

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

Audited Financial Statements

December 31, 2007

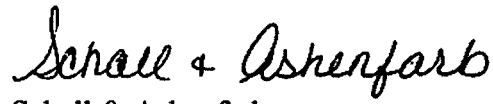
INDEPENDENT AUDITORS' REPORT

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, 2007, 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.

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, 2007, 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

March 31, 2008

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2007

Assets

Cash and cash equivalents (Notes 2c)	\$1,464,077
Investments (Notes 2e and 3)	5,081,069
Pledges receivable (Note 2d)	301,537
Prepaid expenses and other assets	3,175
Emergency loan fund for settlement houses (Note 6)	150,000
Fixed assets, net (Note 4)	<u>18,115</u>
Total assets	<u><u>\$7,017,973</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$116,521
Deferred membership fees	14,300
Advances from funding sources (Note 7)	<u>109,008</u>
Total liabilities	<u>239,829</u>
Net assets: (Note 2b)	
Unrestricted	5,254,174
Temporarily restricted (Note 8)	1,423,970
Permanently restricted (Note 9)	<u>100,000</u>
Total net assets	<u>6,778,144</u>
Total liabilities and net assets	<u><u>\$7,017,973</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, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Foundation and trusts	\$160,000	\$2,030,737		\$2,190,737
Corporations and individuals	116,145			116,145
In-kind services (Note 2g)	20,887			20,887
Government agencies	74,036			74,036
Special events (net of direct expenses of \$31,016)	624,914			624,914
Total public support	<u>995,982</u>	<u>2,030,737</u>	<u>0</u>	<u>3,026,719</u>
Revenue:				
Membership dues	270,500			270,500
Interest and investment income	162,780			162,780
Net gain on investments	375,031			375,031
Miscellaneous	29,363			29,363
Total revenue	<u>837,674</u>	<u>0</u>	<u>0</u>	<u>837,674</u>
Net assets released from restrictions (Notes 8)	1,557,489	(1,557,489)		0
Total public support and revenue	<u>3,391,145</u>	<u>473,248</u>	<u>0</u>	<u>3,864,393</u>
Expenses:				
Program services:				
Member agency support	673,669			673,669
Policy and public education	873,940			873,940
DeKay foundation	129,888			129,888
Member services	585,380			585,380
Total program services	<u>2,262,877</u>	<u>0</u>	<u>0</u>	<u>2,262,877</u>
Supporting services:				
Management and general	324,875			324,875
Fundraising	339,691			339,691
Total supporting services	<u>664,566</u>	<u>0</u>	<u>0</u>	<u>664,566</u>
Total expenses	<u>2,927,443</u>	<u>0</u>	<u>0</u>	<u>2,927,443</u>
Change in net assets	463,702	473,248	0	936,950
Reclass	(10,000)	10,000		0
Net assets - beginning of year	4,800,472	940,722	100,000	5,841,194
Net assets - end of year	<u>\$5,254,174</u>	<u>\$1,423,970</u>	<u>\$100,000</u>	<u>\$6,778,144</u>

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UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services				Supporting Services				Total Expenses
	Member Agency Support	Policy and Public Education	DeKay Foundation	Member Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$57,221	\$436,986	\$74,905	\$248,367	\$817,479	\$124,903	\$135,427	\$260,330	\$1,077,809
Payroll taxes and benefits	15,882	116,968	22,404	67,774	223,028	17,666	45,503	63,169	286,197
Total personnel services	73,103	553,954	97,309	316,141	1,040,507	142,569	180,930	323,499	1,364,006
Grants (Note 10)	594,580				594,580			0	594,580
Travel, meetings and conferences	20	9,658	5,039	2,614	17,331	15,836	1,517	17,353	34,684
Occupancy and space rental		58,562	12,750	38,260	109,572	55,895	35,581	91,476	201,048
Consultants and professional fees (including in-kind of \$6,488)	3,813	144,112	8,937	114,423	271,285	37,547	88,929	126,476	397,761
Office supplies and expenses (including in-kind of \$14,399)	779	18,689	1,807	2,334	23,609	3,642	10,651	14,293	37,902
Printing, design and publications		1,499	243	21	1,763	644	12,653	13,297	15,060
Telephone and communications		4,833	697	3,195	8,725	1,647	2,804	4,451	13,176
Postage and mailings		1,724	1,622	1,145	4,491	2,244	920	3,164	7,655
Investment fees and bank charges					0	38,947		38,947	38,947
Equipment rental, repairs and maintenance		2,278		1,477	3,755	1,720	1,371	3,091	6,846
Program expenses	1,374	43,808		101,361	146,543			0	146,543
Dues and subscriptions		28,650		400	29,050	2,951	615	3,566	32,616
Insurance		6,012	1,324	3,899	11,235	2,366	3,620	5,986	17,221
Miscellaneous		161	160	110	431	6,656	100	6,756	7,187
Depreciation					0	12,211		12,211	12,211
Total	\$673,669	\$873,940	\$129,888	\$585,380	\$2,262,877	\$324,875	\$339,691	\$664,566	\$2,927,443

*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, 2007

Cash flows from operating activities:	
Change in net assets	\$936,950
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:	
Depreciation expense	12,211
Net gain on investments	(375,031)
Donated marketable securities	(821,555)
Change in current operating items:	
Increase in pledges receivable	(81,226)
Decrease in prepaid expenses and other assets	10,496
Increase in accounts payable and accrued expenses	15,061
Increase in deferred membership fees	14,300
Increase in advances from funding sources	99,364
	<u> </u>
Total adjustments	<u>(1,126,380)</u>
Net cash used for operating activities	<u>(189,430)</u>
Cash flows from investing activities:	
Fixed asset acquisition and leasehold improvements	(6,864)
Purchases of investments	(365,669)
Proceeds from sale of investments	455,837
Net transfers	683,000
	<u> </u>
Net cash provided by investing activities	<u>766,304</u>
Net increase in cash and cash equivalents	576,874
Cash and cash equivalents - beginning of year	<u>887,203</u>
Cash and cash equivalents - end of year	<u><u>\$1,464,077</u></u>

There was no interest or taxes paid during the year.

*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, 2007

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 is exempt under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code. They have not been designated as a private foundation under Section 509(a).

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

UNH follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the classification of a not-for-profit organization’s net assets and support are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets be reported in their statements of financial position and activities. These classes are defined 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. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

- *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.

UNH also follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received whose restrictions expire in the same year are recorded as unrestricted.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

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. Pledges Receivable

Contributions are recognized when the donor makes a pledge to UNH that is, in substance, unconditional. Unconditional pledges receivable are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the contributions are received to discount the amounts.

e. Investments at Fair Value

Investments in equity securities and fixed income mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Realized gains and losses on sales of equity securities are recognized on the average cost method.

f. Fixed Assets

Depreciation and amortization of furniture, equipment and leasehold improvements are computed over the estimated useful lives of five years 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. Donated Services
SFAS No. 116 requires donated services to be recorded 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 fiscal year, UNH received \$6,488 of donated professional legal fees and \$14,399 of donated office supplies and equipment. These amounts were allocated 100% to management and general 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. Income Taxes
For Federal income tax purposes, UNH qualifies as 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) of the Code. 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.

- 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 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.

Note 3. Investments at Fair Value

Investments at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$2,433,310	\$3,262,139
Fixed income mutual funds	<u>1,857,786</u>	<u>1,818,930</u>
Total	<u>\$4,291,096</u>	<u>\$5,081,069</u>

Note 4. Fixed Assets

Fixed assets consist of the following at December 31, 2007:

Furniture and fixtures	\$61,280
Office equipment	207,920
Leasehold improvements	<u>17,556</u>
Total	286,756
Less: accumulated depreciation and amortization	<u>(268,641)</u>
Total fixed assets	<u>\$18,115</u>

Note 5. Pledges Receivable

All pledges are due in less than one year. Management has determined that no reserve for uncollectables is needed.

Note 6. Emergency Loan Fund for Settlement Houses

UNH has agreed to lend, on a non interest-bearing basis, 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, 2007.

Note 7. Advances from Funding Sources

During fiscal 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 to the Foundation. Amounts received from the Foundation and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$99,916 at December 31, 2007. UNH has a similar agreement with another organization that totaled \$5,683 at year end.

The remaining balance consists of funds received from other funding sources in advance of the recognition of the revenue.

Note 8. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets are restricted 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, 2007, temporarily restricted net assets were available for the following purposes:

	Beginning Balance <u>12/31/06</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/07</u>
Time Restricted	\$122,500	\$50,000	(\$67,500)	\$105,000
Program Restricted:				
Policy and Advocacy	156,476	795,050	(751,545)	199,981
Member Services	320,772	1,034,500	(491,667)	863,605
Scholarship	296,938	0	(63,081)	233,857
Internship	53,792	18,000	(53,808)	17,984
DeKay Foundation	<u>244</u>	<u>133,187</u>	<u>(129,888)</u>	<u>3,543</u>
Total Program				
Restricted	<u>828,222</u>	<u>1,980,737</u>	<u>(1,489,989)</u>	<u>1,318,970</u>
Total	<u>\$950,722</u>	<u>\$2,030,737</u>	<u>(\$1,557,489)</u>	<u>\$1,423,970</u>

Note 9. Permanently Restricted Net Assets

At December 31, 2007, donor-restricted contributions held in perpetuity, the income from which is expendable, is as follows:

Endowment Fund	<u>\$100,000</u>
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Note 10. Grants

Grants paid to member organizations totaled \$594,580 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 \$154,000 in 2007.

Minimum lease commitments are summarized as follows:

December 31, 2008	\$149,282
December 31, 2009	153,761
December 31, 2010	158,374
December 31, 2011	163,126
December 31, 2012	174,988
Thereafter	<u>836,204</u>
Total	<u>\$1,635,735</u>

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 \$89,735 in 2007.

Note 13. Concentration of Credit Risk

UNH maintains cash balances at credit worthy financial institutions that are insured up to \$100,000. At year-end, uninsured balances were approximately \$1,200,000.