



Audited Financial Statements

December 31, 2019

Independent Auditor's Report

To the Board of Directors of
United Neighborhood Houses of New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Neighborhood Houses of New York, Inc. ("UNH"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 organization'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 financial statements.

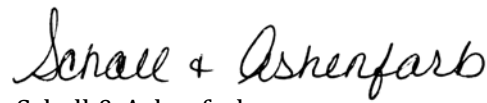
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Neighborhood Houses of New York, Inc. as of December 31, 2019, 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 UNH's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

September 10, 2020

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019

(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Assets		
Cash and cash equivalents	\$399,483	\$341,836
Pledges and dues receivable (Note 3)	154,647	176,622
Prepaid expenses and other assets	64,582	60,385
Fixed assets, net (Note 4)	329,325	372,550
Security deposit	118,481	118,481
Investments (Note 5)	<u>10,055,964</u>	<u>8,540,339</u>
Total assets	<u><u>\$11,122,482</u></u>	<u><u>\$9,610,213</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$128,866	\$276,686
Deferred rent	<u>164,882</u>	<u>146,796</u>
Total liabilities	<u>293,748</u>	<u>423,482</u>
Net assets:		
Without donor restrictions:		
Operations	170,228	228,291
Board designated reserve fund (Note 2b)	<u>9,698,519</u>	<u>8,251,510</u>
Total net assets without donor restrictions	<u>9,868,747</u>	<u>8,479,801</u>
With donor restrictions:		
For future programs and time periods (Note 6)	602,542	418,101
Donor restricted endowment (Notes 6 and 7)	<u>357,445</u>	<u>288,829</u>
Total net assets with donor restrictions	<u>959,987</u>	<u>706,930</u>
Total net assets	<u>10,828,734</u>	<u>9,186,731</u>
Total liabilities and net assets	<u><u>\$11,122,482</u></u>	<u><u>\$9,610,213</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	With Donor Restrictions			Total 12/31/19	Total 12/31/18
	Without Donor Restrictions	Donor Restricted Support	Donor Restricted Endowment		
Public support and revenue:					
Foundation and trusts	\$737,932	\$1,082,500		\$1,082,500	\$1,568,928
Corporations and individuals	127,412			0	114,040
In-kind contribution (Note 2j)				0	21,000
Government agencies	22,229			0	0
Special event (net of expenses with a direct benefit to donor) (Note 10)	689,891			0	579,617
Membership dues	404,625			0	389,750
Other income	8,681			0	7,087
Board reserve funds appropriated by the governing board for operations (Note 2b)	513,268			0	330,000
Net assets released from restrictions (Note 6)	898,059	(898,059)		(898,059)	0
Total public support and revenue	<u>3,402,097</u>	<u>184,441</u>	<u>0</u>	<u>184,441</u>	<u>3,010,422</u>
Expenses:					
Program services:					
Member services	1,579,785			0	1,467,696
Policy and public education	873,195			0	904,950
Total program services	<u>2,452,980</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,372,646</u>
Supporting services:					
Management and general	525,918			0	476,797
Fundraising	481,262			0	510,826
Total supporting services	<u>1,007,180</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>987,623</u>
Total expenses	<u>3,460,160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,360,269</u>
Change in net assets from operations	<u>(58,063)</u>	<u>184,441</u>	<u>0</u>	<u>184,441</u>	<u>(349,847)</u>
Non-operating activities:					
Investment return, net (Note 5)	1,960,277		68,616	68,616	(235,427)
Board reserve funds appropriated by the governing board for operations (Note 2b)	(513,268)			0	(330,000)
Total non-operating activities	<u>1,447,009</u>	<u>0</u>	<u>68,616</u>	<u>68,616</u>	<u>(565,427)</u>
Change in net assets	1,388,946	184,441	68,616	253,057	(915,274)
Net assets - beginning of year	8,479,801	418,101	288,829	706,930	10,102,005
Net assets - end of year	<u>\$9,868,747</u>	<u>\$602,542</u>	<u>\$357,445</u>	<u>\$959,987</u>	<u>\$9,186,731</u>

The attached notes and auditor's report are an integral part of these financial statements.

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Program Services			Supporting Services		Total Expenses 12/31/19	Total Expenses 12/31/18	
	Member Services	Policy and Public Education	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$710,433	\$508,313	\$1,218,746	\$166,596	\$292,412	\$459,008	\$1,677,754	\$1,535,260
Payroll taxes and benefits	188,386	134,790	323,176	44,177	77,537	121,714	444,890	400,568
Total personnel services	898,819	643,103	1,541,922	210,773	369,949	580,722	2,122,644	1,935,828
Member agency grants	246,530	34,000	280,530			0	280,530	215,090
Travel, meetings and conferences	31,822	14,980	46,802	12,744	3,809	16,553	63,355	63,897
Occupancy and space rental	154,189	110,322	264,511	36,157	63,462	99,619	364,130	362,461
Consultants and professional fees	493	44,233	44,726	176,321	8,817	185,138	229,864	261,157
Office supplies and expenses	5,180	931	6,111	16,676	8,167	24,843	30,954	48,969
Printing, design and publications	3,366	3,116	6,482	8,161	14,776	22,937	29,419	37,093
Telephone and communications	5,718	4,091	9,809	1,341	2,354	3,695	13,504	20,781
Postage and mailings	276	11	287	804	3,343	4,147	4,434	9,425
Equipment rental, repairs and maintenance	3,467	2,481	5,948	813	1,427	2,240	8,188	15,252
Program expenses and scholarships	218,631	103	218,734			0	218,734	287,259
Fundraising event expense			0		81,857	81,857	81,857	80,996
Dues and subscriptions	2,200	5,211	7,411	775		775	8,186	12,704
Insurance	8,645	6,185	14,830	2,027	3,558	5,585	20,415	19,624
Other expenses	449	4,428	4,877	13,310	1,600	14,910	19,787	18,269
Depreciation and amortization			0	46,016		46,016	46,016	52,460
Total expenses	1,579,785	873,195	2,452,980	525,918	563,119	1,089,037	3,542,017	3,441,265
Less: direct event expenses netted with revenue			0		(81,857)	(81,857)	(81,857)	(80,996)
Total expenses for statement of activities	<u>\$1,579,785</u>	<u>\$873,195</u>	<u>\$2,452,980</u>	<u>\$525,918</u>	<u>\$481,262</u>	<u>\$1,007,180</u>	<u>\$3,460,160</u>	<u>\$3,360,269</u>

The attached notes and auditor's report are an integral part of these financial statements.

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$1,642,003	(\$915,274)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	46,016	52,460
Net realized and unrealized (gain)/loss on investments	(1,931,761)	306,070
Changes in assets and liabilities:		
Pledges and dues receivable	21,975	(124,755)
Prepaid expenses and other assets	(4,197)	7,274
Accounts payable and accrued expenses	(147,820)	86,975
Deferred rent	18,086	26,480
Total adjustments	<u>(1,997,701)</u>	<u>354,504</u>
Net cash used for operating activities	<u>(355,698)</u>	<u>(560,770)</u>
Cash flows from investing activities:		
Fixed asset acquisition	(2,791)	0
Purchases of investments	(846,316)	(5,035,568)
Proceeds from sale of investments	1,262,452	5,316,746
Net cash provided by investing activities	<u>413,345</u>	<u>281,178</u>
Net increase/(decrease) in cash and cash equivalents	57,647	(279,592)
Cash and cash equivalents - beginning of year	<u>341,836</u>	<u>621,428</u>
Cash and cash equivalents - end of year	<u><u>\$399,483</u></u>	<u><u>\$341,836</u></u>
Supplemental Information:		
Interest & taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1. Nature of the Organization

United Neighborhood Houses of New York, Inc. (“UNH”) is a New York State charitable membership corporation that assists member settlement houses in enhancing the quality of life in the neighborhoods of New York City by providing social policy analysis and advocacy, management and technical assistance, public information/education assistance and fostering the replication of model programs.

UNH has been notified by the Internal Revenue Service that it is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies as a public supported organization under Section 509(a). UNH is organized under the not-for-profit laws of New York State and, as such, is exempt from payment of income taxes to the State. UNH is also exempt from New York City taxes.

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2019, UNH adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, UNH adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, UNH evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, UNH applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

UNH evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for UNH to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way UNH recognizes revenue.

b. Basis of Presentation

UNH reports information regarding its financial position and activity according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. In previous years, the board designated a portion of net assets without donor restrictions as a reserve fund to be retained for future appropriation.

Activity of the board designated fund was as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Balance – beginning of year	\$8,251,510	\$8,831,112
Appropriations	(513,268)	(330,000)
Additional transfer out	0	(21,821)
Investment return	<u>1,960,277</u>	<u>(227,781)</u>
Balance – end of year	<u>\$9,698,519</u>	<u>\$8,251,510</u>

As the funds are internally designated, they are reflected on the financial statements as net assets without donor restrictions.

- *Net Assets With Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

UNH has adopted Topic 606 using the modified retrospective method applied to all contracts after January 1, 2019 and continues to use legacy GAAP for all contracts before January 1, 2019.

UNH analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

UNH receives membership dues income that falls under Topic 606. Membership dues are recognized as revenue in the period to which it pertains. Dues that have been earned but not paid at year end are recognized as income and a related receivable.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

UNH's government and private grants are primarily conditional non-exchange transactions and fall under the scope of *Topic 958, Not-for-Profit Entities*. Revenue from these transactions are recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as government grant advances.

d. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to UNH's ongoing services and transfer from the Board-designated fund to support current operating activities. Non-operating activities are limited to resources that generate return from investments.

e. Cash and Cash Equivalents

UNH considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

f. Concentration of Credit Risk

Financial instruments which potentially subject UNH to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed at financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end UNH had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of UNH.

g. Allowance for Doubtful Accounts

At December 31, 2019, all pledges and dues receivable are due within one year. Management reviews receivables for collectability based on various factors such as historical experience and subsequent collections. Based on this review, it has been determined that no allowance for doubtful accounts is necessary.

h. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses, interest and dividends, and investment fees are included in investment return on the statement of activities.

i. Fixed Assets

Fixed assets, consisting of furniture, office equipment and leasehold improvements, are capitalized in the year acquired and are carried at cost, if purchased, or fair value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets (5-10 years) or life of the lease using the straight-line method. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

j. In-Kind Services

UNH records donated services if they create or enhance non-financial assets or if the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. During the year ended December 31, 2018, UNH received in-kind professional services of \$21,000, which was charged directly to management and general expenses. UNH did not receive any in-kind contributions during 2019.

UNH does not reflect in the financial statements individual volunteer time and services in connection with fundraising solicitations and various committee assignments because they do not meet the criteria for recognition as outlined above. UNH receives more than 1,000 such volunteer hours per year.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of UNH.

Salaries were allocated using time and effort as the basis. The following expenses were allocated using the salary allocation as the basis:

- Payroll taxes and benefits
- Occupancy and space rental
- Telephone and communications
- Equipment rental, repairs and maintenance
- Insurance

All other expenses have been charged directly to the applicable program or supporting services.

l. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

m. Accounting for Uncertainty of Income Taxes

UNH does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

n. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UNH's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which becomes effective for the June 30, 2022 (December 31, 2022) year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires separate line item presentation on the statement of activities and additional disclosures.

UNH is in the process of evaluating the impact these standards will have on future financial statements.

Note 3. Pledges and Dues Receivable

All receivables are due in less than one year and consist of the following:

	<u>12/31/19</u>	<u>12/31/18</u>
Pledges and grants	\$128,087	\$134,162
Membership dues	<u>26,560</u>	<u>42,460</u>
Total	<u>\$154,647</u>	<u>\$176,622</u>

Note 4. Fixed Assets

Fixed assets consist of:

	<u>12/31/19</u>	<u>12/31/18</u>
Furniture and equipment	\$235,138	\$232,347
Leasehold improvements	<u>255,553</u>	<u>255,553</u>
	490,691	487,900
Less: accumulated depreciation and amortization	<u>(161,366)</u>	<u>(115,350)</u>
Total fixed assets	<u>\$329,325</u>	<u>\$372,550</u>

Note 5. Investments

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments:

	<u>12/31/19</u>	<u>12/31/18</u>
Equity securities – domestic stock	\$6,729,574	\$5,452,435
Equity securities – foreign stock	498,758	473,938
Fixed income mutual funds	<u>2,827,632</u>	<u>2,613,966</u>
Total	<u>\$10,055,964</u>	<u>\$8,540,339</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The following summarizes the investment return:

	<u>12/31/19</u>	<u>12/31/18</u>
Unrealized gain/(loss)	\$1,597,507	(\$1,784,728)
Realized gain	334,254	1,478,658
Interest and dividends	162,470	143,425
Investment fees	<u>(65,338)</u>	<u>(72,782)</u>
Total investment return	<u>\$2,028,893</u>	<u>(\$235,427)</u>

Note 6. Net Assets With Donor Restrictions

Net assets have been restricted by donors to future time periods and/or for use in the direct assistance of the various member settlement houses through program development and management assistance programs.

The following summarizes the activity of net assets with donor restrictions:

	<u>December 31, 2019</u>			
	Beginning Balance <u>1/1/19</u>	Increases/ Decreases	Released from <u>Restrictions</u>	Ending Balance <u>12/31/19</u>
Program restricted:				
Policy and advocacy	\$40,000	\$225,000	(\$189,439)	\$75,561
Member services	318,103	837,500	(657,145)	498,458
Food Access project	33,998	0	(30,475)	3,523
Other	<u>5,000</u>	<u>20,000</u>	<u>0</u>	<u>25,000</u>
Total program restricted	<u>397,101</u>	<u>1,082,500</u>	<u>(877,059)</u>	<u>602,542</u>
Time restricted:				
General	<u>21,000</u>	<u>0</u>	<u>(21,000)</u>	<u>0</u>
Total time restricted	<u>21,000</u>	<u>0</u>	<u>(21,000)</u>	<u>0</u>
Total restricted contributions	418,101	1,082,500	(898,059)	602,542
Endowment fund	<u>288,829</u>	<u>68,616</u>	<u>0</u>	<u>357,445</u>
Total	<u>\$706,930</u>	<u>\$1,151,116</u>	<u>(\$898,059)</u>	<u>\$959,987</u>

	December 31, 2018			
	Beginning Balance <u>1/1/18</u>	Increases/ Decreases	Released from <u>Restrictions</u>	Ending Balance <u>12/31/18</u>
Program restricted:				
Policy and advocacy	\$48,955	\$82,500	(\$91,455)	\$40,000
Member services	236,120	565,950	(483,967)	318,103
Food Access project	21,053	185,000	(172,055)	33,998
Other	<u>40,454</u>	<u>5,000</u>	<u>(40,454)</u>	<u>5,000</u>
Total program restricted	<u>346,582</u>	<u>838,450</u>	<u>(787,931)</u>	<u>397,101</u>
Time restricted:				
General	<u>0</u>	<u>21,000</u>	<u>0</u>	<u>21,000</u>
Total time restricted	<u>0</u>	<u>21,000</u>	<u>0</u>	<u>21,000</u>
Total restricted contributions	346,582	859,450	(787,931)	418,101
Endowment fund	<u>296,475</u>	<u>(7,646)</u>	<u>0</u>	<u>288,829</u>
Total	<u>\$643,057</u>	<u>\$851,804</u>	<u>(\$787,931)</u>	<u>\$706,930</u>

Note 7. Endowment

In December 2001, UNH received a donation of \$100,000 that was restricted by the donor to be held in perpetuity as an endowment. UNH has elected to pool this with investments that are part of its board designated net assets.

Interpretation of Relevant Law

UNH follows New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which has been interpreted to require certain amounts be retained permanently. Absent explicit donor stipulations to the contrary, UNH will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, UNH has the right to appropriate for expenditure, the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, UNH classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure, therefore, they have been classified in the class of net assets with donor restrictions.

Spending Policies

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

- (1) The duration and preservation of the fund;
- (2) The purposes of UNH and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of UNH;
- (7) The investment policies of UNH;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on UNH.

UNH is currently accumulating interest, dividends, and other market value gains on their endowment fund for future appropriation.

Changes in endowment net assets were as follows:

	<u>December 31, 2019</u>		
	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$188,829	\$100,000	\$288,829
Investment activity:			
Interest and dividends	5,495	0	5,495
Net gain on investments	<u>63,121</u>	<u>0</u>	<u>63,121</u>
Endowment net assets, end of year	<u>\$257,445</u>	<u>\$100,000</u>	<u>\$357,445</u>
	<u>December 31, 2018</u>		
	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$196,475	\$100,000	\$296,475
Investment activity:			
Interest and dividends	4,659	0	4,659
Net loss on investments	<u>(12,305)</u>	<u>0</u>	<u>(12,305)</u>
Endowment net assets, end of year	<u>\$188,829</u>	<u>\$100,000</u>	<u>\$288,829</u>

Endowment Investment Policies

UNH has adopted an investment policy for endowment assets consistent with the investment policy of their board designated investments. UNH 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). UNH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires UNH to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 or 2018.

Note 8. Commitments

UNH occupies space under a non-cancellable operating lease agreement that commenced in April 2017 and expires in August 2027. A security deposit of \$118,481 was paid in connection with this space.

Minimum lease commitments are summarized as follows:

Year ending:	December 31, 2020	\$322,235
	December 31, 2021	331,097
	December 31, 2022	340,202
	December 31, 2023	349,557
	December 31, 2024	359,170
	Thereafter	<u>1,005,633</u>
Total		<u>\$2,707,894</u>

Rent expense is calculated on a straight-line basis. Under this method, rent expense is recorded evenly over the life of the lease as if there were no changes in payment amounts. In the earlier years of the lease, when payments are lower than the expense, a liability is created for the difference. In future years, the liability will be reduced when rent payments exceed the rent expense recorded.

Rent expense charged to operations approximated \$332,000 in both 2019 and 2018.

Note 9. Pension Plan and Supplemental Benefits

UNH has a contributory tax deferred annuity plan available to substantially all employees meeting certain age requirements with over one year of employment. UNH pays premiums to an insurance company equal to 10% of the eligible employee's annual salary if the employee contributes at least 3% of his or her annual salary to the plan. Pension expense amounted to \$131,000 and \$111,000 in 2019 and 2018, respectively.

Note 10. Special Events

Special events are summarized as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Gross revenue	\$771,748	\$660,613
Less: expenses with a direct benefit to donor	<u>(81,857)</u>	<u>(80,996)</u>
	689,891	579,617
Less: other event expenses	<u>(18,564)</u>	<u>(16,177)</u>
Total	<u>\$671,327</u>	<u>\$563,440</u>

Note 11. Related Party Transactions

The members consist of settlement houses served by UNH. Total grants to members were \$280,530 and \$215,090 for 2019 and 2018, respectively.

Note 12. Liquidity and Availability of Financial Resources

UNH maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. In addition, UNH maintains investment accounts as a reserve to cover future operating expenses and for its donor restricted endowment. As part of its liquidity management, UNH operates its programs within a board approved budget and relies on contributions, earned income, and the board designated reserve to fund its operations and program activities.

The following reflects UNH's financial assets at December 31, 2019, reduced by amounts that have donor-imposed and board-imposed restrictions within one year of the statement of financial position date:

Cash and cash equivalents	\$399,483
Pledges and dues receivable, collected in less than one year	154,647
Investments	<u>10,055,964</u>
Total financial assets	\$10,610,094
Amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	(602,542)
Donor restricted endowment	(357,445)
Board designated reserve fund	<u>(9,698,519)</u>
Total amounts not available for general expenditures	(10,658,506)
Add back: Board funds appropriated for spending in the following year	<u>484,423</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$436,011</u>

UNH's donor restricted endowment and board designated reserve funds are held for long term purposes. Therefore, these assets are not considered available for general expenditures until they are appropriated for spending. As part of the annual budgeting process, the Board approves an amount of the board designated fund that can be used for the year. This appropriated amount is considered available for general expenditures.

Note 13. Subsequent Events

Management has evaluated the impact of all subsequent events through September 10, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect UNH's donors, program participants, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for UNH's services and harm UNH's business and results of operations. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact of such on UNH's business cannot be quantified.

Subsequent to year-end, UNH obtained a loan from the SBA in the amount of \$318,000 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to the receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.