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

**Audited Financial Statements**

**December 31, 2009**

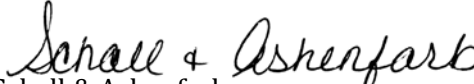
## **INDEPENDENT AUDITORS' REPORT**

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, 2009, 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, 2008 financial statements and, in our report dated May 11, 2009 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

April 9, 2010

**UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2009**  
(With comparative totals as of December 31, 2008)

|  | <u>12/31/09</u>           | <u>12/31/08</u>           |
|--|---------------------------|---------------------------|
| <b>Assets</b>                                      |                           |                           |
| Cash and cash equivalents (Notes 2c)               | \$801,320                 | \$1,091,270               |
| Investments (Notes 2e and 3)                       | 4,717,980                 | 3,765,384                 |
| Grants and dues receivable (Notes 2d and 5)        | 76,054                    | 206,833                   |
| Emergency loan fund for settlement houses (Note 6) | 150,000                   | 150,000                   |
| Fixed assets, net (Notes 2f and 4)                 | <u>29,762</u>             | <u>11,835</u>             |
| Total assets                                       | <u><u>\$5,775,116</u></u> | <u><u>\$5,225,322</u></u> |
| <b>Liabilities and Net Assets</b>                  |                           |                           |
| Liabilities:                                       |                           |                           |
| Accounts payable and accrued expenses              | \$186,317                 | \$111,369                 |
| Deferred membership fees                           | 3,085                     | 23,350                    |
| Advances from funding sources (Note 7)             | 35,172                    | 49,409                    |
| Deferred rent (Note 11)                            | <u>61,600</u>             | <u>42,031</u>             |
| Total liabilities                                  | <u>286,174</u>            | <u>226,159</u>            |
| Net assets: (Note 2b)                              |                           |                           |
| Unrestricted                                       | 4,678,072                 | 3,924,842                 |
| Temporarily restricted (Note 8)                    | 710,870                   | 974,321                   |
| Permanently restricted (Note 9)                    | <u>100,000</u>            | <u>100,000</u>            |
| Total net assets                                   | <u>5,488,942</u>          | <u>4,999,163</u>          |
| Total liabilities and net assets                   | <u><u>\$5,775,116</u></u> | <u><u>\$5,225,322</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, 2009**  
(With comparative totals for the year ended December 31, 2008)

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>12/31/09</u> | <u>Total<br/>12/31/08</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------------|---------------------------|
| Operating:  |                     |                                   |                                   |                           |                           |
| Public support and revenue:                         |                     |                                   |                                   |                           |                           |
| Public support:                                     |                     |                                   |                                   |                           |                           |
| Foundation and trusts                               | \$668,097           | \$2,038,338                       |                                   | \$2,706,435               | \$1,702,425               |
| Corporations and individuals                        | 166,348             |                                   |                                   | 166,348                   | 143,697                   |
| In-kind services (Note 2g)                          | 95,972              |                                   |                                   | 95,972                    | 7,504                     |
| Government agencies                                 | 99,050              |                                   |                                   | 99,050                    | 15,190                    |
| Special events (net of direct expenses of \$52,291) | 584,941             |                                   |                                   | 584,941                   | 513,670                   |
| Total public support                                | <u>1,614,408</u>    | <u>2,038,338</u>                  | <u>0</u>                          | <u>3,652,746</u>          | <u>2,382,486</u>          |
| Revenue:  |                     |                                   |                                   |                           |                           |
| Membership dues                                     | 303,025             |                                   |                                   | 303,025                   | 287,500                   |
| Interest and investment income                      | 144,779             |                                   |                                   | 144,779                   | 154,972                   |
| Miscellaneous                                       | 15,748              |                                   |                                   | 15,748                    | 1,480                     |
| Total revenue                                       | <u>463,552</u>      | <u>0</u>                          | <u>0</u>                          | <u>463,552</u>            | <u>443,952</u>            |
| Net assets released from restrictions (Note 8)      | <u>2,301,789</u>    | <u>(2,301,789)</u>                |                                   | <u>0</u>                  | <u>0</u>                  |
| Total public support and revenue                    | <u>4,379,749</u>    | <u>(263,451)</u>                  | <u>0</u>                          | <u>4,116,298</u>          | <u>2,826,438</u>          |
| Expenses:   |                     |                                   |                                   |                           |                           |
| Program services:                                   |                     |                                   |                                   |                           |                           |
| Member agency support                               | 1,864,130           |                                   |                                   | 1,864,130                 | 638,511                   |
| Policy and public education                         | 769,583             |                                   |                                   | 769,583                   | 727,524                   |
| DeKay foundation                                    | 155,542             |                                   |                                   | 155,542                   | 157,494                   |
| Member services                                     | 767,703             |                                   |                                   | 767,703                   | 967,838                   |
| Total program services                              | <u>3,556,958</u>    | <u>0</u>                          | <u>0</u>                          | <u>3,556,958</u>          | <u>2,491,367</u>          |
| Supporting services:                                |                     |                                   |                                   |                           |                           |
| Management and general                              | 316,315             |                                   |                                   | 316,315                   | 353,166                   |
| In-kind legal (Note 2g)                             | 95,972              |                                   |                                   | 95,972                    | 7,504                     |
| Fundraising   | 509,971             |                                   |                                   | 509,971                   | 509,600                   |
| Total supporting services                           | <u>922,258</u>      | <u>0</u>                          | <u>0</u>                          | <u>922,258</u>            | <u>870,270</u>            |
| Total expenses                                      | <u>4,479,216</u>    | <u>0</u>                          | <u>0</u>                          | <u>4,479,216</u>          | <u>3,361,637</u>          |
| Change in net assets from operations                | (99,467)            | (263,451)                         | 0                                 | (362,918)                 | (535,199)                 |
| Non-operating:                                      |                     |                                   |                                   |                           |                           |
| Net gain/(loss) on investments                      | 852,697             |                                   |                                   | 852,697                   | (1,243,782)               |
| Change in net assets                                | 753,230             | (263,451)                         | 0                                 | 489,779                   | (1,778,981)               |
| Net assets - beginning 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>          |
| Net assets - end of year                            | <u>\$4,678,072</u>  | <u>\$710,870</u>                  | <u>\$100,000</u>                  | <u>\$5,488,942</u>        | <u>\$4,999,163</u>        |

*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, 2009**  
(With comparative totals for the year ended December 31, 2008)

|   | Program Services      |                             |                  |                  | Supporting Services    |                        |                 |                  | Total Expenses<br>12/31/09 | Total Expenses<br>12/31/08* |                           |
|---|-----------------------|-----------------------------|------------------|------------------|------------------------|------------------------|-----------------|------------------|----------------------------|-----------------------------|---------------------------|
|   | Member Agency Support | Policy and Public Education | DeKay Foundation | Member Services  | Total Program Services | Management and General | In-Kind Legal   | Fundraising      |                            |                             | Total Supporting Services |
| Salaries                                  | \$200,928             | \$449,090                   | \$109,617        | \$276,388        | \$1,036,023            | \$70,501               |                 | \$325,830        | \$396,331                  | \$1,432,354                 | \$1,271,969               |
| Payroll taxes and benefits                | 55,902                | 124,378                     | 31,585           | 77,964           | 289,829                | 25,744                 |                 | 91,088           | 116,832                    | 406,661                     | 346,268                   |
| Total personnel services                  | 256,830               | 573,468                     | 141,202          | 354,352          | 1,325,852              | 96,245                 | 0               | 416,918          | 513,163                    | 1,839,015                   | 1,618,237                 |
| Grants (Note 10)                          | 1,366,600             |                             |                  | 26,100           | 1,392,700              |                        |                 |                  | 0                          | 1,392,700                   | 386,640                   |
| Travel, meetings and conferences          | 2,423                 | 8,591                       | 3,348            | 6,378            | 20,740                 | 9,477                  |                 | 4,096            | 13,573                     | 34,313                      | 44,075                    |
| Occupancy and space rental                |                       | 64,979                      | 2,860            | 42,224           | 110,063                | 65,229                 |                 | 39,484           | 104,713                    | 214,776                     | 223,724                   |
| Consultants and professional fees         | 24,500                | 75,463                      | 1,919            | 100,413          | 202,295                | 32,137                 |                 | 11,377           | 43,514                     | 245,809                     | 424,946                   |
| In-kind legal (Note 2g)                   |                       |                             |                  |                  | 0                      |                        | 95,972          |                  | 95,972                     | 95,972                      | 7,504                     |
| Office supplies and expenses              | 36                    | 3,288                       | 2,080            | 2,288            | 7,692                  | 2,870                  |                 | 8,166            | 11,036                     | 18,728                      | 29,464                    |
| Printing, design and publications         | 467                   | 1,792                       | 548              | 495              | 3,302                  | 2,679                  |                 | 15,365           | 18,044                     | 21,346                      | 23,443                    |
| Telephone and communications              | 26                    | 5,816                       | 540              | 4,045            | 10,427                 | 3,357                  |                 | 3,602            | 6,959                      | 17,386                      | 14,406                    |
| Postage and mailings                      | 130                   | 542                         | 1,304            | 753              | 2,729                  | 3,852                  |                 | 5,871            | 9,723                      | 12,452                      | 11,056                    |
| Investment fees and bank charges          |                       |                             |                  |                  | 0                      | 29,346                 |                 | 917              | 30,263                     | 30,263                      | 38,672                    |
| Equipment rental, repairs and maintenance |                       | 1,979                       | 1,051            | 1,037            | 4,067                  | 1,821                  |                 | 1,088            | 2,909                      | 6,976                       | 8,907                     |
| Program expenses                          | 213,000               | 31,207                      |                  | 228,922          | 473,129                |                        |                 |                  | 0                          | 473,129                     | 460,172                   |
| Dues and subscriptions                    |                       | 1,200                       | 415              | 285              | 1,900                  | 37,481                 |                 | 447              | 37,928                     | 39,828                      | 36,587                    |
| Insurance                                 |                       | 83                          | 240              | 57               | 380                    | 14,307                 |                 | 53               | 14,360                     | 14,740                      | 18,898                    |
| Miscellaneous                             | 118                   | 1,175                       | 35               | 354              | 1,682                  | 7,109                  |                 | 2,587            | 9,696                      | 11,378                      | 8,626                     |
| Depreciation                              |                       |                             |                  |                  | 0                      | 10,405                 |                 |                  | 10,405                     | 10,405                      | 6,280                     |
| <b>Total</b>                              | <b>\$1,864,130</b>    | <b>\$769,583</b>            | <b>\$155,542</b> | <b>\$767,703</b> | <b>\$3,556,958</b>     | <b>\$316,315</b>       | <b>\$95,972</b> | <b>\$509,971</b> | <b>\$922,258</b>           | <b>\$4,479,216</b>          | <b>\$3,361,637</b>        |

\* Reclassified for comparative purposes.

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

**UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(With comparative totals for the year ended December 31, 2008)

|   | <u>12/31/09</u>         | <u>12/31/08</u>           |
|---|-------------------------|---------------------------|
| Cash flows from operating activities:   |                         |                           |
| Change in net assets  | \$489,779               | (\$1,778,981)             |
| Adjustments to reconcile change in net assets<br>to net cash provided by/(used for) operating activities: |                         |                           |
| Depreciation expense  | 10,405                  | 6,280                     |
| Net (gain)/loss on investments  | (852,697)               | 1,243,782                 |
| Donated marketable securities   | 0                       | (101,012)                 |
| Change in current operating items:  |                         |                           |
| Grants and dues receivable  | 130,779                 | 94,704                    |
| Prepaid expenses and other assets   | 0                       | 3,175                     |
| Accounts payable and accrued expenses   | 74,948                  | (5,152)                   |
| Deferred membership fees  | (20,265)                | 9,050                     |
| Advances from funding sources   | (14,237)                | (59,599)                  |
| Deferred rent   | 19,569                  | 42,031                    |
| Total adjustments   | <u>(651,498)</u>        | <u>1,233,259</u>          |
| Net cash used for operating activities  | <u>(161,719)</u>        | <u>(545,722)</u>          |
| Cash flows from investing activities:   |                         |                           |
| Fixed asset acquisition and leasehold improvements  | (28,332)                | 0                         |
| Purchases of investments  | (509,663)               | (507,819)                 |
| Proceeds from sale of investments   | 409,764                 | 595,734                   |
| Net transfers to operations   | 0                       | 85,000                    |
| Net cash (used for)/provided by investing activities  | <u>(128,231)</u>        | <u>172,915</u>            |
| Net decrease in cash and cash equivalents   | (289,950)               | (372,807)                 |
| Cash and cash equivalents - beginning of year   | <u>1,091,270</u>        | <u>1,464,077</u>          |
| Cash and cash equivalents - end of year   | <u><u>\$801,320</u></u> | <u><u>\$1,091,270</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, 2009**

**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

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

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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. Grants and Dues Receivable

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

e. Investments

Investments are recorded at fair market value. Unrealized gains and losses are included in income on the statement of activities. UNH follows FASB Accounting Standards Codification (ASC) 820, (formerly SFAS No. 157) to determine fair market value. Under ASC 820, fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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 fiscal year, UNH received \$95,972 of donated professional legal fees. This amount has been reflected in a separate support service on the statement of functional expenses.

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

h. Functional Allocation of Expenses

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

i. Income Taxes

For Federal income tax purposes, UNH is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and qualifies as a public supported organization under Section 509(a)(1) 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.

k. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through April 9, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

l. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UNH's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

**Note 3. Investments**

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

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments at December 31, 2009:

|                           | <u>Cost</u>        | <u>Fair Value</u>  |
|---------------------------|--------------------|--------------------|
| Equity securities         | \$2,432,239        | \$2,744,470        |
| Fixed income mutual funds | <u>1,853,743</u>   | <u>1,973,510</u>   |
| Total                     | <u>\$4,285,982</u> | <u>\$4,717,980</u> |

Investment gains consisted of the following:

|                       |                  |
|-----------------------|------------------|
| Unrealized gain       | \$1,113,553      |
| Realized loss         | <u>(260,856)</u> |
| Total investment gain | <u>\$852,697</u> |

**Note 4. Fixed Assets**

Fixed assets consist of the following at December 31, 2009:

|   |                 |
|---|-----------------|
| Furniture and fixtures                          | \$2,315         |
| Office equipment                                | 64,641          |
| Leasehold improvements                          | <u>15,215</u>   |
| Total   | 82,171          |
| Less: accumulated depreciation and amortization | <u>(52,409)</u> |
| Total fixed assets                              | <u>\$29,762</u> |

**Note 5. Grants and Dues Receivable**

All receivables are due in less than one year. Management has determined that no reserve for uncollectables is needed. Receivables consist of the following:

|                   |                 |
|-------------------|-----------------|
| Pledges           | \$61,749        |
| Membership fees   | 9,400           |
| Government grants | <u>4,905</u>    |
| Total             | <u>\$76,054</u> |

**Note 6. Emergency Loan Fund for Settlement Houses**

UNH lent the Fund for the City of New York (the "Fund") the funds necessary to create a loan pool whereby members of UNH may apply for loans under the Fund's cash flow loan program. The amount of the fund totaled \$150,000 at December 31, 2009, and is non-interest bearing.

**Note 7. Advances from Funding Sources**

During fiscal year 2003, UNH entered into an agreement with JP Morgan Chase Bank, as Trustee, and the Advisory Committee of the Helen DeKay Foundation (the "Foundation") to provide administrative services from UNH. Amounts received by UNH and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$29,488 at December 31, 2009. UNH has an additional advance with another organization that totaled \$5,684 at year end.

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

Net assets have been restricted by donors to future time periods and/or for use in the direct assistance of the various member settlement houses through program development and management assistance programs conducted by UNH. At December 31, 2009, temporarily restricted net assets were available for the following purposes:

|                          | Beginning<br>Balance<br><u>12/31/08</u> | <u>Increases</u>   | Released<br>from<br><u>Restrictions</u> | Ending<br>Balance<br><u>12/31/09</u> |
|--------------------------|---|--------------------|---|--------------------------------------|
| Time restricted          | <u>\$85,000</u>                         | <u>\$100,000</u>   | <u>(\$55,000)</u>                       | <u>\$130,000</u>                     |
| Program restricted:      |   |                    |   |                                      |
| Capacity Building        | 14,000                                  | 0                  | (14,000)                                | 0                                    |
| Policy and Advocacy      | 52,124                                  | 70,000             | (26,329)                                | 95,795                               |
| Member Services          | 691,125                                 | 1,685,393          | (1,975,074)                             | 401,444                              |
| DeKay Foundation         | 0                                       | 182,945            | (166,125)                               | 16,820                               |
| Scholarship              | <u>132,072</u>                          | <u>0</u>           | <u>(65,261)</u>                         | <u>66,811</u>                        |
| Total program restricted | <u>889,321</u>                          | <u>1,938,338</u>   | <u>(2,246,789)</u>                      | <u>580,870</u>                       |
| Total                    | <u>\$974,321</u>                        | <u>\$2,038,338</u> | <u>(\$2,301,789)</u>                    | <u>\$710,870</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, 2009:

|   | <u>Unrestricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>       |
|---|---------------------|-----------------------------------|--------------------|
| Endowment net assets, beginning of year | \$3,665,384         | \$100,000                         | \$3,765,384        |
| Net gain on investments                 | 852,697             | 0                                 | 852,697            |
| Reinvested income                       | <u>99,899</u>       | <u>0</u>                          | <u>99,899</u>      |
| Endowment net assets, end of year       | <u>\$4,617,980</u>  | <u>\$100,000</u>                  | <u>\$4,717,980</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 to Member Organizations**

Grants paid to member organizations totaled \$1,392,700 for the year.

**Note 11. Commitments**

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

Rent expense charged to operations approximated \$173,448 in 2009.

Minimum lease commitments are summarized as follows:

|                   |                    |
|-------------------|--------------------|
| December 31, 2010 | \$158,374          |
| December 31, 2011 | 163,126            |
| December 31, 2012 | 174,988            |
| December 31, 2013 | 183,723            |
| December 31, 2014 | 189,235            |
| Thereafter        | <u>463,247</u>     |
| Total             | <u>\$1,332,693</u> |

Rent expense has been calculated on a straight-line basis. Under this method, rent expense is recorded evenly over the life of the lease as if there were no changes in payment amounts. In the earlier years of the lease, when payments are lower than the expense, a liability is created for the difference. In future years, the liability will be reduced when rent payments exceed the rent expense recorded.

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

**Note 12. Pension Plan**

UNH has a contributory tax deferred annuity plan available to substantially all employees meeting certain age requirements with over one year of employment. UNH pays premiums to an insurance company equal to 10% of the eligible employee's annual salary if the employee contributes at least 3% of his or her annual salary to the plan. Pension expense amounted to \$105,508 in 2009.

**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 financial institutions that they deem to be credit worthy and 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.