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

Audited Financial Statements

December 31, 2008

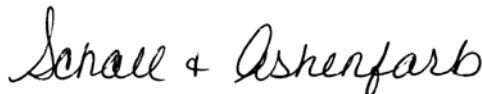
INDEPENDENT AUDITORS' REPORT

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, 2008, 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, 2007 financial statements and, in our report dated March 31, 2008 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, 2008, 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

May 11, 2009

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2008
(With comparative totals as of December 31, 2007)

	<u>12/31/08</u>	<u>12/31/07</u>
Assets		
Cash and cash equivalents (Notes 2c)	\$1,091,270	\$1,464,077
Investments (Notes 2e and 3)	3,765,384	5,081,069
Pledges receivable (Notes 2d and 5)	206,833	301,537
Prepaid expenses and other assets	0	3,175
Emergency loan fund for settlement houses (Note 6)	150,000	150,000
Fixed assets, net (Notes 2f and 4)	<u>11,835</u>	<u>18,115</u>
Total assets	<u><u>\$5,225,322</u></u>	<u><u>\$7,017,973</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$111,369	\$116,521
Deferred membership fees	23,350	14,300
Advances from funding sources (Note 7)	49,409	109,008
Deferred rent (Note 11)	<u>42,031</u>	<u>0</u>
Total liabilities	<u>226,159</u>	<u>239,829</u>
Net assets: (Note 2b)		
Unrestricted	3,924,842	5,254,174
Temporarily restricted (Note 8)	974,321	1,423,970
Permanently restricted (Note 9)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>4,999,163</u>	<u>6,778,144</u>
Total liabilities and net assets	<u><u>\$5,225,322</u></u>	<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, 2008
(With comparative totals for the year ended December 31, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 12/31/08</u>	<u>Total 12/31/07</u>
Operating:					
Public support and revenue:					
Public support:					
Foundation and trusts	\$629,450	\$1,072,975		\$1,702,425	\$2,190,737
Corporations and individuals	143,697			143,697	116,145
In-kind services (Note 2g)	7,504			7,504	20,887
Government agencies	15,190			15,190	74,036
Special events (net of direct expenses of \$54,800)	513,670			513,670	624,914
Total public support	<u>1,309,511</u>	<u>1,072,975</u>	<u>0</u>	<u>2,382,486</u>	<u>3,026,719</u>
Revenue:					
Membership dues	287,500			287,500	270,500
Interest and investment income	154,972			154,972	162,780
Miscellaneous	1,480			1,480	29,363
Total revenue	<u>443,952</u>	<u>0</u>	<u>0</u>	<u>443,952</u>	<u>462,643</u>
Net assets released from restrictions (Notes 8)	<u>1,522,624</u>	<u>(1,522,624)</u>		<u>0</u>	<u>0</u>
Total public support and revenue	<u>3,276,087</u>	<u>(449,649)</u>	<u>0</u>	<u>2,826,438</u>	<u>3,489,362</u>
Expenses:					
Program services:					
Member agency support	638,511			638,511	673,669
Policy and public education	727,524			727,524	873,940
DeKay foundation	157,494			157,494	129,888
Member services	967,838			967,838	585,380
Total program services	<u>2,491,367</u>	<u>0</u>	<u>0</u>	<u>2,491,367</u>	<u>2,262,877</u>
Supporting services:					
Management and general	360,670			360,670	324,875
Fundraising	509,600			509,600	339,691
Total supporting services	<u>870,270</u>	<u>0</u>	<u>0</u>	<u>870,270</u>	<u>664,566</u>
Total expenses	<u>3,361,637</u>	<u>0</u>	<u>0</u>	<u>3,361,637</u>	<u>2,927,443</u>
Change in net assets from operations	(85,550)	(449,649)	0	(535,199)	561,919
Non-operating:					
Net gain/(loss) on investments	<u>(1,243,782)</u>			<u>(1,243,782)</u>	<u>375,031</u>
Change in net assets	(1,329,332)	(449,649)	0	(1,778,981)	936,950
Net assets - beginning of year	<u>5,254,174</u>	<u>1,423,970</u>	<u>100,000</u>	<u>6,778,144</u>	<u>5,841,194</u>
Net assets - end of year	<u>\$3,924,842</u>	<u>\$974,321</u>	<u>\$100,000</u>	<u>\$4,999,163</u>	<u>\$6,778,144</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, 2008
(With comparative totals for the year ended December 31, 2007)

	Program Services				Supporting Services			Total Expenses 12/31/08	Total Expenses 12/31/07	
	Member Agency Support	Policy and Public Education	DeKay Foundation	Member Services	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$125,281	\$393,699	\$85,371	\$253,798	\$858,149	\$120,301	\$293,519	\$413,820	\$1,271,969	\$1,077,809
Payroll taxes and benefits	35,401	84,530	23,172	70,024	213,127	66,777	66,364	133,141	346,268	286,197
Total personnel services	160,682	478,229	108,543	323,822	1,071,276	187,078	359,883	546,961	1,618,237	1,364,006
Grants (Note 10)	386,640				386,640			0	386,640	594,580
Travel, meetings and conferences	1,314	10,457	1,462	3,907	17,140	24,327	2,608	26,935	44,075	34,684
Occupancy and space rental		77,700	25,045	51,021	153,766	22,065	47,893	69,958	223,724	201,048
Consultants and professional fees (including in-kind of \$4,220)	31,500	97,821	12,831	216,886	359,038	21,964	51,448	73,412	432,450	397,761
Office supplies and expenses (including in-kind of \$3,284)	83	4,645	2,176	3,559	10,463	9,808	9,193	19,001	29,464	37,902
Printing, design and publications	21	699	71		791	1,090	21,562	22,652	23,443	15,060
Telephone and communications	21	4,823	1,122	3,312	9,278	2,230	2,898	5,128	14,406	13,176
Postage and mailings		1,306	1,568	1,533	4,407	1,242	5,407	6,649	11,056	7,655
Investment fees and bank charges					0	36,444	2,228	38,672	38,672	38,947
Equipment rental, repairs and maintenance		2,912	2,598	1,420	6,930	659	1,318	1,977	8,907	6,846
Program expenses	58,250	43,284		358,638	460,172			0	460,172	146,543
Dues and subscriptions		946	338	250	1,534	34,953	100	35,053	36,587	32,616
Insurance		4,702	1,065	3,490	9,257	6,347	3,294	9,641	18,898	17,221
Miscellaneous			675		675	6,183	1,768	7,951	8,626	7,187
Depreciation					0	6,280		6,280	6,280	12,211
Total	\$638,511	\$727,524	\$157,494	\$967,838	\$2,491,367	\$360,670	\$509,600	\$870,270	\$3,361,637	\$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, 2008
(With comparative totals for the year ended December 31, 2007)

	<u>12/31/08</u>	<u>12/31/07</u>
Cash flows from operating activities:		
Change in net assets	(\$1,778,981)	\$936,950
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation expense	6,280	12,211
Net loss/(gain) on investments	1,243,782	(375,031)
Donated marketable securities	(101,012)	(821,555)
Change in current operating items:		
Pledges receivable	94,704	(81,226)
Prepaid expenses and other assets	3,175	10,496
Accounts payable and accrued expenses	(5,152)	15,061
Deferred membership fees	9,050	14,300
Advances from funding sources	(59,599)	99,364
Deferred rent	42,031	0
	<u>1,233,259</u>	<u>(1,126,380)</u>
Total adjustments		
Net cash used for operating activities	<u>(545,722)</u>	<u>(189,430)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	0	(6,864)
Purchases of investments	(507,819)	(365,669)
Proceeds from sale of investments	595,734	455,837
Net transfers to operations	85,000	683,000
	<u>172,915</u>	<u>766,304</u>
Net cash provided by investing activities		
Net (decrease)/increase in cash and cash equivalents	(372,807)	576,874
Cash and cash equivalents - beginning of year	<u>1,464,077</u>	<u>887,203</u>
Cash and cash equivalents - end of year	<u>\$1,091,270</u>	<u>\$1,464,077</u>
Interest & taxes paid	<u>\$0</u>	<u>\$0</u>

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are an integral part of these financial statements.*

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.
- *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 due in more than one year are recorded at the present value of anticipated cash inflows, using risk-free interest rates.

e. Investments

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

Fixed assets are capitalized in the year acquired and are carried at cost, if purchased, or fair market value, if donated. 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. In-Kind 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 \$4,220 of donated professional legal fees and \$3,284 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. Fair Value Measurements

UNH adopted the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"), effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available observable inputs are those that market participants would use in pricing the securities based on market data obtained from sources independent of UNH. Unobservable inputs reflect UNH's assumptions about the inputs market participants would use in pricing the security developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that UNH has the ability to access.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In February 2008, the FASB issued Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2), which delayed the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a nonrecurring basis only. These include nonfinancial assets and liabilities not measured at fair value on an ongoing basis but subject to fair value adjustments in certain circumstances, for example, assets that have been deemed to be impaired.

- i. 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.
- j. 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.
- k. 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.

- l. Accounting for Uncertainty of Income Taxes
 The FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return. In addition, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of applying FIN 48 has been postponed and is currently expected to be December 31, 2009. UNH has elected to defer the application of FIN 48 and the effects have yet to be determined.
- 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 the UNH's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Note 3. Investments

Investments at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$2,432,239	\$2,077,626
Fixed income mutual funds	<u>1,853,743</u>	<u>1,687,758</u>
Total	<u>\$4,285,982</u>	<u>\$3,765,384</u>

All investments consist of Level 1 securities on the fair value hierarchy.

Investment losses consisted of the following:

Unrealized loss	(\$1,320,688)
Realized gain	<u>76,906</u>
Total Investment loss	<u>(\$1,243,782)</u>

Subsequent to December 31, 2008, volatility experienced in the financial markets has resulted in a decline in the market value of certain investments.

Note 4. Fixed Assets

Fixed assets consist of the following at December 31, 2008:

Furniture and fixtures	\$2,315
Office equipment	47,739
Leasehold improvements	<u>3,785</u>
Total	53,839
Less: accumulated depreciation and amortization	<u>(42,004)</u>
Total fixed assets	<u>\$11,835</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, 2008.

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 from UNH. Amounts received by UNH and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$43,726 at December 31, 2008. UNH has a similar agreement with another organization that totaled \$5,683 at year end.

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, 2008, temporarily restricted net assets were available for the following purposes:

	Beginning Balance <u>12/31/07</u>	Increases	Released from Restrictions	Ending Balance <u>12/31/08</u>
Time Restricted	<u>\$105,000</u>	<u>\$80,000</u>	<u>(\$100,000)</u>	<u>\$85,000</u>
Program Restricted:				
Capacity Building	0	14,000	0	14,000
Policy and Advocacy	199,981	118,975	(248,830)	70,126
Member Services	863,605	860,000	(1,050,691)	672,914
Scholarship	233,857	0	(101,785)	132,072
Internship	17,984	0	(17,775)	209
DeKay Foundation	<u>3,543</u>	<u>0</u>	<u>(3,543)</u>	<u>0</u>
Total Program				
Restricted	<u>1,318,970</u>	<u>992,975</u>	<u>(1,422,624)</u>	<u>889,321</u>
Total	<u>\$1,423,970</u>	<u>\$1,072,975</u>	<u>(\$1,522,624)</u>	<u>\$974,321</u>

Note 9. Permanently Restricted Net Assets

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP FAS 117-1") which, among other things, provides guidance in the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and additional disclosures about an organization's endowment funds. The State of New York has not yet adopted UPMIFA. The following disclosures are made as required by FSP FAS 117-1.

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.

Interpretation of Relevant Law

The Board of Directors of UNH has interpreted State Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 unrestricted net assets. However, those amounts cannot be spent until appropriated for expenditure by UNH in a manner consistent with the standard of prudence. 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) The investment policies of UNH

Changes in endowment net assets for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$26,500	\$100,000	\$126,500
Investment return – investment income	<u>(30,965)</u>	<u>0</u>	<u>(30,965)</u>
Endowment net assets, end of year	<u>(\$4,465)</u>	<u>\$100,000</u>	<u>\$95,535</u>

Return Objectives and Risk Parameters

UNH has adopted investment and spending policies for endowment assets. The policy is to accumulate interest, dividends and other market value gains for future appropriation, if deemed prudent and necessary.

Note 10. Grants

Grants paid to member organizations totaled \$386,640 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 \$191,000 in 2008.

Minimum lease commitments are summarized as follows:

December 31, 2009	\$153,761
December 31, 2010	158,374
December 31, 2011	163,126
December 31, 2012	174,988
December 31, 2013	183,723
Thereafter	<u>652,481</u>
Total	<u>\$1,486,453</u>

Rent expense has been calculated on a straight-line basis in accordance with SFAS No. 13, *Accounting for Leases*. 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 \$86,523 in 2008.

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 at credit worthy financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, amounts may exceed insured levels. At year-end, there were no significant uninsured balances.