



Audited Financial Statements

December 31, 2014



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, 2014, 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.

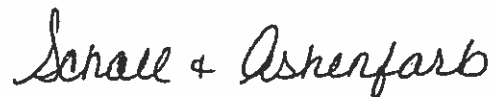
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

May 27, 2015

UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2014
(With comparative totals for December 31, 2013)

	<u>12/31/14</u>	<u>12/31/13</u>
Assets		
Cash and cash equivalents	\$718,582	\$654,954
Investments (Note 3)	8,107,484	7,614,306
Pledges and dues receivable (Note 5)	31,662	235,260
Prepaid expenses and other assets	45,825	43,684
Fixed assets, net (Note 4)	<u>34,527</u>	<u>7,717</u>
Total assets	<u><u>\$8,938,080</u></u>	<u><u>\$8,555,921</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$124,181	\$155,284
Advances from funding sources (Note 6)	15,655	15,655
Government grant advances	34,436	25,601
Supplemental benefit payable (Note 10)	45,464	19,704
Deferred rent (Note 9)	<u>58,808</u>	<u>74,712</u>
Total liabilities	<u>278,544</u>	<u>290,956</u>
Net assets:		
Unrestricted	8,083,880	7,394,671
Temporarily restricted (Note 7)	475,656	770,294
Permanently restricted (Note 8)	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>8,659,536</u>	<u>8,264,965</u>
Total liabilities and net assets	<u><u>\$8,938,080</u></u>	<u><u>\$8,555,921</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, 2014
(With comparative totals for the year ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 12/31/14</u>	<u>Total 12/31/13</u>
Public support and revenue:					
Public support:					
Foundation and trusts	\$381,782	\$610,630		\$992,412	\$1,487,891
Corporations and individuals	176,091	30,000		206,091	163,453
In-kind services				0	12,000
Government agencies	129,354			129,354	100,119
Special events (net of direct expenses of \$55,230 and \$52,120) (Note 11)	601,854			601,854	594,832
Total public support	<u>1,289,081</u>	<u>640,630</u>	<u>0</u>	<u>1,929,711</u>	<u>2,358,295</u>
Revenue:					
Membership dues	349,750			349,750	342,250
Interest and dividend income	140,249			140,249	126,696
Miscellaneous	29,323			29,323	9,714
Total revenue	<u>519,322</u>	<u>0</u>	<u>0</u>	<u>519,322</u>	<u>478,660</u>
Net assets released from restrictions (Note 7)	<u>957,904</u>	<u>(957,904)</u>		<u>0</u>	<u>0</u>
Total public support and revenue	<u>2,766,307</u>	<u>(317,274)</u>	<u>0</u>	<u>2,449,033</u>	<u>2,836,955</u>
Expenses:					
Program services:					
Member services	1,189,712			1,189,712	1,144,192
Policy and public education	654,378			654,378	722,074
Special projects	63,926			63,926	226,970
Total program services	<u>1,908,016</u>	<u>0</u>	<u>0</u>	<u>1,908,016</u>	<u>2,093,236</u>
Supporting services:					
Management and general	332,178			332,178	362,831
In-kind legal				0	12,000
Fundraising	460,669			460,669	439,393
Total supporting services	<u>792,847</u>	<u>0</u>	<u>0</u>	<u>792,847</u>	<u>814,224</u>
Total expenses	<u>2,700,863</u>	<u>0</u>	<u>0</u>	<u>2,700,863</u>	<u>2,907,460</u>
Change in net assets from operations	65,444	(317,274)	0	(251,830)	(70,505)
Non-operating:					
Net gain on investments (Note 3)	623,765	22,636		646,401	1,233,101
Change in net assets	689,209	(294,638)	0	394,571	1,162,596
Net assets - beginning of year	<u>7,394,671</u>	<u>770,294</u>	<u>100,000</u>	<u>8,264,965</u>	<u>7,102,369</u>
Net assets - end of year	<u>\$8,083,880</u>	<u>\$475,656</u>	<u>\$100,000</u>	<u>\$8,659,536</u>	<u>\$8,264,965</u>

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, 2014
(With comparative totals for the year ended December 31, 2013)

	Program Services				Supporting Services				Total Expenses 12/31/13	
	Member Services	Policy and Public Education	Special Projects	Total Program Services	Management and General	In-Kind Legal	Fundraising	Supporting Services		Total Expenses 12/31/14
Salaries	\$583,667	\$397,934	\$9,744	\$991,345	\$108,288	0	\$282,255	\$390,543	\$1,381,888	\$1,365,986
Payroll taxes and benefits	150,163	101,795	2,552	254,510	28,042		72,561	100,603	355,113	332,182
Total personnel services	733,830	499,729	12,296	1,245,855	136,330	0	354,816	491,146	1,737,001	1,698,168
Member agency grants	101,900			101,900				0	101,900	306,100
Travel, meetings and conferences	23,327	16,775	1,974	42,076	8,237		7,275	15,512	57,588	43,445
Occupancy and space rental	89,730	60,827	1,525	152,082	16,756		43,360	60,116	212,198	208,471
Consultants and professional fees	21,189	42,925	36,279	100,393	78,181		13,142	91,323	191,716	290,660
In-kind legal				0				0	0	12,000
Office supplies and expenses	1,669	12,690	447	14,806	8,415		2,497	10,912	25,718	13,677
Printing, design and publications	8,612	1,216		9,828	18,426		21,274	39,700	49,528	40,473
Telephone and communications	1,483	1,803	265	3,551	32,117			32,117	35,668	34,241
Postage and mailings	734	42	89	865	4,280		4,775	9,055	9,920	10,762
Bank and credit card charges	20			20	6,270		149	6,419	6,439	6,154
Equipment rental, repairs and maintenance	3,530	2,392	60	5,982	659		1,705	2,364	8,346	10,953
Program expenses and scholarships	144,034	4,870	10,763	159,667			2,400	2,400	162,067	141,588
Dues and subscriptions	52,437	4,600		57,037	900			900	57,937	59,684
Insurance	6,700	4,542	114	11,356	1,251		3,237	4,488	15,844	11,302
Miscellaneous	517	1,967	114	2,598	8,731		6,039	14,770	17,368	11,431
Depreciation and amortization				0	11,625			11,625	11,625	8,351
Total	\$1,189,712	\$654,378	\$63,926	\$1,908,016	\$332,178	\$0	\$460,669	\$792,847	\$2,700,863	\$2,907,460

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, 2014
(With comparative totals for the year ended December 31, 2013)

	<u>12/31/14</u>	<u>12/31/13</u>
Cash flows from operating activities:		
Change in net assets	\$394,571	\$1,162,596
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation and amortization expense	11,625	8,351
Net gain on investments	(646,401)	(1,233,101)
(Increase)/decrease in assets:		
Pledges and dues receivable	203,598	(11,079)
Prepaid expenses and other assets	(2,141)	(5,187)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(31,103)	32,437
Advances from funding sources	0	(185)
Government grant advances	8,835	25,601
Supplemental benefit payable	25,760	19,704
Deferred rent	(15,904)	(10,392)
Total adjustments	<u>(445,731)</u>	<u>(1,173,851)</u>
Net cash used for operating activities	<u>(51,160)</u>	<u>(11,255)</u>
Cash flows from investing activities:		
Fixed asset acquisition and leasehold improvements	(38,435)	0
Purchases of investments	(1,211,487)	(588,897)
Proceeds from sale of investments	1,364,710	300,810
Net cash provided by/(used for) investing activities	<u>114,788</u>	<u>(288,087)</u>
Net increase/(decrease) in cash and cash equivalents	<u>63,628</u>	<u>(299,342)</u>
Cash and cash equivalents - beginning of year	<u>654,954</u>	<u>954,296</u>
Cash and cash equivalents - end of year	<u>\$718,582</u>	<u>\$654,954</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, 2014

Note 1. Nature of the Organization

United Neighborhood Houses of New York, Inc. ("UNH") is a New York State charitable membership corporation that assists member settlement houses in enhancing the quality of life in the neighborhoods of New York City by providing social policy analysis and advocacy, management and technical assistance, public information/education assistance and fostering the replication of model programs.

For Federal income tax purposes, UNH is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and qualifies as a public supported organization under Section 509(a)(1). UNH is organized under the not-for-profit laws of New York State and, as such, is exempt from payment of income taxes to the State. UNH is also exempt from New York City taxes.

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred rather than when received or paid.

b. Basis of Presentation

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

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

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions expire in the same year they are received are recorded as unrestricted.

c. Cash and Cash Equivalents

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

d. Concentration of Credit Risk

Financial instruments which potentially subject UNH to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed at financial institutions that management deems to be credit worthy. The market value of investments is subject to fluctuation; however management believes that the investment policy is prudent for the long-term welfare of UNH. At times, balances may exceed federally insured limits. While at year-end UNH had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

e. Contributions, Grants and Dues Receivable

Contributions are recognized and a related receivable is recorded when the donor makes a pledge to UNH that is, in substance, unconditional. Government grant awards are classified as refundable advances until expended for the purposes of the grants since they have traits that bear a closer resemblance to exchange transactions. Dues that have been earned but not paid at year-end are recognized as income and a related receivable.

Management reviews all outstanding receivables for collectability and feels that all amounts are collectible. Hence, no reserve has been established.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. Fixed Assets

Fixed assets, consisting of furniture, office equipment and leasehold improvements, are capitalized in the year acquired and are carried at cost, if purchased, or fair value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets (generally five years) or life of the lease using the straight-line method. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

h. In-Kind Services

UNH records donated services if they create or enhance non-financial assets or if the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. UNH received donated professional legal fees of \$0 in 2014 and \$12,000 in 2013. 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 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 the 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, 2011 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 27, 2015, 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, 2013, from which the summarized information was derived.

Note 3. Investments

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

	<u>12/31/14</u>	<u>12/31/13</u>
Equity securities	\$5,889,533	\$5,334,200
Fixed income mutual funds	<u>2,217,951</u>	<u>2,280,106</u>
Total	<u>\$8,107,484</u>	<u>\$7,614,306</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>12/31/14</u>	<u>12/31/13</u>
Unrealized gain	\$107,733	\$1,134,226
Realized gain	597,812	147,522
Investment fees	<u>(59,144)</u>	<u>(48,647)</u>
Total investment gains	<u>\$646,401</u>	<u>\$1,233,101</u>

Note 4. Fixed Assets

Fixed assets consist of:

	<u>12/31/14</u>	<u>12/31/13</u>
Furniture and fixtures	\$0	\$2,315
Office equipment	65,350	78,068
Leasehold improvements	<u>14,850</u>	<u>15,215</u>
Total	80,200	95,598
Less: accumulated depreciation and amortization	<u>(45,673)</u>	<u>(87,881)</u>
Total fixed assets	<u>\$34,527</u>	<u>\$7,717</u>

Note 5. Pledges and Dues Receivable

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

	<u>12/31/14</u>	<u>12/31/13</u>
Pledges	\$29,162	\$232,260
Membership fees	<u>2,500</u>	<u>3,000</u>
Total	<u>\$31,662</u>	<u>\$235,260</u>

Note 6. Advances from Funding Sources

During fiscal year 2003, UNH entered into an agreement with JP Morgan Chase Bank, as Trustee, and the Advisory Committee of the Helen DeKay Foundation to provide administrative services performed by UNH. Amounts received by UNH and not earned are included in advances in the accompanying statement of financial position. Such amounts totaled \$15,655 at both December 31, 2014 and December 31, 2013.

Note 8. Permanently Restricted Net Assets

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

Interpretation of Relevant Law

UNH follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which has been interpreted to require certain amounts be retained permanently. Absent explicit donor stipulations to the contrary, UNH will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, UNH has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, UNH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UNH.

Spending Policies

In accordance with NYPMIFA, UNH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of UNH and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of UNH;
- (7) The investment policies of UNH;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on UNH.

UNH is currently accumulating interest, dividends and other market value gains of their endowment fund for future appropriation.

Changes in endowment net assets were as follows:

	<u>December 31, 2014</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$103,834	\$100,000	\$203,834
Investment activity:			
Interest and dividends	3,749	0	3,749
Net gain on investments	<u>18,887</u>	<u>0</u>	<u>18,887</u>
Endowment net assets, end of year	<u>\$126,470</u>	<u>\$100,000</u>	<u>\$226,470</u>
	<u>December 31, 2013</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$65,571	\$100,000	\$165,571
Investment activity:			
Interest and dividends	3,440	0	3,440
Net gain on investments	<u>34,823</u>	<u>0</u>	<u>34,823</u>
Endowment net assets, end of year	<u>\$103,834</u>	<u>\$100,000</u>	<u>\$203,834</u>

All endowment net assets are donor restricted.

Endowment Investment Policies

UNH has adopted an investment policy for endowment assets consistent with the investment policy of their unrestricted investments. UNH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UNH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires UNH to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2014 or 2013.

Note 9. Commitments

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

Rent expense charged to operations approximated \$173,000 in both 2014 and 2013.

Minimum lease commitments are summarized as follows:

For the year ended: December 31, 2015	\$194,912
December 31, 2016	200,759
December 31, 2017	<u>67,576</u>
Total	<u>\$463,247</u>

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

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

Note 10. Pension Plan and Supplemental Benefits

UNH has a contributory tax deferred annuity plan available to substantially all employees meeting certain age requirements with over one year of employment. UNH pays premiums to an insurance company equal to 10% of the eligible employee's annual salary if the employee contributes at least 3% of his or her annual salary to the plan. Pension expense amounted to \$116,000 and \$112,000 in 2014 and 2013, respectively.

UNH has a supplemental benefit agreement with its executive director. Under this agreement, supplemental benefits are accrued on a quarterly basis up to agreed-upon limits.

Note 11. Fundraising Events

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

	<u>12/31/14</u>	<u>12/31/13</u>
Gross revenue	\$657,084	\$646,952
Less: direct benefit to donor	<u>(55,230)</u>	<u>(52,120)</u>
Net	601,854	594,832
Less: other expenses	<u>(26,796)</u>	<u>(26,822)</u>
Total	<u>\$575,058</u>	<u>\$568,010</u>

Note 12. Related Party Transaction

The members consist of settlement houses served by UNH. Total grants to members were \$101,900 and \$306,100 for 2014 and 2013, respectively.