and Hedge Funds*

The fair values of the limited partnership and hedge funds are determined by each investment manager using either an in-house valuation team or a third-party administrative service. The Organization uses NAV or its equivalent to determine the fair value of all investments which (i) do not have a readily determinable fair value and (ii) prepare its investees' financial statements consistent with the measurement principles of an investment company or an entity with the attributes of an investment company. Investments for which fair value is measured using NAV per share or its equivalent as a practical expedient have not been categorized within the fair value hierarchy, and certain related tables have been appropriately excluded from the consolidated financial statements. The financial statements of the investees are audited annually by independent auditors.

*Corporate Stock - Equity*

For the Organization investments, with asset managers who hold public common and preferred stocks, the Organization has position-level transparency into individual holdings. These investments are priced by the Organization's custodian using nationally recognized pricing services based on observable market data and are classified as Level 1.

*Mutual Funds*

For the Organization's investments in mutual funds, the Organization has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in fixed income and equity securities. Mutual funds are valued at the NAV of each share, which are actively traded on national securities exchanges and are classified as Level 1.

*Fixed Income - Bonds*

Fixed income - bonds securities are priced by the Organization's custodian using nationally recognized pricing services. Fixed income - bonds securities generally do not trade on a daily basis. For these securities, the pricing services prepare estimates of fair value measurements using their proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

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The following tables show, by level within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value as of June 30, 2018 and 2017. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

*June 30, 2018*

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Money market fund | $ 4,431,279 | $ - | $ - | $ 4,431,279 |
| Equity: | | | | |
| U.S. Large-Cap | 5,742,173 | - | - | 5,742,173 |
| U.S. Mid-Cap/Small-Cap | 6,272,742 | - | - | 6,272,742 |
| Non-U.S. equity | 3,110,311 | - | - | 3,110,311 |
| Mutual funds: | | | | |
| Fixed income funds | 6,298,942 | - | - | 6,298,942 |
| Fixed income: | | | | |
| Corporate and other bonds* | - | 1,147,164 | - | 1,147,164 |
| Government and municipal bonds* | - | 681,973 | - | 681,973 |
| Mortgage and asset-backed bonds* | - | 836,208 | - | 836,208 |
| **Investments,** at fair value | $ 25,855,447 | $ 2,665,345 | $ - | 28,520,792 |
| Other investments at NAV or equivalent: | | | | |
| Limited partnership* | | | | 1,487,286 |
| **Total Investments** | | | | $ 30,008,078 |

*June 30, 2017*

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Money market fund | $ 1,368,899 | $ - | $ - | $ 1,368,899 |
| Equity: | | | | |
| U.S. Large-Cap | 5,449,897 | - | - | 5,449,897 |
| U.S. Mid-Cap/Small-Cap | 4,103,997 | - | - | 4,103,997 |
| Non-U.S. equity | 2,642,150 | - | - | 2,642,150 |
| Mutual funds: | | | | |
| Fixed income funds | 1,923,811 | - | - | 1,923,811 |
| Fixed income: | | | | |
| Corporate and other bonds* | - | 996,508 | - | 996,508 |
| Government and municipal bonds* | - | 516,738 | - | 516,738 |
| Mortgage and asset-backed bonds* | - | 696,302 | - | 696,302 |
| **Investments,** at fair value | $ 15,488,754 | $ 2,209,548 | $ - | 17,698,302 |
| Other investments at NAV or equivalent: | | | | |
| Limited partnership* | | | | 1,459,410 |
| Hedge funds* | | | | 1,646,375 |
| **Total Investments** | | | | $ 20,804,087 |

* In accordance with ASU 2015-07, 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 consolidated statement of financial position.

There were no transfers between levels during the year ended June 30, 2018.

The following table sets forth a summary of the Organization's investments with a reported NAV:

*Years ended June 30, 2018 and 2017*

| | Fair Value as of June 30, | | Unfunded | Redemption | Redemption |
|---|---|---|---|---|---|
| | **2018** | 2017 | Commitment | Frequency | Notice Period |
| BCM Credit Opportunities Offshore Fund L.P.* | $ - | $ 1,646,375 | $ - | Quarterly | 90 days |
| Silvercrest Global Fund L.P.** | **1,487,286** | 1,459,410 | - | Monthly | 60 days |

* A limited partner may withdraw, as of the last day of any calendar quarter on or following the 12-calendar month anniversary of the date of the contribution of such portion (each 12-month period, a Lock-Up Period), all or any portion of its base capital account balance for which the applicable Lock-Up Period has expired. In the event that a limited partner withdraws any amount after the expiration of the applicable Lock-Up Period but prior to the 24-month anniversary of the date of the contribution of such portion, the amount withdrawn shall be subject to an early withdrawal fee equal to 5% of such amount withdrawn, which is payable to the BCM Credit Opportunities Offshore Fund, L.P.

** There is a 15% holdback provision on full redemptions, payable upon the completion of the fund's financial statement audit.

## 4. Accounts Receivable, Net

Receivables, net consists of the following:

| *June 30,* | **2018** | 2017 |
|---|---|---|
| Government agencies | **$ 1,402,783** | $ 2,283,491 |
| Medicaid | **318,291** | 298,550 |
| Other | **243,067** | 435,336 |
| | **1,964,141** | 3,017,377 |
| Less: allowance for doubtful accounts | **(57,523)** | (71,277) |
| | **$ 1,906,618** | $ 2,946,100 |

Due from government agencies represents amounts reimbursable to the Organization for expenditures and services provided to members under agreements signed with governmental agencies.

## 5. Pledges Receivable, Net

Pledges receivable, net consists of the following:

| *June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Gross amounts due in: | | | | |
| Less than one year | $ | **501,396** | $ | 693,372 |
| One to five years | | **805,370** | | 600,000 |
| | | **1,306,766** | | 1,293,372 |
| Reduction of pledges due in excess of one year to present value, using a discount rate 2.33% and 1.24% in 2018 and 2017, respectively | | **(54,132)** | | (18,440) |
| | $ | **1,252,634** | $ | 1,274,932 |

Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful contributions receivable has been provided as of June 30, 2018 and 2017.

## 6. Fixed Assets, Net

Fixed assets, net consists of the following:

*Classification of Fixed Assets, Net*

| *June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Land | $ | **1,541,300** | $ | 2,608,195 |
| Land improvements | | **994,530** | | 994,530 |
| Building and improvements | | **38,075,298** | | 38,369,935 |
| Furniture, equipment and vehicles | | **1,595,674** | | 1,926,888 |
| Livestock | | **12,108** | | 12,108 |
| Computer, software and website | | **888,141** | | 808,372 |
| | | **43,107,051** | | 44,720,028 |
| Less: accumulated depreciation and amortization | | **(23,004,315)** | | (23,438,708) |
| | $ | **20,102,736** | $ | 21,281,320 |

For the years ended June 30, 2018 and 2017, the Organization's depreciation and amortization expense was $988,017 and $1,095,934, respectively.

Included in the gain on sale of property and other changes in the accompanying consolidated statement of activities is a building sold by FHI during the year ended June 30, 2018 for $8,050,000. The building sold was located at 424 West 47th Street, which resulted in the Organization recognizing a gain on sale of property of $7,415,620, less $326,725 of closing costs. Additionally, the gain on sale was further reduced by the value of donated property of FHNJ in the amount of $1,066,895, which resulted in the amount of the $6,022,000 for the year ended June 30, 2018 reported in gain on sale of property and other changes.

## 7. Mortgages and Notes Payable

In November 1981, FHH executed a mortgage note agreement with HUD to borrow $1,080,500 for the financing of FHH's housing project. The mortgage is payable in monthly installments of $8,543, to be applied first to interest at the rate of 9.25% per annum and then to principal, through October 2022. The mortgage note, with a balance of $0 and $430,303 at June 30, 2018 and 2017, respectively, was secured by FHH's land, building and improvements.

In November 1981, FHRC executed a mortgage note agreement with HUD to borrow $1,045,000 for the financing of FHRC's housing project. The mortgage is payable in monthly installments of $8,762, to be applied first to interest at the rate of 9.25% per annum and then to principal, through September 2022. The mortgage note, with a balance of $368,335 and $435,973 at June 30, 2018 and 2017, respectively, was secured by FHRC's land, building and improvements.

In September 1987, FHCLP executed a mortgage note agreement with HUD to borrow $1,730,900 for the financing of FHCLP's housing project. The mortgage is payable in monthly installments of $13,686, to be applied first to interest at the rate of 9.25% per annum and then to principal, through September 2027. The mortgage note, with a balance of $0 and $1,085,006 at June 30, 2018 and 2017, respectively, is secured by FHCLP's land, building and improvements.

On August 17, 2017, the FH Homes entered into a mortgage note agreement with an outside lender to borrow $5,018,900 for the financing of the Project. The mortgage is approved by HUD. The mortgage note is payable in monthly installments of $20,976, to be applied first to interest at the rate of 3.58% per annum and then to principal. The final payment of the note is due September 1, 2052. Mortgage balance at June 30, 3018 was $4,964,224. See additional information regarding this mortgage in Note 1.

In September 1992, FHHDFC acquired a parcel of land and a building in Manhattan from The City of New York for one dollar. At the time, the property had an appraised value of $360,000. As part of the acquisition agreement, FHHDFC signed an enforcement note for $360,000, payable to The City of New York Department of Housing Preservation and Development. The enforcement note is secured by a mortgage on the above property. FHHDFC is required to utilize the property to provide permanent and transitional housing for previously homeless persons of low income. The enforcement note does not bear interest, and no principal payments are required as long as FHHDFC utilizes the property in accordance with this agreement. Further, the enforcement note will be reduced by 20% per year, commencing on the twenty-sixth year after the initial occupancy of the premises. As FHHDFC's charter is to provide this housing, management does not anticipate that repayment of the mortgage will be required. Accordingly, no liability for the mortgage has been reflected in the consolidated financial statements.

The required principal payments by the Organization on the above obligations are as follows:

| *Year ending June 30,* | | |
|---|---|---|
| 2019 | $ | 149,385 |
| 2020 | | 159,281 |
| 2021 | | 169,968 |
| 2022 | | 181,516 |
| 2023 | | 112,666 |
| Thereafter | | 4,559,743 |
| **Total** | | 5,332,559 |
| Less: current portion | | (149,385) |
| Less: deferred unamortized financing cost | | (387,187) |
| | $ | 4,795,987 |

Interest expense for the fiscal years 2018 and 2017 was $225,642 and $192,875, respectively.

## 8. Pension Plan

The Organization participates in a noncontributory, defined benefit pension plan (the Plan) covering substantially all employees. Mutual of America Life Insurance Company (Mutual of America) is the administrator of Plan assets and The Angell Pension Group, Inc. is the Plan's actuary.

Effective June 30, 2017, the Organization elected to curtail the Plan and freeze it. The Plan amendment resulted in a reduction of the projected benefit obligation of $2,565,679, which is categorized as a curtailment.

For the year ended June 30, 2018, the Plan included a single-sum payment totaling $1,078,055, which was made during the fiscal year and exceeded the sum of the service cost and interest cost. As a result, accounting for a settlement is required under U.S. GAAP. The net effect of the settlement was a one-time expense of $152,836 included within the $4,575,788 accrued pension liability in the consolidated statement of financial position.

A reconciliation of the changes in the Plan's benefit obligation and fair value of assets is as follows:

| *Year ended June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Benefit obligation, beginning of year | **$** | **16,051,543** | $ | 18,993,770 |
| Service cost | | **-** | | 694,029 |
| Interest cost | | **569,887** | | 623,564 |
| Benefits paid other than for settlement | | **(187,958)** | | (929,794) |
| Effect of settlement | | **(1,078,055)** | | - |
| Effect of curtailment | | **-** | | (2,565,679) |
| Actuarial (gain) loss | | **(473,561)** | | (764,347) |
| **Benefit Obligation**, end of year | **$** | **14,881,856** | $ | 16,051,543 |

| *June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Fair value of Plan assets, beginning of year | $ | **10,410,731** | $ | 9,639,830 |
| Actual return on plan assets | | **700,026** | | 972,130 |
| Employer contributions | | **461,324** | | 728,565 |
| Benefits paid other than for settlement | | **(187,958)** | | (929,794) |
| Effect of settlement | | **(1,078,055)** | | - |
| **Fair Value of Plan Assets**, end of year | $ | **10,306,068** | $ | 10,410,731 |

The following tables set forth the Plan's funded status and amounts recognized:

| *June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Accumulated benefit obligation | $ | **14,881,856** | $ | 16,051,543 |
| Projected benefit obligation at June 30 | $ | **(14,881,856)** | $ | (16,051,543) |
| Fair value of Plan assets at June 30: | | | | |
| Mutual of America general and separate investment accounts | | **10,306,068** | | 10,410,731 |
| **Unfunded Status** | $ | **(4,575,788)** | $ | (5,640,812) |
| Accrued benefit cost recognized in the statements of financial position (accrued pension liability) | $ | **(4,575,788)** | $ | (5,640,812) |
| Adjustment to unrestricted net assets, reported in the statements of activities: | | | | |
| Net gain | $ | **(741,736)** | $ | (4,413,667) |
| Net periodic pension cost included the following components: | | | | |
| Service cost benefits earned during period | $ | **-** | $ | 694,029 |
| Interest cost on projected benefit obligation | | **569,887** | | 623,564 |
| Expected return on Plan assets | | **(670,843)** | | (612,239) |
| Net amortization and deferral | | **238,992** | | 723,750 |
| **Net Periodic Pension Costs** | $ | **138,036** | $ | 1,429,104 |
| Additional funding required to recognize additional minimum liability: | | | | |
| Employer contributions | $ | **461,324** | $ | 728,565 |
| Benefits paid | | **(187,958)** | | (929,794) |
| Effect of settlement | | **(1,078,055)** | | - |
| Key assumptions used to determine net period pension cost: | | | | |
| Discount rate | | **3.70%** | | 3.40% |
| Long-term return on Plan assets | | **7.00** | | 7.00 |
| Rate of compensation increase | | **N/A** | | 4.00 |
| Key assumptions used to determine benefit obligations: | | | | |
| Discount rate | | **4.03%** | | 3.70% |
| Rate of compensation increase | | **N/A** | | N/A |

The mortality tables used for the life expectancy changed from the 2013 IRS P.V. Optional Combined Table for both pre-retirement and post-retirement mortality as of June 30, 2015 to RP-2014 Employee with MP-2015 Generational Projection (M/F) for pre-retirement mortality and RP-2014

Healthy Annuitant with MP-2015 Generational Projection (M/F) for post-retirement mortality as of June 30, 2018.

Plan assets are intended, over time, to satisfy the obligation of the Organization to provide retirement benefits in accordance with the Plan's terms.

The assets and liabilities of the Organization defined benefit pension plan are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with U.S. GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy.

A description of the valuation techniques applied to the Organization's defined benefit pension plan major categories of assets and liabilities measured at fair value is as follows:

*General Account*

The value of the general account is based on contributions received, distributions and other deductions, and interest credited to the account. Amounts invested in the general account become part of Mutual of America's general assets, which support its insurance and annuity obligations. The effective yield at June 30, 2018 and 2017 was 1%.

*Separate Accounts*

The value of separate accounts is measured by the accumulation unit value, which is based on the value of underlying investment funds and the methods described in the group annuity contract. Accumulation units are valued on a daily basis. These underlying investment funds sell their shares to separate accounts of insurance companies and are not publicly available. Separate accounts are subject to market fluctuations.

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The following tables present the level within the fair value hierarchy at which the Organization's plan assets are measured on a recurring basis:

*June 30, 2018*

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual of America Life Insurance Company general account | $ - | $ 2,468,535 | $ - | $ 2,468,535 |
| Investments, at fair value | - | 2,468,535 | - | 2,468,535 |
| Other investments at NAV or equivalent: | | | | |
| Separate accounts: | | | | |
| Mutual of America equity index fund* | | | | 1,157,678 |
| Mutual of America mid-cap equity index fund* | | | | 583,370 |
| Mutual of America small-cap growth fund* | | | | 270,336 |
| Mutual of America small-cap value fund* | | | | 325,400 |
| Mutual of America bond fund* | | | | 1,423,395 |
| Mutual of America mid-term bond fund* | | | | 612,361 |
| Vanguard VIF diversified value portfolio* | | | | 564,250 |
| Vanguard VIF international portfolio* | | | | 1,163,804 |
| Vanguard VIF REIT index portfolio* | | | | 565,511 |
| Fidelity VIP mid-cap portfolio* | | | | 575,033 |
| Deutsche capital growth VIP* | | | | 596,395 |
| **Total Separate Accounts** | | | | 7,837,533 |
| **Total** | | | | $ 10,306,068 |

*June 30, 2017*

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Mutual of America Life Insurance Company general account | $ - | $ 2,476,518 | $ - | $ 2,476,518 |
| Investments, at fair value | - | 2,476,518 | - | 2,476,518 |
| Other investments at NAV or equivalent: | | | | |
| Separate accounts: | | | | |
| Mutual of America equity index fund* | | | | 1,175,886 |
| Mutual of America mid-cap equity index fund* | | | | 568,110 |
| Mutual of America small-cap growth fund* | | | | 295,014 |
| Mutual of America small-cap value fund* | | | | 297,089 |
| Mutual of America bond fund* | | | | 1,363,113 |
| Mutual of America mid-term bond fund* | | | | 580,566 |
| Vanguard VIF diversified value portfolio* | | | | 572,086 |
| Vanguard VIF international portfolio* | | | | 1,332,772 |
| Vanguard VIF REIT index portfolio* | | | | 550,415 |
| Fidelity VIP mid-cap portfolio* | | | | 588,398 |
| Deutsche capital growth VIP* | | | | 610,764 |
| **Total Separate Accounts** | | | | 7,934,213 |
| **Total** | | | | $ 10,410,731 |

* In accordance with ASU 2015-07, 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 consolidated statement of financial position.

The overall investment philosophy is to manage Plan assets in a prudent and conservative yet productive manner. Fiduciaries with any discretionary authority to manage Plan assets seek to increase the value of Plan assets, while recognizing the need to preserve asset value in order to enhance the ability of the Plan to meet its obligations to Plan participants and their beneficiaries when due.

Preservation of capital is of prime importance and within the stated investment objectives for the Plan's assets. Risks, including excessive volatility in the value of Plan assets, should be minimized. Plan assets are managed to achieve stated objectives over a long-term time horizon.

The investment objective for Plan assets is to achieve an average annual rate of return (net of investment management expense) over a three to five-year period which exceeds the average annual rate of return that would have been achieved in the same period by a composite market index composed of the Standard & Poor's 500 Composite Stock Price Index (weighted 0.55), the Lehman Aggregate Bond Index (weighted 0.20), and 90-day U.S. Treasury Bills (weighted 0.25).

The expected long-term rate of return on Plan assets assumption of 7% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27, "Selection of Economic Assumptions for Measuring Pension Obligations." Based on the Organization's investment policy for the Plan in effect as of the beginning of each fiscal year, a best-estimate range was determined for both the real rate of return (net of inflation) and for inflation, each based on historical 30-year-period rolling averages. An average inflation rate within the range equal to 3% was selected and added to the real rate of return equal to 4%.

The trustees of the Plan have discretion as to the asset allocation decisions of the total Plan assets. Mutual of America has issued a group annuity contract (the Contract) in conjunction with the funding of benefits under the Plan. The Contract provides for a General Account, and investment alternatives under Mutual of America's Separate Account No. 1. The amounts maintained under the Contract will be managed as a balanced fund and will be diversified among and within principal classes of investments.

The Organization has determined that 25% of Plan assets will be allocated to the General Account and the remaining 75% of Plan assets will be managed with a long-term asset mix of 55% equity alternatives and 20% fixed-income alternatives. Plan assets will be managed on a total-return basis. This "guideline" ratio should be regarded as a neutral position, reflecting no strong bias to equity or fixed-income alternatives. The actual ratio, however, at any particular time, is expected to vary from the guideline ratio due to intentional adjustments to the Plan asset mix because of, or in anticipation of, changing market conditions.

The permitted ranges by principal investment category as a percentage of the total value of Plan assets are as follows:

| | Minimum Percentage (%) | Maximum Percentage (%) |
|---|---|---|
| Equity funds | 40 | 60 |
| Fixed income funds | 15 | 35 |
| General account | 25 | 25 |

The permitted ranges generally may be exceeded on a temporary basis as a result of market conditions, and contributions to and withdrawals from the amounts maintained under the Contract.

The percentage of the fair value of total Plan assets held are as follows:

| *June 30,* | **2018 (%)** | 2017 (%) |
|---|---|---|
| Equity funds | **56** | 57 |
| Fixed income funds | **20** | 19 |
| General account | **24** | 24 |
| | **100** | 100 |

Contributions received by the Plan are allocated among Mutual of America's General Account and one or more of the investment alternatives under Mutual of America's Separate Account No. 1. Employer contribution expenses for the fiscal years ended June 30, 2018 and 2017 were $461,324 and $728,565, respectively. The estimated amount of the Organization's contribution for fiscal year 2019 is approximately $491,000.

The following table illustrates the benefit distributions, which reflect expected future service, that are expected to be paid in each fiscal year:

| *Year ending June 30,* | Expected Benefit Distributions |
|---|---|
| 2019 | $ 491,000 |
| 2020 | 1,043,000 |
| 2021 | 302,000 |
| 2022 | 321,000 |
| 2023 | 1,006,000 |
| 2024-2028 | 3,673,000 |

On July 1, 2017, the Organization established the Fountain House 403(b) Retirement Plan, a defined contribution plan covering all eligible employees of the Organization. The defined contribution plan replaced the defined benefit pension plan, which was curtailed and frozen effective June 30, 2017. The defined contribution plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, (ERISA). Employer matching contributions to the defined contribution plan are allocated to eligible participants each pay period based on an amount and allocation formula, as determined by the Board of the Organization. Contributions to the 403(b) Plan for the fiscal years ended June 30, 2018 and 2017 were approximately $ 681,000 and $0, respectively.

## 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

| *June 30,* | **2018** | 2017 |
|---|---|---|
| Renovations and equipment acquisitions | **$ 16,007** | $ 16,007 |
| Time-restricted | **1,306,766** | 1,293,372 |
| Capital improvements | **41,009** | 41,009 |
| Silver project | **45,940** | 82,572 |
| Gain (loss) on investments | **2,205,705** | (596,685) |
| | **$ 3,615,427** | $ 836,275 |

Temporarily restricted net assets released from restrictions consist of the following:

| *Year ended June 30,* | | **2018** | | 2017 |
|---|---|---|---|---|
| Time-restricted | **$** | **1,205,687** | $ | 669,563 |
| Capital improvements - Silver project | | **40,004** | | 13,198 |
| Capital improvements - other | | **-** | | 708,991 |
| Spending rate enacted by the Board of Directors (Note 10) | | **722,069** | | 729,610 |
| | **$** | **1,967,760** | $ | 2,121,362 |

For the year ended June 30, 2018, temporarily restricted net assets released of $1,967,760 are categorized on the consolidated statement of activities as $1,927,756 released from restrictions for non-capital and $40,004 released for capital.

## 10. Endowment Fund

In accordance with NYPMIFA, the Organization classifies as permanently restricted net assets:

- the original value of gifts donated to the permanent endowment
- the original value of subsequent gifts to the permanent endowment
- accumulation of the permanent endowment made in accordance with the direction of applicable donor instructions

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets represents the investment income (loss) on the corpus of the endowment fund and is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donors' intent.

In accordance with NYPMIFA, the Organization will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Organization and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of investments
- the investment policies of the Organization
- other resources of the Organization

The Board of Directors of FHI has adopted a spending-rate policy whereby the amount of funding from its investments that is available for current operations is equal to 5% of a three-year rolling average of the value of investments (with the funding amount for the year ended June 30, 2018 being based on investment values at March 31, 2015, 2016 and 2017).

The following tables provide a reconciliation of the change in the Organization's investment income on endowment net assets:

*June 30, 2018*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets (deficit), beginning of year | $ (6,228) | $ (590,457) | $ 5,826,978 | $ 5,230,293 |
| Investment income | 6,228 | 3,518,231 | - | 3,524,459 |
| Appropriation of endowment assets for expenditures | - | (722,069) | - | (722,069) |
| **Endowment Net Assets (Deficit),** end of year | $ - | $ 2,205,705 | $ 5,826,978 | $ 8,032,683 |

*June 30, 2017*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ (863,205) | $ 139,153 | $ 5,826,978 | $ 5,102,926 |
| Investment income | 856,977 | - | - | 856,977 |
| Appropriation of endowment assets for expenditures | - | (729,610) | - | (729,610) |
| **Endowment Net Assets (Deficit),** end of year | $ (6,228) | $ (590,457) | $ 5,826,978 | $ 5,230,293 |

At June 30, 2018 and 2017, the fair market value of donor-restricted funds including related appreciation was $14,184,150 and $14,162,791, respectively, of which $5,826,978 is permanently restricted in both years. The breakdown of invested assets is as follows:

| *June 30,* | **2018** | 2017 |
|---|---|---|
| Money market funds | **$ 2,103,757** | $ 931,905 |
| Limited partnership | **702,473** | 993,522 |
| Hedge funds | **-** | 1,120,802 |
| Corporate stocks and bonds | **8,402,814** | 9,806,890 |
| Mutual funds | **2,975,106** | 1,309,672 |
| | **$ 14,184,150** | $ 14,162,791 |

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that either the donor or NYPMIFA requires the Organization to maintain. There were no such deficiencies as of June 30, 2018 and 2017.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program and operational expenses, and to extend the pursuit of the Organization's mission in perpetuity. The minimum targeted rate of return on the Organization's investment assets is 7% plus an average growth goal of about 1.5%. The absolute target rate approximates an 8.5% total return net of investment management-related fees and expenses.

Under this policy, as approved by the Board of Directors, the investment performance of the Organization's portfolio will be measured relative to the following benchmarks:

- Barclays' Aggregate Bond Index for core fixed income
- S&P 500 and Russell 1000 indices for large cap equity
- Russell 2000 indices for small-cap equity
- Russell Micro-Cap Index for micro-cap equity
- MSCI EAFE indices for international equity
- FSA Fixed Income Alternatives Index for fixed income alternatives
- FSA Equity Long/Short Index for equity risk reducers

To satisfy its long-term rate of return objectives, the Organization 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). The Organization uses a diversified asset allocation that places a greater emphasis on fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's asset allocation also includes alternative investments. Within the alternative investment categories, the Organization is mindful of each investment manager's strategies and the liquidity of each manager's investment portfolio (see Note 3).

The Organization may appropriate for distribution each year 5% of the average portfolio value on March 31 of the preceding three years. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually.

The amounts appropriated from the endowment fund for expenditures were $722,069 and $729,610 for the years ended June 30, 2018 and 2017, respectively.

## 11. Commitments and Contingencies

### *Leases of Premises*

The Organization has entered into various lease agreements for a gallery and for residential apartments on behalf of certain program members. Future minimum lease payments under the lease agreements are as follows:

| *Year ending June 30,* | | |
|---|---|---|
| 2019 | $ | 230,704 |
| 2020 | | 210,328 |
| 2021 | | 195,860 |
| 2022 | | 90,935 |
| 2023 | | 94,117 |
| Thereafter | | 146,742 |
| **Total** | $ | 968,686 |

Rent expense was $221,611 and $205,301 for the years ended June 30, 2018 and 2017, respectively.

***Government-Funded Activities***

The Organization derives its government contract and grant revenues from federal, local and state governmental agencies. Reimbursement of expenses applicable to various programs conducted for, and on behalf of, governmental and other agencies are subject to the effect, if any, of the results of subsequent audits by such agencies. The Organization has provided an estimated reserve for government and other agency adjustments. The reserve is adjusted based on audits by the State of New York (State) and management's annual evaluation of the remaining reserve for fiscal years not yet audited. The State has finalized its audits through June 30, 2013 and, in the opinion of management, a reserve of $159,741 and $221,699, included in accrued expenses in the consolidated statement of financial position at June 30, 2018 and 2017, respectively, is sufficient to cover any potential disallowances or adjustments for the fiscal years for which audits have not yet been completed.

***Contingencies***

The Organization is a party to legal actions arising out of the normal course of its operations, the final outcomes of which cannot presently be determined. Organization management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Organization's financial position.

Pursuant to the Housing Companies' contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Housing Companies involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

## 12. Line of Credit

The Organization has a $1,000,000 revolving line of credit secured by the Organization's investments, which bears interest at the prime rate plus 2% for both years ended June 30, 2018 and 2017. At June 30, 2018 and 2017, the outstanding balance was $0 and $500,000, respectively. The line of credit is due on demand and has no stated maturity date.

## 13. Replacement Reserve

In accordance with the provisions of the regulatory agreement, the replacement reserves fund is required to consist of restricted cash or U.S. government obligations that are to be used for the replacement of property and equipment. The use of these funds requires prior approval from HUD. Deposits are required to be made on a monthly basis. At June 30, 2018 and 2017, the replacement reserves fund consisted of cash and cash equivalents amounting to $5,389,920 and $321,303, respectively.

## 14. Deferred Revenue

Deferred revenue consists of an advance payment from the New York State Office of Mental Health received in 2018 for 2019 revenue. At June 30, 2018 and 2017, the deferred revenue balances were $1,594,353 and $1,547,139, respectively.

## 15. Workers' Compensation Assessment Payable Settlement

The Organization participated in a group self-insurance trust (the Trust) along with multiple other agencies in the human services, not-for-profit sector. On December 31, 2010, the Trust was terminated with a deficiency of assets. The Trust billed all former members of the Trust with an assessed portion of the total deficit. In July 2011, the State of New York Workers' Compensation Board (Workers' Compensation Board) assumed the administration and final distribution of the assets and liabilities of the Trust. Following a forensic audit, the Workers' Compensation Board issued newly calculated assessments and they were higher than those formerly issued by the Trust. The assessment for the Organization was $557,391, which was recorded in the year ended June 30, 2015. On December 15, 2016, the Organization entered into a ten-year repayment agreement for the Workers' Compensation Assessment Payable Settlement. The balance will be repaid over equal monthly installments of $4,207, which includes principal and interest of 3%. The amount outstanding was $384,346 and $422,674 for the years ended June 30, 2018 and 2017, respectively.

## 16. Subsequent Events

The Organization has evaluated subsequent events through February 8, 2019, which is the date these consolidated financial statements were available to be issued. No events arose during the period that would require adjustments or additional disclosures, except the following.

# Supplementary Information

# Fountain House, Inc.

## Consolidating Schedule of Financial Position
## (with comparative totals for 2017)

*June 30,*

| | Fountain House, Inc. | Fountain House of New Jersey, Inc. | Fountain House Housing Development Fund Company, Inc. | Fountain House Community Living Program, Inc. | Fountain House Residential Corp. | Fountain House Housing, Inc. | FH Homes HDFC | Eliminations | Consolidated Totals 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| **Current** | | | | | | | | | | |
| Cash and cash equivalents | $ 1,035,618 | $ 42,685 | $ - | $ - | $ 58,663 | $ - | $ 302,405 | $ - | $ 1,439,371 | $ 731,075 |
| Assets held for others | 228,168 | - | - | - | - | - | - | - | 228,168 | 256,615 |
| Investments, at fair value | 30,008,078 | - | - | - | - | - | - | - | 30,008,078 | 20,804,087 |
| Receivables, net: | | | | | | | | | | |
| Government agencies, net of allowance for doubtful accounts | 1,697,259 | - | - | - | - | - | - | - | 1,697,259 | 2,544,472 |
| Other, net of allowance for doubtful accounts | 209,359 | - | - | - | - | - | - | - | 209,359 | 401,628 |
| Pledges receivable, net - current portion | 501,396 | - | - | - | - | - | - | - | 501,396 | 693,372 |
| Due from related organizations | 20,993 | 272,334 | - | 133,612 | - | - | - | (426,939) | - | - |
| Prepaid expenses and other assets | 310,366 | 1,284 | - | - | 1,023 | 2,767 | 127,893 | - | 443,333 | 266,566 |
| Replacement reserve | 3,643,798 | - | - | - | 97,033 | - | 1,649,089 | - | 5,389,920 | 321,303 |
| **Total Current Assets** | 37,655,035 | 316,303 | - | 133,612 | 156,719 | 2,767 | 2,079,387 | (426,939) | 39,916,884 | 26,019,118 |
| **Security Deposits** | 159,994 | | - | - | - | - | - | | 159,994 | 144,834 |
| **Pledges Receivable, Net - Less Current Portion** | 751,238 | | | | | | | | 751,238 | 581,560 |
| **Fixed Assets, Net** | 15,413,043 | 1,438,796 | 1,175,057 | - | 181,694 | - | 1,894,146 | - | 20,102,736 | 21,281,320 |
| | $ 53,979,310 | $ 1,755,099 | $ 1,175,057 | $ 133,612 | $ 338,413 | $ 2,767 | $ 3,973,533 | $ (426,939) | $ 60,930,852 | $ 48,026,832 |
| **Liabilities and Net Assets** | | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 1,573,901 | $ 38,631 | $ - | $ 10,403 | $ 44,672 | $ - | $ 379,380 | $ (394) | $ 2,046,593 | $ 1,376,768 |
| Workers' Compensation Assessment Payable Settlement - current portion | 39,494 | - | - | - | - | - | - | - | 39,494 | 38,328 |
| Due to related organizations | 272,334 | - | - | - | - | - | 133,336 | (405,670) | - | - |
| Assets held for others | 228,168 | - | - | - | - | - | - | - | 228,168 | 256,615 |
| Due to Fountain House, Inc. | | 1,550 | - | - | 5,691 | 276 | 13,358 | (20,875) | - | - |
| Deferred revenue | 1,594,353 | - | - | - | - | - | - | - | 1,594,353 | 1,547,139 |
| Line of credit | - | - | - | - | - | - | - | - | - | 500,000 |
| Mortgages and notes payable - current portion | - | - | | - | 74,167 | - | 75,218 | - | 149,385 | 199,720 |
| **Total Current Liabilities** | 3,708,250 | 40,181 | - | 10,403 | 124,530 | 276 | 601,292 | (426,939) | 4,057,993 | 3,918,570 |
| **Workers' Compensation Assessment Payable Settlement,** less current portion | 344,852 | - | | | | | | | 344,852 | 384,346 |
| **Mortgage and Notes Payable,** less current portion and deferred financing costs | - | - | - | - | 294,168 | - | 4,501,819 | | 4,795,987 | 1,751,562 |
| **Accrued Pension Liability** | 4,575,788 | - | - | - | - | - | - | | 4,575,788 | 5,640,812 |
| **Total Liabilities** | 8,628,890 | 40,181 | - | 10,403 | 418,698 | 276 | 5,103,111 | (426,939) | 13,774,620 | 11,695,290 |
| **Commitments and Contingencies** | | | | | | | | | | |
| **Net Assets (Deficit)** | | | | | | | | | | |
| Unrestricted: | | | | | | | | | | |
| Available for operations | 18,870,032 | 1,698,911 | 1,175,057 | 123,209 | (80,285) | 2,491 | (1,129,578) | - | 20,659,837 | 12,816,186 |
| Invested in property and equipment | 15,413,043 | - | - | - | - | - | - | - | 15,413,043 | 16,851,404 |
| Board-designated | 1,640,947 | - | - | - | - | - | - | - | 1,640,947 | 699 |
| **Total Unrestricted** | 35,924,022 | 1,698,911 | 1,175,057 | 123,209 | (80,285) | 2,491 | (1,129,578) | - | 37,713,827 | 29,668,289 |
| Temporarily restricted | 3,599,420 | 16,007 | - | - | - | - | - | - | 3,615,427 | 836,275 |
| Permanently restricted | 5,826,978 | - | - | - | - | - | - | - | 5,826,978 | 5,826,978 |
| **Total Net Assets (Deficit)** | 45,350,420 | 1,714,918 | 1,175,057 | 123,209 | (80,285) | 2,491 | (1,129,578) | - | 47,156,232 | 36,331,542 |
| | $ 53,979,310 | $ 1,755,099 | $ 1,175,057 | $ 133,612 | $ 338,413 | $ 2,767 | $ 3,973,533 | $ (426,939) | $ 60,930,852 | $ 48,026,832 |

# Fountain House, Inc.

## Consolidating Schedule of Activities
## (with comparative totals for 2017)

*Year ended June 30,*

| | Fountain House, Inc. | | | | Fountain House of New Jersey, Inc. | | | Fountain House Housing Development Fund Company, Inc. | Fountain House Community Living Program, Inc. | Fountain House Residential Corp. | Fountain House Housing, Inc. | FH Homes | | | | | | Consolidated Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Total | Unrestricted | Unrestricted | Unrestricted | Unrestricted | Unrestricted | Subtotal Unrestricted | Eliminations | Total Unrestricted | Total Temporarily Restricted | Total Permanently Restricted | 2018 | 2017 |
| **Public Support and Revenue** | | | | | | | | | | | | | | | | | | | |
| Government grants and contracts | $ 9,145,318 | $ - | $ - | $ 9,145,318 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,145,318 | $ - | $ 9,145,318 | $ - | $ - | **$ 9,145,318** | $ 9,597,939 |
| Medicaid | 2,379,956 | - | - | 2,379,956 | - | - | - | - | - | - | - | - | 2,379,956 | - | 2,379,956 | - | - | **2,379,956** | 2,100,272 |
| Contributions | 6,614,627 | 1,222,453 | - | 7,837,080 | 205,298 | - | 205,298 | 9,500 | - | - | - | - | 6,829,425 | (214,798) | 6,614,627 | 1,222,453 | - | **7,837,080** | 2,887,039 |
| Special events, net of direct benefits to donors | 1,618,742 | - | - | 1,618,742 | - | - | - | - | - | - | - | - | 1,618,742 | - | 1,618,742 | - | - | **1,618,742** | 1,399,042 |
| Program service fees, dues and rental revenue | 1,119,869 | - | - | 1,119,869 | - | - | - | - | 53,200 | 353,363 | 45,825 | 862,756 | 2,435,013 | - | 2,435,013 | - | - | **2,435,013** | 2,273,748 |
| Investment income - used for operations | 310,646 | 722,069 | - | 1,032,715 | - | - | - | - | - | - | - | - | 310,646 | - | 310,646 | 722,069 | - | **1,032,715** | 1,038,900 |
| Interest income - other | 8,664 | - | - | 8,664 | - | - | - | - | 120 | 479 | - | 2,324 | 11,587 | - | 11,587 | - | - | **11,587** | 3,395 |
| Other income | 1,184,745 | - | - | 1,184,745 | 54 | - | 54 | - | 1,362,641 | - | 921,220 | 11,088 | 3,479,748 | (2,208,733) | 1,271,015 | - | - | **1,271,015** | 506,340 |
| Net assets released from restrictions | 1,927,756 | (1,927,756) | - | - | - | - | - | - | - | - | - | - | 1,927,756 | - | 1,927,756 | (1,927,756) | - | **-** | - |
| **Total Public Support and Revenue** | 24,310,323 | 16,766 | | 24,327,089 | 205,352 | - | 205,352 | 9,500 | 1,415,961 | 353,842 | 967,045 | 876,168 | 28,138,191 | (2,423,531) | 25,714,660 | 16,766 | - | **25,731,426** | 19,806,675 |
| **Expenses** | | | | | | | | | | | | | | | | | | | |
| Program services: | | | | | | | | | | | | | | | | | | | |
| Community services | 7,793,698 | - | - | 7,793,698 | 164,584 | - | 164,584 | - | - | - | - | - | 7,958,282 | (105,943) | 7,852,339 | - | - | 7,852,339 | 7,261,357 |
| Housing | 8,174,357 | - | - | 8,174,357 | - | - | - | **69,913** | **65,661** | **243,488** | **51,838** | **1,298,436** | 9,903,693 | - | 9,903,693 | - | - | 9,903,693 | 10,079,878 |
| **Total Program Services** | 15,968,055 | - | - | 15,968,055 | 164,584 | - | 164,584 | 69,913 | 65,661 | 243,488 | 51,838 | 1,298,436 | 17,861,975 | (105,943) | 17,756,032 | - | - | 17,756,032 | 17,341,235 |
| Supporting services: | | | | | | | | | | | | | | | | | | | |
| Management and general | 3,290,856 | - | - | 3,290,856 | 99,355 | - | 99,355 | 9,500 | 13,642 | 57,774 | 16,108 | 90,687 | 3,577,922 | (108,855) | 3,469,067 | - | - | 3,469,067 | 3,296,206 |
| Fundraising | 557,750 | - | - | 557,750 | - | - | - | - | - | - | - | - | 557,750 | - | 557,750 | - | - | 557,750 | 539,474 |
| **Total Supporting Services** | 3,848,606 | - | - | 3,848,606 | 99,355 | - | 99,355 | 9,500 | 13,642 | 57,774 | 16,108 | 90,687 | 4,135,672 | (108,855) | 4,026,817 | - | - | 4,026,817 | 3,835,680 |
| **Total Expenses** | 19,816,661 | - | - | 19,816,661 | 263,939 | - | 263,939 | 79,413 | 79,303 | 301,262 | 67,946 | 1,389,123 | 21,997,647 | (214,798) | 21,782,849 | - | - | **21,782,849** | 21,176,915 |
| **Change in Net Assets from Operations,** before other changes and change in unfunded pension obligation | 4,493,662 | 16,766 | - | 4,510,428 | (58,587) | - | (58,587) | (69,913) | 1,336,658 | 52,580 | 899,099 | (512,955) | 6,140,544 | (2,208,733) | 3,931,811 | 16,766 | - | **3,948,577** | (1,370,240) |
| **Other Changes** | | | | | | | | | | | | | | | | | | | |
| Grants for capital improvements | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | 1,124,656 |
| Net assets released for capital improvements | 40,004 | (40,004) | - | - | - | - | - | - | - | - | - | - | 40,004 | - | 40,004 | (40,004) | - | **-** | - |
| Investment income (loss) other than amount used for operations | (2,704,254) | 2,802,390 | - | 98,136 | 14,241 | - | 14,241 | - | - | - | - | - | (2,690,013) | - | (2,690,013) | 2,802,390 | - | **112,377** | 1,178,654 |
| Gain on sale of property and other changes | 7,088,895 | - | - | 7,088,895 | (1,066,895) | - | (1,066,895) | - | - | - | - | - | 6,022,000 | - | 6,022,000 | - | - | **6,022,000** | - |
| **Change in Net Assets Before Change in Unfunded Pension Obligation** | 8,918,307 | 2,779,152 | - | 11,697,459 | (1,111,241) | - | (1,111,241) | (69,913) | 1,336,658 | 52,580 | 899,099 | (512,955) | 9,512,535 | (2,208,733) | 7,303,802 | 2,779,152 | - | **10,082,954** | 933,070 |
| **Change in Unfunded Pension Obligation** | 741,736 | - | - | 741,736 | - | - | - | - | - | - | - | - | 741,736 | - | 741,736 | - | - | **741,736** | 4,413,667 |
| **Change in Net Assets** | 9,660,043 | 2,779,152 | - | 12,439,195 | (1,111,241) | - | (1,111,241) | (69,913) | 1,336,658 | 52,580 | 899,099 | (512,955) | 10,254,271 | (2,208,733) | 8,045,538 | 2,779,152 | - | **10,824,690** | 5,346,737 |
| **Net Asset Transfer** | - | - | - | - | - | - | - | - | (888,714) | - | (703,396) | (616,623) | (2,208,733) | 2,208,733 | - | - | - | **-** | - |
| **Net Assets,** beginning of year | 26,263,979 | 820,268 | 5,826,978 | 32,911,225 | 2,810,152 | 16,007 | 2,826,159 | 1,244,970 | (324,735) | (132,865) | (193,212) | - | 29,668,289 | - | 29,668,289 | 836,275 | 5,826,978 | **36,331,542** | 30,984,805 |
| **Net Assets (Deficit),** end of year | $ 35,924,022 | $ 3,599,420 | $ 5,826,978 | $ 45,350,420 | $ 1,698,911 | $ 16,007 | $ 1,714,918 | $ 1,175,057 | $ 123,209 | $ (80,285) | $ 2,491 | $ (1,129,578) | $ 37,713,827 | $ - | $ 37,713,827 | $ 3,615,427 | $ 5,826,978 | **$ 47,156,232** | $ 36,331,542 |

# Fountain House, Inc.

## Consolidating Schedule of Functional Expenses
## (with comparative totals for 2017)

*Year ended June 30,*

| | Fountain House, Inc. | | | | | | | Fountain House of New Jersey, Inc. | | | Housing Companies | | | Eliminations | | Consolidated Totals | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | Supporting Services | | | | | | | | | | | | | | | |
| | Community Services | Housing | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total | Program Services | Supporting Services | Total | Program Services | Supporting Services | Total | Program Services | Supporting Services | Total Program Services | Total Supporting Services | Total 2018 | Total 2017 |
| **Salaries and Related Expenses** | | | | | | | | | | | | | | | | | | | |
| Salaries | $ 3,278,607 | $ 3,220,403 | $ 6,499,010 | $ 1,540,711 | $ 88,500 | $ 1,629,211 | $ 8,128,221 | $ - | $ 70,164 | $ 70,164 | $ - | $ 24,896 | $ 24,896 | $ - | $ (70,164) | $ 6,499,010 | $ 1,654,107 | **$ 8,153,117** | $ 8,116,842 |
| Employee benefits and payroll taxes | 920,637 | 904,288 | 1,824,925 | 432,631 | 24,851 | 457,482 | 2,282,407 | - | 25,691 | 25,691 | - | 10,902 | 10,902 | - | (25,691) | 1,824,925 | 468,384 | **2,293,309** | 2,432,795 |
| Pension and other retirement costs | 381,285 | 223,995 | 605,280 | 253,379 | 8,339 | 261,718 | 866,998 | - | 3,500 | 3,500 | - | - | - | - | (3,500) | 605,280 | 261,718 | **866,998** | 1,426,863 |
| **Total Salaries and Related Expenses** | 4,580,529 | 4,348,686 | 8,929,215 | 2,226,721 | 121,690 | 2,348,411 | 11,277,626 | - | 99,355 | 99,355 | - | 35,798 | 35,798 | - | (99,355) | 8,929,215 | 2,384,209 | **11,313,424** | 11,976,500 |
| **Other Expenses** | | | | | | | | | | | | | | | | | | | |
| Occupancy | 227,079 | 3,083,029 | 3,310,108 | 76,880 | 2,071 | 78,951 | 3,389,059 | - | - | - | - | - | - | - | - | 3,310,108 | 78,951 | **3,389,059** | 3,160,245 |
| Equipment rental and maintenance | 255,215 | 74,912 | 330,127 | 55,906 | 17,932 | 73,838 | 403,965 | 41,068 | - | 41,068 | 131,598 | - | 131,598 | (45,771) | - | 457,022 | 73,838 | **530,860** | 420,516 |
| Utilities | 145,867 | 102,264 | 248,131 | 37,866 | 2,234 | 40,100 | 288,231 | 10,355 | - | 10,355 | 127,502 | - | 127,502 | (10,355) | | 375,633 | 40,100 | **415,733** | 458,214 |
| Consulting | 410,179 | 71,275 | 481,454 | 242,324 | 2,234 | 244,558 | 726,012 | - | - | - | 644,928 | - | 644,928 | - | - | 1,126,382 | 244,558 | **1,370,940** | 579,803 |
| Healthcare center | 12,790 | - | 12,790 | - | - | - | 12,790 | - | - | - | - | - | - | - | - | 12,790 | - | **12,790** | 2,031 |
| Special events | 355,791 | - | 355,791 | - | - | - | 355,791 | - | - | - | - | - | - | - | - | 355,791 | - | **355,791** | 361,982 |
| Other outside services | 32,078 | - | 32,078 | 1,917 | 165,410 | 167,327 | 199,405 | - | - | - | 100,585 | - | 100,585 | - | - | 132,663 | 167,327 | **299,990** | 285,341 |
| Grants | 103,503 | - | 103,503 | - | - | - | 103,503 | - | - | - | - | - | - | - | - | 103,503 | - | **103,503** | 129,345 |
| Professional fees | 116,066 | 25,819 | 141,885 | 48,307 | 5,911 | 54,218 | 196,103 | 11,750 | - | 11,750 | - | 151,913 | 151,913 | (11,750) | (9,500) | 141,885 | 196,631 | **338,516** | 356,326 |
| Supplies | 586,681 | 173,372 | 760,053 | 130,561 | 8,737 | 139,298 | 899,351 | 20,626 | - | 20,626 | 29,790 | - | 29,790 | (20,626) | - | 789,843 | 139,298 | **929,141** | 765,448 |
| Insurance | 52,621 | 16,901 | 69,522 | 70,010 | 1,792 | 71,802 | 141,324 | 10,168 | - | 10,168 | 26,643 | - | 26,643 | (10,168) | - | 96,165 | 71,802 | **167,967** | 200,718 |
| Telephone | (10,641) | 61,871 | 51,230 | 45,647 | 10,764 | 56,411 | 107,641 | 3,716 | - | 3,716 | 6,271 | - | 6,271 | (3,716) | - | 57,501 | 56,411 | **113,912** | 178,283 |
| Postage and shipping | 178,006 | 77 | 178,083 | 8,897 | 213,892 | 222,789 | 400,872 | - | - | - | - | - | - | - | - | 178,083 | 222,789 | **400,872** | 382,081 |
| Printing and publications | 32,610 | - | 32,610 | - | - | - | 32,610 | - | - | - | - | - | - | - | - | 32,610 | - | **32,610** | 41,364 |
| Travel | 115,858 | 36,472 | 152,330 | 49,332 | 686 | 50,018 | 202,348 | - | - | - | - | - | - | - | - | 152,330 | 50,018 | **202,348** | 177,152 |
| Staff training and education | 103,836 | 3,885 | 107,721 | 1,177 | 4,397 | 5,574 | 113,295 | - | - | - | - | - | - | - | - | 107,721 | 5,574 | **113,295** | 115,207 |
| Member welfare | 6,854 | 3,176 | 10,030 | 76 | - | 76 | 10,106 | - | - | - | - | - | - | - | - | 10,030 | 76 | **10,106** | 6,079 |
| Real estate taxes | | | | | | | | - | - | - | 199,028 | - | 199,028 | - | - | 199,028 | - | **199,028** | 114,656 |
| Bad debt expense | - | 124,481 | 124,481 | - | - | - | 124,481 | - | - | - | - | - | - | - | - | 124,481 | - | **124,481** | 95,933 |
| Mortgage interest | - | - | - | - | - | - | - | - | - | - | 225,642 | - | 225,642 | - | - | 225,642 | - | **225,642** | 189,746 |
| Miscellaneous | - | - | - | 141,345 | - | 141,345 | 141,345 | 3,557 | - | 3,557 | 3,479 | - | 3,479 | (3,557) | - | 3,479 | 141,345 | **144,824** | 84,011 |
| **Total Expenses,** before depreciation and amortization | 7,304,922 | 8,126,220 | 15,431,142 | 3,136,966 | 557,750 | 3,694,716 | 19,125,858 | 101,240 | 99,355 | 200,595 | 1,495,466 | 187,711 | 1,683,177 | (105,943) | (108,855) | 16,921,905 | 3,872,927 | **20,794,832** | 20,080,981 |
| **Depreciation and Amortization** | 488,776 | 48,137 | 536,913 | 153,890 | - | 153,890 | 690,803 | 63,344 | - | 63,344 | 233,870 | - | 233,870 | - | - | 834,127 | 153,890 | **988,017** | 1,095,934 |
| **Total Expenses** | $ 7,793,698 | $ 8,174,357 | $ 15,968,055 | $ 3,290,856 | $ 557,750 | $ 3,848,606 | $ 19,816,661 | $ 164,584 | $ 99,355 | $ 263,939 | $ 1,729,336 | $ 187,711 | $ 1,917,047 | $ (105,943) | $ (108,855) | $ 17,756,032 | $ 4,026,817 | **$ 21,782,849** | $ 21,176,915 |