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Audited Financial Statements

December 31, 2015

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## **Independent Auditors' 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, 2015, 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.

### ***Auditors' 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 auditors' 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.

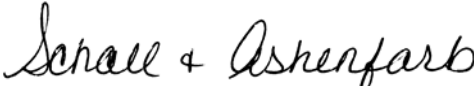
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

May 2, 2016

**UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2015**  
(With comparative totals at December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
<b>Assets</b>		
Cash and cash equivalents	\$939,701	\$718,582
Investments (Note 3)	7,575,930	7,881,014
Pledges and dues receivable (Note 5)	253,084	31,662
Prepaid expenses and other assets	45,708	45,825
Fixed assets, net (Note 4)	28,501	34,527
Investments held for endowment	229,996	226,470
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$9,072,920</u></u>	<u><u>\$8,938,080</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$216,116	\$124,181
Advances from funding sources (Note 6)	0	15,655
Government grant advances	0	34,436
Supplemental benefit payable (Note 10)	73,212	45,464
Deferred rent (Note 9)	37,227	58,808
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>326,555</u>	<u>278,544</u>
Net assets:		
Unrestricted	8,109,130	8,083,880
Temporarily restricted (Note 7)	537,235	475,656
Permanently restricted (Note 8)	100,000	100,000
	<u>                    </u>	<u>                    </u>
Total net assets	<u>8,746,365</u>	<u>8,659,536</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u><u>\$9,072,920</u></u>	<u><u>\$8,938,080</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, 2015**  
(With comparative totals for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 12/31/15</u>	<u>Total 12/31/14</u>
Public support and revenue:					
Public support:					
Foundation and trusts	\$711,449	\$552,287		\$1,263,736	\$992,412
Corporations and individuals	174,180	55,000		229,180	206,091
Government agencies	423,489			423,489	129,354
Special events (net of direct benefits to donor) (Note 11)	679,956			679,956	601,854
Total public support	<u>1,989,074</u>	<u>607,287</u>	<u>0</u>	<u>2,596,361</u>	<u>1,929,711</u>
Revenue:					
Membership dues	348,750			348,750	349,750
Interest and dividend income	129,688			129,688	140,249
Miscellaneous	476			476	29,323
Total revenue	<u>478,914</u>	<u>0</u>	<u>0</u>	<u>478,914</u>	<u>519,322</u>
Net assets released from restrictions (Note 7)	549,234	(549,234)		0	0
Total public support and revenue	<u>3,017,222</u>	<u>58,053</u>	<u>0</u>	<u>3,075,275</u>	<u>2,449,033</u>
Expenses:					
Program services:					
Member services	1,319,956			1,319,956	1,189,712
Policy and public education	633,065			633,065	654,378
Special projects				0	63,926
Total program services	<u>1,953,021</u>	<u>0</u>	<u>0</u>	<u>1,953,021</u>	<u>1,908,016</u>
Supporting services:					
Management and general	475,493			475,493	332,178
Fundraising	493,911			493,911	460,669
Total supporting services	<u>969,404</u>	<u>0</u>	<u>0</u>	<u>969,404</u>	<u>792,847</u>
Total expenses	<u>2,922,425</u>	<u>0</u>	<u>0</u>	<u>2,922,425</u>	<u>2,700,863</u>
Change in net assets from operations	94,797	58,053	0	152,850	(251,830)
Non-operating:					
Net (loss)/gain on investments (Note 3)	(69,547)	3,526		(66,021)	646,401
Change in net assets	25,250	61,579	0	86,829	394,571
Net assets - beginning of year	<u>8,083,880</u>	<u>475,656</u>	<u>100,000</u>	<u>8,659,536</u>	<u>8,264,965</u>
Net assets - end of year	<u><u>\$8,109,130</u></u>	<u><u>\$537,235</u></u>	<u><u>\$100,000</u></u>	<u><u>\$8,746,365</u></u>	<u><u>\$8,659,536</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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(With comparative totals for the year ended December 31, 2014)

	Program Services			Supporting Services		Total Expenses 12/31/15	Total Expenses 12/31/14	
	Member Services	Policy and Public Education	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$574,727	\$365,727	\$940,454	\$162,252	\$331,945	\$494,197	\$1,434,651	\$1,381,888
Payroll taxes and benefits	126,955	78,810	205,765	35,688	73,387	109,075	314,840	355,113
Total personnel services	701,682	444,537	1,146,219	197,940	405,332	603,272	1,749,491	1,737,001
Member agency grants	91,918		91,918			0	91,918	101,900
Travel, meetings and conferences	14,659	25,726	40,385	6,362	6,276	12,638	53,023	57,588
Occupancy and space rental	88,412	54,884	143,296	24,854	51,107	75,961	219,257	212,198
Consultants and professional fees	21,748	50,886	72,634	155,225	2,419	157,644	230,278	191,716
Office supplies and expenses	557	6,647	7,204	8,517	3,837	12,354	19,558	25,718
Printing, design and publications	5,499	516	6,015	15,334	14,135	29,469	35,484	49,528
Telephone and communications	2,033	60	2,093	31,424	130	31,554	33,647	35,668
Postage and mailings	250	22	272	4,943	3,325	8,268	8,540	9,920
Bank and credit card charges			0	6,712	41	6,753	6,753	6,439
Equipment rental, repairs and maintenance	2,708	1,681	4,389	761	1,565	2,326	6,715	8,346
Program expenses and scholarships	329,611	36,315	365,926			0	365,926	162,067
Dues and subscriptions	53,900	4,300	58,200	2,055	365	2,420	60,620	57,937
Insurance	6,649	4,128	10,777	1,869	3,843	5,712	16,489	15,844
Miscellaneous	330	3,363	3,693	7,450	1,536	8,986	12,679	17,368
Depreciation and amortization			0	12,047		12,047	12,047	11,625
<b>Total</b>	<b>\$1,319,956</b>	<b>\$633,065</b>	<b>\$1,953,021</b>	<b>\$475,493</b>	<b>\$493,911</b>	<b>\$969,404</b>	<b>\$2,922,425</b>	<b>\$2,700,863</b>

*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, 2015**  
(With comparative totals for the year ended December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
Cash flows from operating activities:		
Change in net assets	\$86,829	\$394,571
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	12,047	11,625
Net loss/(gain) on investments	66,021	(646,401)
Changes in assets and liabilities:		
Pledges and dues receivable	(221,422)	203,598
Prepaid expenses and other assets	117	(2,141)
Accounts payable and accrued expenses	91,935	(31,103)
Advances from funding sources	(15,655)	0
Government grant advances	(34,436)	8,835
Supplemental benefit payable	27,748	25,760
Deferred rent	<u>(21,581)</u>	<u>(15,904)</u>
Total adjustments	<u>(95,226)</u>	<u>(445,731)</u>
Net cash used for operating activities	<u>(8,397)</u>	<u>(51,160)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	(6,021)	(38,435)
Purchases of investments	(1,278,399)	(1,211,487)
Proceeds from sale of investments	<u>1,513,936</u>	<u>1,364,710</u>
Net cash provided by investing activities	<u>229,516</u>	<u>114,788</u>
Net increase in cash and cash equivalents	221,119	63,628
Cash and cash equivalents - beginning of year	<u>718,582</u>	<u>654,954</u>
Cash and cash equivalents - end of year	<u><u>\$939,701</u></u>	<u><u>\$718,582</u></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, 2015**

**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 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 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 accompanying 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 when received or paid.

b. Basis of Presentation

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

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to program nature or passage of time.
- *Permanently restricted* – relates to contributions of cash and other assets whereby all the assets must remain intact due to restrictions placed by the donor.

Contributions 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 they are received are recorded as unrestricted.

c. Cash and Cash Equivalents

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



d. 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 credit worthy. 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.

e. Contributions, 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 grant awards are classified as refundable advances until expended for the purposes of the grants since they have traits that bear a closer resemblance to exchange transactions. 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.

f. 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 are included in income on the statement of activities.

g. 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 (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 expense as incurred.

h. 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.

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.

i. 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.

j. 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.

k. 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, 2012 and later are subject to examination by applicable taxing authorities.

l. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through May 2, 2016, 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.

m. 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, 2014, from which the summarized information was derived.

**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>12/31/15</u>	<u>12/31/14</u>
Equity securities	\$5,786,632	\$5,889,533
Fixed income mutual funds	<u>2,019,294</u>	<u>2,217,951</u>
Total	<u>\$7,805,926</u>	<u>\$8,107,484</u>

Investments are summarized on the statement of financial position as follows:

	<u>12/31/15</u>	<u>12/31/14</u>
Investments	\$7,575,930	\$7,881,014
Investments held for endowment	<u>229,996</u>	<u>226,470</u>
Total	<u>\$7,805,926</u>	<u>\$8,107,484</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 investment income:

	<u>12/31/15</u>	<u>12/31/14</u>
Unrealized (loss)/gain	(\$616,187)	\$107,733
Realized gain	612,791	597,812
Investment fees	<u>(62,625)</u>	<u>(59,144)</u>
Total investment (loss)/gain	<u>(\$66,021)</u>	<u>\$646,401</u>

**Note 4. Fixed Assets**

Fixed assets consist of:

	<u>12/31/15</u>	<u>12/31/14</u>
Office equipment	\$71,371	\$65,350
Leasehold improvements	<u>14,850</u>	<u>14,850</u>
	86,221	80,200
Less: accumulated depreciation and amortization	<u>(57,720)</u>	<u>(45,673)</u>
Total fixed assets	<u>\$28,501</u>	<u>\$34,527</u>

**Note 5. Pledges and Dues Receivable**

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

	<u>12/31/15</u>	<u>12/31/14</u>
Pledges	\$57,924	\$29,162
Grants	185,060	0
Membership fees	<u>10,100</u>	<u>2,500</u>
Total	<u>\$253,084</u>	<u>\$31,662</u>

**Note 6. 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 to provide administrative services performed by UNH. Amounts received by UNH and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$15,655 at December 31, 2014.

In July 2015, JP Morgan Chase approved the reallocation of these funds and the advance was recognized as revenue during the year ended December 31, 2015.

**Note 7. 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.

Activity in the temporarily restricted class of net assets is as follows:

	December 31, 2015			
	Beginning Balance <u>1/1/15</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/15</u>
Program restricted:				
Policy and Advocacy	\$9,975	\$0	(\$9,975)	\$0
Member Services	192,750	407,287	(375,344)	224,693
Food Access Project	0	105,000	(15,253)	89,747
Talent Development	84,977	80,000	(88,178)	76,799
Computer Equipment	4,484	0	(4,484)	0
Scholarship	<u>2,000</u>	<u>0</u>	<u>(1,000)</u>	<u>1,000</u>
Total program restricted	<u>294,186</u>	<u>592,287</u>	<u>(494,234)</u>	<u>392,239</u>
Time restricted:				
General	<u>55,000</u>	<u>15,000</u>	<u>(55,000)</u>	<u>15,000</u>
Total time restricted	<u>55,000</u>	<u>15,000</u>	<u>(55,000)</u>	<u>15,000</u>
Total restricted contributions	349,186	607,287	(549,234)	407,239
Endowment fund	<u>126,470</u>	<u>3,526</u>	<u>0</u>	<u>129,996</u>
Total	<u>\$475,656</u>	<u>\$610,813</u>	<u>(\$549,234)</u>	<u>\$537,235</u>

	December 31, 2014			
	Beginning Balance <u>1/1/14</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/14</u>
Program restricted:				
Policy and Advocacy	\$117,703	\$140,000	(\$247,728)	\$9,975
Member Services	433,757	305,630	(546,637)	192,750
Food Access Project	100,000	0	(100,000)	0
Talent Development	0	130,000	(45,023)	84,977
Computer Equipment	0	10,000	(5,516)	4,484
Scholarship	<u>3,000</u>	<u>0</u>	<u>(1,000)</u>	<u>2,000</u>
Total program restricted	<u>654,460</u>	<u>585,630</u>	<u>(945,904)</u>	<u>294,186</u>
Time restricted:				
General	<u>12,000</u>	<u>55,000</u>	<u>(12,000)</u>	<u>55,000</u>
Total time restricted	<u>12,000</u>	<u>55,000</u>	<u>(12,000)</u>	<u>55,000</u>
Total restricted contributions	666,460	640,630	(957,904)	349,186
Endowment fund	<u>103,834</u>	<u>22,636</u>	<u>0</u>	<u>126,470</u>
Total	<u>\$770,294</u>	<u>\$663,266</u>	<u>(\$957,904)</u>	<u>\$475,656</u>

## **Note 8. Permanently Restricted Net Assets**

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

### *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.

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 UNH.

### *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, 2015</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$126,470	\$100,000	\$226,470
Investment activity:			
Interest and dividends	3,621	0	3,621
Net loss on investments	<u>(95)</u>	<u>0</u>	<u>(95)</u>
Endowment net assets, end of year	<u>\$129,996</u>	<u>\$100,000</u>	<u>\$229,996</u>

	<u>December 31, 2014</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$103,834	\$100,000	\$203,834
Investment activity:			
Interest and dividends	3,749	0	3,749
Net gain on investments	<u>18,887</u>	<u>0</u>	<u>18,887</u>
Endowment net assets, end of year	<u>\$126,470</u>	<u>\$100,000</u>	<u>\$226,470</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, 2014 or 2013.

**Note 9. 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 \$173,000 in both 2015 and 2014.

Minimum lease commitments are summarized as follows:

For the year ending:	December 31, 2016	\$200,759
	December 31, 2017	<u>67,576</u>
Total		<u>\$268,335</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 10. 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 \$101,000 and \$116,000 in 2015 and 2014, respectively.

UNH had a supplemental benefit agreement with its executive director, who recently vacated her position. Under this agreement, supplemental benefits were accrued on a quarterly basis up to agreed-upon limits. Subsequent to year end, the full liability was paid out.

**Note 11. Fundraising Events**

UNH holds an annual benefit. The event proceeds are summarized as follows:

	<u>12/31/15</u>	<u>12/31/14</u>
Special event revenue	\$744,134	\$657,084
Less: expenses with direct benefit to donors	<u>(64,178)</u>	<u>(55,230)</u>
Net revenue from special event	679,956	601,854
Less: other event expenses	<u>(18,705)</u>	<u>(26,796)</u>
Net income from special event	<u>\$661,251</u>	<u>\$575,058</u>

**Note 12. Related Party Transaction**

The members consist of settlement houses served by UNH. Total grants to members were \$91,918 and \$101,900 for 2015 and 2014, respectively.