



Audited Financial Statements

December 31, 2016



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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, 2016, 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.

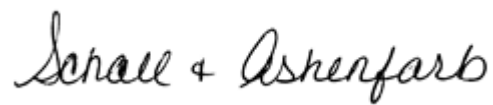
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

May 22, 2017

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016
(With comparative totals at December 31, 2015)

	<u>12/31/16</u>	<u>12/31/15</u>
Assets		
Cash and cash equivalents	\$744,630	\$939,701
Investments (Note 3)	7,589,072	7,575,930
Pledges and dues receivable (Note 5)	299,494	253,084
Prepaid expenses and other assets	73,313	45,708
Fixed assets, net (Note 4)	117,179	28,501
Security deposit	118,481	0
Investments held for endowment	249,422	229,996
	<u> </u>	<u> </u>
Total assets	<u>\$9,191,591</u>	<u>\$9,072,920</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$199,474	\$216,116
Supplemental benefit payable (Note 9)	0	73,212
Deferred rent (Note 8)	9,799	37,227
	<u> </u>	<u> </u>
Total liabilities	<u>209,273</u>	<u>326,555</u>
Net assets:		
Unrestricted	8,387,649	8,109,130
Temporarily restricted (Note 6)	494,669	537,235
Permanently restricted (Note 7)	100,000	100,000
	<u> </u>	<u> </u>
Total net assets	<u>8,982,318</u>	<u>8,746,365</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$9,191,591</u>	<u>\$9,072,920</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, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 12/31/16</u>	<u>Total 12/31/15</u>
Public support and revenue:					
Public support:					
Foundation and trusts	\$797,370	\$443,500		\$1,240,870	\$1,263,736
Corporations and individuals	213,083	2,450		215,533	229,180
In-kind contribution	60,000			60,000	0
Government agencies	436,918			436,918	423,489
Special event (net of expenses with a direct benefit to donor) (Note 10)	588,656			588,656	679,956
Total public support	<u>2,096,027</u>	<u>445,950</u>	<u>0</u>	<u>2,541,977</u>	<u>2,596,361</u>
Revenue:					
Membership dues	349,750			349,750	348,750
Interest and dividend income	184,290			184,290	129,688
Miscellaneous	4,595			4,595	476
Total revenue	<u>538,635</u>	<u>0</u>	<u>0</u>	<u>538,635</u>	<u>478,914</u>
Net assets released from restrictions (Note 6)	507,942	(507,942)		0	0
Total public support and revenue	<u>3,142,604</u>	<u>(61,992)</u>	<u>0</u>	<u>3,080,612</u>	<u>3,075,275</u>
Expenses:					
Program services:					
Member services	1,618,125			1,618,125	1,319,956
Policy and public education	706,804			706,804	633,065
Total program services	<u>2,324,929</u>	<u>0</u>	<u>0</u>	<u>2,324,929</u>	<u>1,953,021</u>
Supporting services:					
Management and general	464,996			464,996	475,493
Fundraising	531,385			531,385	493,911
Total supporting services	<u>996,381</u>	<u>0</u>	<u>0</u>	<u>996,381</u>	<u>969,404</u>
Total expenses	<u>3,321,310</u>	<u>0</u>	<u>0</u>	<u>3,321,310</u>	<u>2,922,425</u>
Change in net assets from operations	(178,706)	(61,992)	0	(240,698)	152,850
Non-operating:					
Net gain/(loss) on investments (Note 3)	457,225	19,426		476,651	(66,021)
Change in net assets	278,519	(42,566)	0	235,953	86,829
Net assets - beginning of year	8,109,130	537,235	100,000	8,746,365	8,659,536
Net assets - end of year	<u>\$8,387,649</u>	<u>\$494,669</u>	<u>\$100,000</u>	<u>\$8,982,318</u>	<u>\$8,746,365</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, 2016
(With comparative totals for the year ended December 31, 2015)

	Program Services			Supporting Services			Total Expenses 12/31/16	Total Expenses 12/31/15
	Member Services	Policy and Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$703,652	\$414,157	\$1,117,809	\$183,016	\$354,546	\$537,562	\$1,655,371	\$1,434,651
Payroll taxes and benefits	173,575	102,163	275,738	45,146	87,458	132,604	408,342	314,840
Total personnel services	<u>877,227</u>	<u>516,320</u>	<u>1,393,547</u>	<u>228,162</u>	<u>442,004</u>	<u>670,166</u>	<u>2,063,713</u>	<u>1,749,491</u>
Member agency grants	121,018		121,018			0	121,018	91,918
Travel, meetings and conferences	13,758	19,550	33,308	4,347	7,329	11,676	44,984	53,023
Occupancy and space rental	94,826	55,813	150,639	24,664	47,780	72,444	223,083	219,257
Consultants and professional fees (including in-kind) (Note 2h)	18,893	45,057	63,950	137,163	3,778	140,941	204,891	230,278
Office supplies and expenses	11,158	7,728	18,886	9,200	2,636	11,836	30,722	19,558
Printing, design and publications	157	1,005	1,162	18,342	7,539	25,881	27,043	35,484
Telephone and communications	13,643	8,030	21,673	3,549	6,874	10,423	32,096	33,647
Postage and mailings	230	11	241	6,492	4,902	11,394	11,635	8,540
Bank and credit card charges			0	7,054		7,054	7,054	6,753
Equipment rental, repairs and maintenance	4,224	2,486	6,710	1,098	2,128	3,226	9,936	6,715
Program expenses and scholarships	400,131	43,630	443,761			0	443,761	365,926
Dues and subscriptions	55,325	2,150	57,475	940		940	58,415	60,620
Insurance	7,516	4,424	11,940	1,955	3,787	5,742	17,682	16,489
Miscellaneous	19	600	619	11,726	2,628	14,354	14,973	12,679
Depreciation and amortization			0	10,304		10,304	10,304	12,047
Total	<u>\$1,618,125</u>	<u>\$706,804</u>	<u>\$2,324,929</u>	<u>\$464,996</u>	<u>\$531,385</u>	<u>\$996,381</u>	<u>\$3,321,310</u>	<u>\$2,922,425</u>

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, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>12/31/16</u>	<u>12/31/15</u>
Cash flows from operating activities:		
Change in net assets	\$235,953	\$86,829
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	10,304	12,047
Net (gain)/loss on investments	(476,651)	66,021
Changes in assets and liabilities:		
Pledges and dues receivable	(46,410)	(221,422)
Prepaid expenses and other assets	(27,605)	117
Security deposit	(118,481)	0
Accounts payable and accrued expenses	(16,642)	91,935
Advances from funding sources	0	(15,655)
Government grant advances	0	(34,436)
Supplemental benefit payable	(73,212)	27,748
Deferred rent	(27,428)	(21,581)
	<u>(776,125)</u>	<u>(95,226)</u>
Total adjustments		
Net cash used for operating activities	<u>(540,172)</u>	<u>(8,397)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	(98,982)	(6,021)
Purchases of investments	(466,880)	(1,278,399)
Proceeds from sale of investments	910,963	1,513,936
	<u>345,101</u>	<u>229,516</u>
Net cash provided by investing activities		
Net (decrease)/ increase in cash and cash equivalents	(195,071)	221,119
Cash and cash equivalents - beginning of year	<u>939,701</u>	<u>718,582</u>
Cash and cash equivalents - end of year	<u>\$744,630</u>	<u>\$939,701</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, 2016

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 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 the 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. Revenue Recognition

Contributions are recognized and a related receivable is recorded when the donor makes an unconditional pledge to UNH.

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. During the year ended December 31, 2016, UNH received in-kind professional services of \$60,000, which were 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.

- 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, 2013 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 22, 2017, 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, 2015, from which the summarized information was derived.
- n. New Accounting Pronouncements
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, 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.

UNH has not yet evaluated 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>12/31/16</u>	<u>12/31/15</u>
Equity securities	\$5,934,504	\$5,786,632
Fixed income mutual funds	<u>1,903,990</u>	<u>2,019,294</u>
Total	<u>\$7,838,494</u>	<u>\$7,805,926</u>

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

	<u>12/31/16</u>	<u>12/31/15</u>
Investments	\$7,589,072	\$7,575,930
Investments held for endowment	<u>249,422</u>	<u>229,996</u>
Total	<u>\$7,838,494</u>	<u>\$7,805,926</u>

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

The following summarizes investment income:

	<u>12/31/16</u>	<u>12/31/15</u>
Unrealized gain/(loss)	\$485,365	(\$616,187)
Realized gain	53,495	612,791
Investment fees	<u>(62,209)</u>	<u>(62,625)</u>
Total investment gain/(loss)	<u>\$476,651</u>	<u>(\$66,021)</u>

Note 4. Fixed Assets

Fixed assets consist of:

	<u>12/31/16</u>	<u>12/31/15</u>
Office equipment	\$71,371	\$71,371
Leasehold improvements	<u>113,832</u>	<u>14,850</u>
	185,203	86,221
Less: accumulated depreciation and amortization	<u>(68,024)</u>	<u>(57,720)</u>
Total fixed assets	<u>\$117,179</u>	<u>\$28,501</u>

Note 5. Pledges and Dues Receivable

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

	<u>12/31/16</u>	<u>12/31/15</u>
Pledges	\$7,727	\$57,924
Grants	279,467	185,060
Membership fees	<u>12,300</u>	<u>10,100</u>
Total	<u>\$299,494</u>	<u>\$253,084</u>

Note 6. 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:

	<u>December 31, 2016</u>			
	Beginning Balance <u>1/1/16</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/16</u>
Program restricted:				
Policy and advocacy	\$0	\$82,500	(\$53,912)	\$28,588
Member services	301,492	310,000	(362,028)	249,464
Food Access project	89,747	0	(76,002)	13,745
Equipment	0	10,000	0	10,000
Staff development	0	5,000	0	5,000
Scholarship	<u>1,000</u>	<u>2,450</u>	<u>(1,000)</u>	<u>2,450</u>
Total program restricted	<u>392,239</u>	<u>409,950</u>	<u>(492,942)</u>	<u>309,247</u>
Time restricted:				
General	<u>15,000</u>	<u>36,000</u>	<u>(15,000)</u>	<u>36,000</u>
Total time restricted	<u>15,000</u>	<u>36,000</u>	<u>(15,000)</u>	<u>36,000</u>
Total restricted contributions	407,239	445,950	(507,942)	345,247
Endowment fund	<u>129,996</u>	<u>19,426</u>	<u>0</u>	<u>149,422</u>
Total	<u>\$537,235</u>	<u>\$465,376</u>	<u>(\$507,942)</u>	<u>\$494,669</u>

	<u>December 31, 2015</u>			
	<u>Beginning</u> <u>Balance</u> <u>1/1/15</u>	<u>Increases</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Ending</u> <u>Balance</u> <u>12/31/15</u>
Program restricted:				
Policy and advocacy	\$9,975	\$0	(\$9,975)	\$0
Member services	277,727	487,287	(463,522)	301,492
Food Access project	0	105,000	(15,253)	89,747
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>

Note 7. 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, 2016</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$129,996	\$100,000	\$229,996
Investment activity:			
Interest and dividends	5,382	0	5,382
Net gain on investments	<u>14,044</u>	<u>0</u>	<u>14,044</u>
Endowment net assets, end of year	<u>\$149,422</u>	<u>\$100,000</u>	<u>\$249,422</u>
	<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>

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, 2016 or 2015.

Note 8. Commitments

During the year ended December 31, 2016, UNH occupied office space under a non-cancellable operating lease that expired in April 2017. UNH received a letter of credit for approximately \$38,000 from a local bank in connection with the security deposit required on this lease.

In November 2016, UNH entered into a non-cancellable operating lease agreement for a new office space. The lease commenced in April 2017 and expires in August 2027. UNH paid a security deposit of \$118,481.

Minimum lease commitments are summarized as follows:

Year ending:	December 31, 2017	\$168,391
	December 31, 2018	305,217
	December 31, 2019	313,611
	December 31, 2020	322,235
	December 31, 2021	331,097
	Thereafter	<u>2,054,562</u>
Total		<u>\$3,495,113</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 \$173,000 in both 2016 and 2015.

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 \$119,000 and \$101,000 in 2016 and 2015, 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. During the year ended December 31, 2016, the full liability was paid out.

Note 10. Special Event

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

	<u>12/31/16</u>	<u>12/31/15</u>
Special event revenue	\$656,030	\$744,134
Less: expenses with a direct benefit to donor	<u>(67,374)</u>	<u>(64,178)</u>
	588,656	679,956
Less: other event expenses	<u>(13,367)</u>	<u>(18,705)</u>
Net income from special event	<u>\$575,289</u>	<u>\$661,251</u>

Note 11. Related Party Transactions

The members consist of settlement houses served by UNH. Total grants to members were \$121,018 and \$91,918 for 2016 and 2015, respectively.