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**UNITED NEIGHBORHOOD
HOUSES OF NEW YORK, INC.**

Audited Financial Statements

December 31, 2010

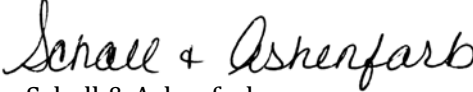
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of United Neighborhood Houses of New York, Inc. ("UNH") as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UNH's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from UNH's December 31, 2009 financial statements and, in our report dated April 9, 2010 we expressed an unqualified opinion on those statements.

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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Schall & Ashenfarb
Certified Public Accountants, LLC

April 29, 2011

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2010
(With comparative totals as of December 31, 2009)

	<u>12/31/10</u>	<u>12/31/09</u>
Assets		
Cash and cash equivalents (Notes 2c and 13)	\$559,894	\$801,320
Investments (Notes 2e and 3)	5,299,496	4,717,980
Grants and dues receivable (Notes 2d and 5)	221,658	76,054
Emergency loan fund for settlement houses (Note 6)	150,000	150,000
Prepaid expenses and other assets	5,395	0
Fixed assets, net (Notes 2f and 4)	<u>20,443</u>	<u>29,762</u>
Total assets	<u><u>\$6,256,886</u></u>	<u><u>\$5,775,116</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$129,518	\$186,317
Deferred membership fees	2,525	3,085
Advances from funding sources (Note 7)	16,500	35,172
Deferred rent (Note 11)	<u>76,557</u>	<u>61,600</u>
Total liabilities	<u>225,100</u>	<u>286,174</u>
Net assets: (Note 2b)		
Unrestricted	5,258,371	4,678,072
Temporarily restricted (Note 8)	673,415	710,870
Permanently restricted (Note 9)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>6,031,786</u>	<u>5,488,942</u>
Total liabilities and net assets	<u><u>\$6,256,886</u></u>	<u><u>\$5,775,116</u></u>

*The attached notes and auditors' 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, 2010
(With comparative totals for the year ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 12/31/10	Total 12/31/09*
Operating:					
Public support and revenue:					
Public support:					
Foundation and trusts	\$1,697,960	\$787,021		\$2,484,981	\$2,706,435
Corporations and individuals	123,321			123,321	166,348
In-kind services (Note 2g)	16,000			16,000	95,972
Government agencies	77,300			77,300	99,050
Special events (net of direct expenses of \$43,630)	585,411			585,411	584,941
Total public support	<u>2,499,992</u>	<u>787,021</u>	<u>0</u>	<u>3,287,013</u>	<u>3,652,746</u>
Revenue:					
Membership dues	307,000			307,000	303,025
Interest and investment income	146,809	3,712		150,521	144,779
Miscellaneous	11,273			11,273	15,748
Total revenue	<u>465,082</u>	<u>3,712</u>	<u>0</u>	<u>468,794</u>	<u>463,552</u>
Net assets released from restrictions (Note 8)	860,101	(860,101)		0	0
Total public support and revenue	<u>3,825,175</u>	<u>(69,368)</u>	<u>0</u>	<u>3,755,807</u>	<u>4,116,298</u>
Expenses:					
Program services:					
Direct member agency support	1,187,475			1,187,475	1,407,767
Member services	543,174			543,174	767,703
Policy and public education	745,046			745,046	769,583
Special projects	375,108			375,108	611,905
Total program services	<u>2,850,803</u>	<u>0</u>	<u>0</u>	<u>2,850,803</u>	<u>3,556,958</u>
Supporting services:					
Management and general	339,065			339,065	316,315
In-kind legal (Note 2g)	16,000			16,000	95,972
Fundraising	600,773			600,773	509,971
Total supporting services	<u>955,838</u>	<u>0</u>	<u>0</u>	<u>955,838</u>	<u>922,258</u>
Total expenses	<u>3,806,641</u>	<u>0</u>	<u>0</u>	<u>3,806,641</u>	<u>4,479,216</u>
Change in net assets from operations	18,534	(69,368)	0	(50,834)	(362,918)
Non-operating:					
Net gain on investments (Note 3)	578,934	14,744		593,678	852,697
Change in net assets	597,468	(54,624)	0	542,844	489,779
Prior period adjustment (Note 9)	(17,169)	17,169	0	0	0
Net assets - beginning of year	<u>4,678,072</u>	<u>710,870</u>	<u>100,000</u>	<u>5,488,942</u>	<u>4,999,163</u>
Net assets - end of year	<u>\$5,258,371</u>	<u>\$673,415</u>	<u>\$100,000</u>	<u>\$6,031,786</u>	<u>\$5,488,942</u>

*Reclassified for comparative purposes.

*The attached notes and auditors' 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, 2010
(With comparative totals for the year ended December 31, 2009)

	Program Services				Supporting Services				Total Expenses 12/31/10	Total Expenses 12/31/09	
	Member Agency Support	Member Services	Policy and Public Education	Special Projects	Total Program Services	Management and General	In-Kind Legal	Fundraising			Total Supporting Services
Salaries		\$299,535	\$422,268	\$223,511	\$945,314	\$134,273		\$376,173	\$510,446	\$1,455,760	\$1,432,354
Payroll taxes and benefits		84,248	119,914	64,727	268,889	38,395		104,650	143,045	411,934	406,661
Total personnel services	0	383,783	542,182	288,238	1,214,203	172,668	0	480,823	653,491	1,867,694	1,839,015
Grants (Note 10)	1,187,475				1,187,475				0	1,187,475	1,392,700
Travel, meetings and conferences		10,075	5,837	7,446	23,358	5,990		6,934	12,924	36,282	34,313
Occupancy and space rental		53,142	63,709	18,147	134,998	34,501		48,756	83,257	218,255	214,776
Consultants and professional fees		19,969	79,365	4,152	103,486	14,706		19,245	33,951	137,437	245,809
In-kind legal (Note 2g)					0		16,000		16,000	16,000	95,972
Office supplies and expenses		1,070	1,893	577	3,540	1,956		5,542	7,498	11,038	18,728
Printing, design and publications		10,869	1,868	1,180	13,917	718		22,823	23,541	37,458	21,346
Telephone and communications		3,807	5,621	2,699	12,127	1,427		3,409	4,836	16,963	17,386
Postage and mailings		788	775	1,169	2,732	1,722		5,623	7,345	10,077	12,452
Investment fees and bank charges					0	36,361		1,806	38,167	38,167	30,263
Equipment rental, repairs and maintenance		996	1,191	760	2,947	1,157		2,818	3,975	6,922	6,976
Program expenses		44,332	37,503	41,152	122,987				0	122,987	473,129
Dues and subscriptions		13,297	3,300	209	16,806	39,554		465	40,019	56,825	39,828
Insurance		57	83	7	147	13,355		53	13,408	13,555	14,740
Miscellaneous		989	1,719	9,372	12,080	5,631		2,476	8,107	20,187	11,378
Depreciation					0	9,319			9,319	9,319	10,405
Total	\$1,187,475	\$543,174	\$745,046	\$375,108	\$2,850,803	\$339,065	\$16,000	\$600,773	\$955,838	\$3,806,641	\$4,479,216

*The attached notes and auditors' 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, 2010
(With comparative totals for the year ended December 31, 2009)

	<u>12/31/10</u>	<u>12/31/09</u>
Cash flows from operating activities:		
Change in net assets	\$542,844	\$489,779
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation expense	9,319	10,405
Net gain on investments	(593,678)	(852,697)
Change in current operating items:		
Grants and dues receivable	(145,604)	130,779
Prepaid expenses and other assets	(5,395)	0
Accounts payable and accrued expenses	(56,799)	74,948
Deferred membership fees	(560)	(20,265)
Advances from funding sources	(18,672)	(14,237)
Deferred rent	14,957	19,569
	<u>(796,432)</u>	<u>(651,498)</u>
Total adjustments		
Net cash used for operating activities	<u>(253,588)</u>	<u>(161,719)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	0	(28,332)
Purchases of investments	(729,919)	(509,663)
Proceeds from sale of investments	742,081	409,764
	<u>12,162</u>	<u>(128,231)</u>
Net cash provided by/(used for) investing activities		
Net decrease in cash and cash equivalents	(241,426)	(289,950)
Cash and cash equivalents - beginning of year	<u>801,320</u>	<u>1,091,270</u>
Cash and cash equivalents - end of year	<u>\$559,894</u>	<u>\$801,320</u>
Interest & taxes paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

For Federal income tax purposes, UNH is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and qualifies as a public supported organization under Section 509(a)(1). UNH is organized under the not-for-profit laws of New York State (the “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 on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Assets are presented in order of liquidity or conversion to cash, and liabilities are reflected in order of their maturity resulting in the use of cash.

b. Basis of Presentation

The classification of a not-for-profit organization’s net assets and support are based on the existence or absence of donor-imposed restrictions. The amounts for each of three classes of net assets are reported in the statements of financial position and activities as follows:

- *Unrestricted* – the part of net assets that has not been restricted by donors.
- *Temporarily restricted* – net assets resulting from contributions and other inflows of assets whose use by UNH is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of UNH pursuant to those stipulations.
- *Permanently restricted* – net assets resulting from contributions and other inflows of assets whose use by UNH is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of UNH.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions expire in the same year are recorded as unrestricted.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, UNH considers all liquid investments available for current use and with an initial maturity of three months or less to be cash equivalent.

d. Grants and Dues Receivable

Contributions are recognized and a related receivable is recorded when the donor makes a pledge to UNH that is, in substance, unconditional. Government grants, which have been treated as exchange transactions, are recognized when the services have been performed. Dues that have been earned but not paid at year-end are recognized as income and a related receivable.

Management reviews all outstanding receivables for collectability and feels that all amounts are collectible. Hence, no reserve has been established.

e. Investments

Investments are recorded at fair market value. Fair market value 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 are included in income on the statement of activities.

f. 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 market value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets (generally five 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 expenses as incurred.

g. In-Kind Services

UNH records donated services if they either 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 fiscal year, UNH received \$16,000 of donated professional legal fees. This amount has been reflected in a separate support service on the statement of functional expenses.

UNH does not reflect in the financial statements individual volunteer time and services in connection with fundraising solicitations and various committee assignments. UNH receives more than 1,000 such volunteer hours per year.

h. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

i. 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 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.

- j. Accounting for Uncertainty of Income Taxes
 UNH has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of tax positions if they are more likely than not of being sustained. UNH does not believe its financial statements include any uncertain tax positions.
- k. Subsequent Events
 Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 29, 2011, 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.
- l. 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, 2009, from which the summarized information was derived.

Note 3. Investments

ASC 820 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

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 at December 31, 2010:

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$2,230,596	\$3,146,565
Fixed income mutual funds	<u>2,057,108</u>	<u>2,152,931</u>
Total	<u>\$4,287,704</u>	<u>\$5,299,496</u>

Investment gains consisted of the following:

Unrealized gain	\$420,078
Realized gain	<u>173,600</u>
Total investment gains	<u>\$593,678</u>

Note 4. Fixed Assets

Fixed assets consist of the following at December 31, 2010:

Furniture and fixtures	\$2,315
Office equipment	64,641
Leasehold improvements	<u>15,215</u>
Total	82,171
Less: accumulated depreciation and amortization	<u>(61,728)</u>
Total fixed assets	<u>\$20,443</u>

Note 5. Grants and Dues Receivable

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

Pledges	\$175,858
Government grants	40,000
Membership fees	<u>5,800</u>
Total	<u>\$221,658</u>

Note 6. Emergency Loan Fund for Settlement Houses

UNH lent the Fund for the City of New York (the "Fund") the funds necessary to create a loan pool whereby members of UNH may apply for loans under the Fund's cash flow loan program. The amount of the fund totaled \$150,000 at December 31, 2010, and is non-interest bearing.

Note 7. Advances from Funding Sources

During fiscal year 2003, UNH entered into an agreement with JP Morgan Chase Bank, as Trustee, and the Advisory Committee of the Helen DeKay Foundation (the "Foundation") to provide administrative services from UNH. Amounts received by UNH and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$16,500 at December 31, 2010.

Note 8. Temporarily Restricted Net Assets and Net Assets Released from 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 conducted by UNH. At December 31, 2010, temporarily restricted net assets were available for the following purposes:

	Beginning Balance <u>12/31/09</u>	Increases <u>Increases</u>	Released from Restrictions <u>Restrictions</u>	Ending Balance <u>12/31/10</u>
Time restricted:				
Endowment fund*	\$17,169	\$18,456	\$0	\$35,625
General	<u>130,000</u>	<u>175,000</u>	<u>(130,000)</u>	<u>175,000</u>
Total time restricted	<u>147,169</u>	<u>193,456</u>	<u>(130,000)</u>	<u>210,625</u>
Program restricted:				
Capacity Building - IT	0	10,000	0	10,000
Policy and Advocacy	95,795	90,000	(121,182)	64,613
Member Services	401,444	364,000	(424,291)	341,153
Special Projects	16,820	148,021	(154,434)	10,407
Scholarship	<u>66,811</u>	<u>0</u>	<u>(30,194)</u>	<u>36,617</u>
Total program restricted	<u>580,870</u>	<u>612,021</u>	<u>(730,101)</u>	<u>462,790</u>
Total	<u>\$728,039</u>	<u>\$805,477</u>	<u>(\$860,101)</u>	<u>\$673,415</u>

* Restated – See Note 9.

Note 9. Permanently Restricted Net Assets

In December 2001, UNH received a donation that was restricted by the donor to be held in perpetuity. UNH has elected to pool this with unrestricted investments that are not part of donor or board restricted endowments.

Interpretation of Relevant Law

On September 17, 2010, New York State adopted New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Directors of UNH has interpreted NYPMIFA as requiring certain amounts to 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.

Absent any specific donor-stipulations, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization.

Under previous law, the remaining portion of a donor-restricted endowment fund that was not classified in permanently restricted net assets was classified as unrestricted net assets on the financial statements. This change in law is reflected as a prior period adjustment and a reclassification of \$17,169 from the unrestricted class of net assets to the temporarily restricted class of net assets has been made.

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 of their endowment fund for future appropriation.

Changes in endowment net assets for the year ended December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$17,169	\$0	\$100,000	\$117,169
Net asset reclassification based on change in law	<u>(17,169)</u>	<u>17,169</u>	<u>0</u>	<u>0</u>
Endowment net assets after reclassification	0	17,169	100,000	117,169
Investment activity:				
Interest and dividends	0	3,712	0	3,712
Net gain on investments	<u>0</u>	<u>14,744</u>	<u>0</u>	<u>14,744</u>
Endowment net assets, end of year	<u><u>\$0</u></u>	<u><u>\$35,625</u></u>	<u><u>\$100,000</u></u>	<u><u>\$135,625</u></u>

All endowment net assets are donor restricted.

Endowment Investment Policies

UNH has adopted an investment policy for endowment assets consistent with the investment policy of their unrestricted 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, 2010.

Note 10. Grants to Member Organizations

Grants paid to member organizations totaled \$1,187,475 for the year.

Note 11. Commitments

UNH is obligated under a non cancellable operating lease for office space which expires in April 2017. In addition to the base rent, UNH is obligated to pay its pro rata share of real estate tax escalations, and certain other operating costs.

Rent expense charged to operations approximated \$173,330 in 2010.

Minimum lease commitments are summarized as follows:

December 31, 2011	\$163,126
December 31, 2012	174,988
December 31, 2013	183,723
December 31, 2014	189,235
December 31, 2015	194,912
Thereafter	<u>268,336</u>
Total	<u>\$1,174,320</u>

Rent expense has been 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.

In addition, UNH received a letter of credit for approximately \$38,000 from a local bank in connection with the security deposit required on the lease.

Note 12. Pension Plan

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 in 2010.

Note 13. Concentration of Credit Risk

Financial instruments which potentially subject UNH to concentration of credit risk consist of cash, money market accounts and investment securities.

UNH maintains cash balances and investment securities at financial institutions that they deem to be credit worthy and are primarily insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. From time to time, amounts may exceed insured levels. At year-end, there were no significant uninsured balances.