



Audited Financial Statements

December 31, 2018

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, 2018, 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, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2 to the financial statements, UNH adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited UNH’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb
Certified Public Accountants, LLC

DATE TBD

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018
(With comparative totals at December 31, 2017)

| | <u>12/31/18</u> | <u>12/31/17</u> |
|---|---------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$341,836 | \$621,428 |
| Pledges and dues receivable (Note 4) | 176,622 | 51,867 |
| Prepaid expenses and other assets | 60,385 | 67,659 |
| Fixed assets, net (Note 5) | 372,550 | 425,010 |
| Security deposit | 118,481 | 118,481 |
| Investments (Note 3) | <u>8,540,339</u> | <u>9,127,587</u> |
| Total assets | <u><u>\$9,610,213</u></u> | <u><u>\$10,412,032</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$276,686 | \$189,711 |
| Deferred rent | <u>146,796</u> | <u>120,316</u> |
| Total liabilities | <u>423,482</u> | <u>310,027</u> |
| Net assets: | | |
| Without donor restrictions: | | |
| Operations | 228,291 | 627,836 |
| Board designated reserve fund (Note 2b) | <u>8,251,510</u> | <u>8,831,112</u> |
| Total net assets without donor restrictions | <u>8,479,801</u> | <u>9,458,948</u> |
| With donor restrictions: | | |
| For future programs and time periods (Note 6) | 418,101 | 346,582 |
| Donor restricted endowment (Notes 6 and 7) | <u>288,829</u> | <u>296,475</u> |
| Total net assets with donor restrictions | <u>706,930</u> | <u>643,057</u> |
| Total net assets | <u>9,186,731</u> | <u>10,102,005</u> |
| Total liabilities and net assets | <u><u>\$9,610,213</u></u> | <u><u>\$10,412,032</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, 2018
(With comparative totals for the year ended December 31, 2017)

| | With Donor Restrictions | | | Total 12/31/18 | Total 12/31/17* |
|---|-------------------------------|--------------------------------|----------------------------------|-------------------|--------------------|
| | Without Donor Restrictions | Donor Restricted Support | Donor Restricted Endowment | | |
| Public support and revenue: | | | | | |
| Foundation and trusts | \$709,478 | \$859,450 | | \$859,450 | \$1,568,928 |
| Corporations and individuals | 114,040 | | | 0 | 114,040 |
| In-kind contribution (Note 2j) | 21,000 | | | 0 | 21,000 |
| Government agencies | | | | 0 | 0 |
| Special event (net of expenses with a direct benefit to donor) (Note 10) | 579,617 | | | 0 | 579,617 |
| Membership dues | 389,750 | | | 0 | 389,750 |
| Other income | 7,087 | | | 0 | 7,087 |
| Board reserve funds appropriated by the governing board for operations (Note 2b) | 330,000 | | | 0 | 330,000 |
| Net assets released from restrictions (Note 6) | 787,931 | (787,931) | | (787,931) | 0 |
| Total public support and revenue | <u>2,938,903</u> | <u>71,519</u> | <u>0</u> | <u>71,519</u> | <u>3,010,422</u> |
| Expenses: | | | | | |
| Program services: | | | | | |
| Member services | 1,467,696 | | | 0 | 1,467,696 |
| Policy and public education | 904,950 | | | 0 | 904,950 |
| Total program services | <u>2,372,646</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,372,646</u> |
| Supporting services: | | | | | |
| Management and general | 476,797 | | | 0 | 476,797 |
| Fundraising | 510,826 | | | 0 | 510,826 |
| Total supporting services | <u>987,623</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>987,623</u> |
| Total expenses | <u>3,360,269</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3,360,269</u> |
| Change in net assets from operations | <u>(421,366)</u> | <u>71,519</u> | <u>0</u> | <u>71,519</u> | <u>(349,847)</u> |
| Non-operating activities: | | | | | |
| Investment return, net (Note 3) | (227,781) | | (7,646) | (7,646) | (235,427) |
| Board reserve funds appropriated by the governing board for operations (Note 2b) | (330,000) | | | (330,000) | (230,000) |
| Total non-operating activities | <u>(557,781)</u> | <u>0</u> | <u>(7,646)</u> | <u>(7,646)</u> | <u>(565,427)</u> |
| Change in net assets | (979,147) | 71,519 | (7,646) | 63,873 | (915,274) |
| Net assets - beginning of year | 9,458,948 | 346,582 | 296,475 | 643,057 | 10,102,005 |
| Net assets - end of year | <u>\$8,479,801</u> | <u>\$418,101</u> | <u>\$288,829</u> | <u>\$706,930</u> | <u>\$9,186,731</u> |

* - Reclassified for comparative purposes

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, 2018
(With comparative totals for the year ended December 31, 2017)

| | Program Services | | | Supporting Services | | Total Expenses 12/31/18 | Total Expenses 12/31/17* | |
|--|--------------------|-----------------------------|------------------------|------------------------|------------------|----------------------------|-----------------------------|---------------------------|
| | Member Services | Policy and Public Education | Total Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Salaries | \$629,985 | \$487,933 | \$1,117,918 | \$137,797 | \$279,545 | \$417,342 | \$1,535,260 | \$1,505,375 |
| Payroll taxes and benefits | 156,728 | 121,978 | 278,706 | 36,665 | 85,197 | 121,862 | 400,568 | 387,166 |
| Total personnel services | 786,713 | 609,911 | 1,396,624 | 174,462 | 364,742 | 539,204 | 1,935,828 | 1,892,541 |
| Member agency grants | 197,090 | 18,000 | 215,090 | | | 0 | 215,090 | 232,539 |
| Travel, meetings and conferences | 29,331 | 18,707 | 48,038 | 7,477 | 8,382 | 15,859 | 63,897 | 34,154 |
| Occupancy and space rental | 148,734 | 115,197 | 263,931 | 32,532 | 65,998 | 98,530 | 362,461 | 320,831 |
| Consultants and professional fees (including in-kind) (Note 2j) | 7,737 | 72,232 | 79,969 | 162,638 | 18,550 | 181,188 | 261,157 | 155,738 |
| Office supplies and expenses | 16,646 | 1,216 | 17,862 | 15,118 | 15,989 | 31,107 | 48,969 | 31,751 |
| Printing, design and publications | 1,284 | 7,478 | 8,762 | 8,001 | 20,330 | 28,331 | 37,093 | 31,733 |
| Telephone and communications | 8,527 | 6,605 | 15,132 | 1,865 | 3,784 | 5,649 | 20,781 | 19,739 |
| Postage and mailings | 216 | 11 | 227 | 4,306 | 4,892 | 9,198 | 9,425 | 9,642 |
| Equipment rental, repairs and maintenance | 6,259 | 4,847 | 11,106 | 1,369 | 2,777 | 4,146 | 15,252 | 11,525 |
| Program expenses and scholarships | 249,694 | 37,565 | 287,259 | | | 0 | 287,259 | 416,459 |
| Fundraising event expense | | | 0 | | 80,996 | 80,996 | 80,996 | 70,743 |
| Dues and subscriptions | 5,429 | 4,450 | 9,879 | 2,825 | | 2,825 | 12,704 | 58,994 |
| Insurance | 8,053 | 6,237 | 14,290 | 1,761 | 3,573 | 5,334 | 19,624 | 18,291 |
| Other expenses | 1,983 | 2,494 | 4,477 | 11,983 | 1,809 | 13,792 | 18,269 | 10,564 |
| Depreciation and amortization | | | 0 | 52,460 | | 52,460 | 52,460 | 35,696 |
| Total expenses before direct event expenses netted with revenue | 1,467,696 | 904,950 | 2,372,646 | 476,797 | 591,822 | 1,068,619 | 3,441,265 | 3,350,940 |
| Less: direct event expenses netted with revenue | | | 0 | | (80,996) | (80,996) | (80,996) | (70,743) |
| Total expenses | <u>\$1,467,696</u> | <u>\$904,950</u> | <u>\$2,372,646</u> | <u>\$476,797</u> | <u>\$510,826</u> | <u>\$987,623</u> | <u>\$3,360,269</u> | <u>\$3,280,197</u> |

* Reclassified for comparative purposes

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, 2018
(With comparative totals for the year ended December 31, 2017)

| | <u>12/31/18</u> | <u>12/31/17</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | (\$915,274) | \$1,119,687 |
| Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities: | | |
| Depreciation and amortization | 52,460 | 35,696 |
| Net realized and unrealized loss/(gain) on investments | 303,073 | (1,346,390) |
| Changes in assets and liabilities: | | |
| Pledges and dues receivable | (124,755) | 247,627 |
| Prepaid expenses and other assets | 7,274 | 5,654 |
| Accounts payable and accrued expenses | 86,975 | (9,763) |
| Deferred rent | 26,480 | 110,517 |
| | <u>351,507</u> | <u>(956,659)</u> |
| Total adjustments | | |
| Net cash (used for)/provided by operating activities | <u>(563,767)</u> | <u>163,028</u> |
| Cash flows from investing activities: | | |
| Fixed asset acquisition and leasehold improvements | 0 | (343,527) |
| Purchases of investments | (5,032,571) | (681,368) |
| Proceeds from sale of investments | 5,316,746 | 738,665 |
| | <u>284,175</u> | <u>(286,230)</u> |
| Net cash provided by/(used for) investing activities | | |
| Net decrease in cash and cash equivalents | (279,592) | (123,202) |
| Cash and cash equivalents - beginning of year | <u>621,428</u> | <u>744,630</u> |
| Cash and cash equivalents - end of year | <u><u>\$341,836</u></u> | <u><u>\$621,428</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, 2018

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, 2018, UNH adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 12).

The changes required by the update have been applied retrospectively to all periods presented.

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* – represent 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. As the funds are internally designated, they are reflected on the financial statement as without donor restrictions.

Each year during the budgetary process, the Board can elect to utilize the board designated reserve fund towards its operating expenses. The board appropriated \$330,000 from the reserve fund during the year ended December 31, 2018 and \$230,000 during the year ended December 31, 2017.

- *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

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

Government grants are recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

Dues that have been earned but not paid at year end are recognized as income and a related receivable.

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. 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. 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.

g. Allowance for Doubtful Accounts

At December 31, 2018, 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 years ended December 31, 2018 and 2017, UNH received in-kind professional services of \$21,000 and \$17,000, respectively, which have been charged directly to management and general expenses.

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.

The following expenses were allocated using time and effort as the basis:

- Salaries,
- 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, 2015 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through (DATE TBD), the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

o. 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, 2017, from which the summarized information was derived.

p. New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 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.

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

Note 3. 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>12/31/18</u> | <u>12/31/17</u> |
|------------------------------------|--------------------|--------------------|
| Equity securities – domestic stock | \$5,452,435 | \$6,541,173 |
| Equity securities – foreign stock | 473,938 | 606,791 |
| Fixed income mutual funds | <u>2,613,966</u> | <u>1,979,623</u> |
| Total | <u>\$8,540,339</u> | <u>\$9,127,587</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 or certain financial instruments could result in different fair value measurements.

The following summarizes the investment return:

| | <u>12/31/18</u> | <u>12/31/17</u> |
|------------------------|--------------------|--------------------|
| Unrealized (loss)/gain | (\$1,784,728) | \$1,065,173 |
| Realized gain | 1,478,658 | 347,369 |
| Interest and dividends | 143,425 | 132,350 |
| Investment fees | <u>(72,782)</u> | <u>(66,152)</u> |
| Total investment gain | <u>(\$235,427)</u> | <u>\$1,478,740</u> |

Note 4. Pledges and Dues Receivable

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

| | <u>12/31/18</u> | <u>12/31/17</u> |
|-----------------|------------------|-----------------|
| Pledges | \$134,162 | \$26,767 |
| Membership fees | <u>42,460</u> | <u>25,100</u> |
| Total | <u>\$176,622</u> | <u>\$51,867</u> |

Note 5. Fixed Assets

Fixed assets consist of:

| | <u>12/31/18</u> | <u>12/31/17</u> |
|--|------------------|------------------|
| Furniture and equipment | \$232,347 | \$232,347 |
| Leasehold improvements | <u>255,553</u> | <u>255,553</u> |
| | 487,900 | 487,900 |
| Less: accumulated depreciation and amortization | <u>(115,350)</u> | <u>(62,890)</u> |
| Total fixed assets | <u>\$372,550</u> | <u>\$425,010</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, 2018</u> | | | |
|--------------------------------|---------------------------------------|---------------------------------|---|--------------------------------------|
| | Beginning Balance <u>1/1/18</u> | <u>Increases/ Decreases</u> | 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 |
| Staff development | 5,000 | 5,000 | (5,000) | 5,000 |
| Scholarship | <u>35,454</u> | <u>0</u> | <u>(35,454)</u> | <u>0</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> |
| | | | | |
| | <u>December 31, 2017</u> | | | |
| | Beginning Balance <u>1/1/17</u> | <u>Increases/ Decreases</u> | Released from <u>Restrictions</u> | Ending Balance <u>12/31/17</u> |
| Program restricted: | | | | |
| Policy and advocacy | \$28,588 | \$75,000 | (\$54,633) | \$48,955 |
| Member services | 249,464 | 337,361 | (350,705) | 236,120 |
| Food Access project | 13,745 | 225,000 | (217,692) | 21,053 |
| Equipment | 10,000 | 0 | (10,000) | 0 |
| Staff development | 5,000 | 5,000 | (5,000) | 5,000 |
| Scholarship | <u>2,450</u> | <u>77,694</u> | <u>(44,690)</u> | <u>35,454</u> |
| Total program restricted | <u>309,247</u> | <u>720,055</u> | <u>(682,720)</u> | <u>346,582</u> |
| Time restricted: | | | | |
| General | <u>36,000</u> | <u>0</u> | <u>(36,000)</u> | <u>0</u> |
| Total time restricted | <u>36,000</u> | <u>0</u> | <u>(36,000)</u> | <u>0</u> |
| Total restricted contributions | 345,247 | 720,055 | (718,720) | 346,582 |
| Endowment fund | <u>249,422</u> | <u>47,053</u> | <u>0</u> | <u>296,475</u> |
| Total | <u>\$594,669</u> | <u>\$767,108</u> | <u>(\$718,720)</u> | <u>\$643,057</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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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, 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 | 4,629 |
| 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> |
| | | | |
| | <u>December 31, 2017</u> | | |
| | <u>Accumulated Earnings</u> | <u>Endowment Corpus</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$149,422 | \$100,000 | \$249,422 |
| Investment activity: | | | |
| Interest and dividends | 4,211 | 0 | 4,211 |
| Net gain on investments | <u>42,842</u> | <u>0</u> | <u>42,842</u> |
| Endowment net assets, end of year | <u>\$196,475</u> | <u>\$100,000</u> | <u>\$296,475</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, 2018 or 2017.

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, 2019 | \$313,611 |
| | December 31, 2020 | 322,235 |
| | December 31, 2021 | 331,097 |
| | December 31, 2022 | 340,202 |
| | December 31, 2023 | 349,557 |
| | Thereafter | <u>1,364,803</u> |
| Total | | <u>\$3,021,505</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 and \$287,000 in 2018 and 2017, respectively.

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 \$111,000 and \$106,000 in 2018 and 2017, respectively.

Note 10. Special Event

Special events are summarized as follows:

| | <u>12/31/18</u> | <u>12/31/17</u> |
|---|------------------|------------------|
| Gross revenue | \$660,613 | \$819,998 |
| Less: expenses with a direct benefit to donor | <u>(80,996)</u> | <u>(70,743)</u> |
| | 579,617 | 749,255 |
| Less: other event expenses | <u>(16,177)</u> | <u>(67,243)</u> |
| Total | <u>\$563,440</u> | <u>\$682,012</u> |

Note 11. Related Party Transactions

The members consist of settlement houses served by UNH. Total grants to members were \$215,090 and \$232,539 for 2018 and 2017, 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, 2018, reduced by amounts that have donor-imposed and board-imposed restrictions within one year of the balance sheet date:

| | |
|---|----------------------|
| Cash and cash equivalents | \$341,836 |
| Pledges receivable, collected in less than one year | 176,622 |
| Investments | <u>8,540,339</u> |
| Total financial assets | \$9,058,797 |
| Amounts not available for general expenditures: | |
| Donor contributions restricted to specific purposes | (397,101) |
| Donor restricted endowment | (288,829) |
| Board designated reserve fund | (8,251,510) |
| Add back: Board funds appropriated for spending in the following year | <u>618,367</u> |
| Total amounts not available for general expenditures | <u>(\$8,319,073)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$739,724</u> |

UNH's donor restricted endowment 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 portion is considered available for general expenditures and the remaining balance is not considered available for general expenditures within one year.