



**UNITED HOSPITAL FUND OF NEW YORK**

Financial Statements

February 28, 2013 and February 29, 2012

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Directors  
United Hospital Fund of New York:

We have audited the accompanying financial statements of United Hospital Fund of New York (the Fund) as of February 28, 2013 and February 29, 2012, which comprise the statements of financial position as of February 28, 2013 and February 29, 2012, and the related statements of activities, cash flows, and functional expenses for the years 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits 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 entity'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 entity'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 Hospital Fund of New York as of February 28, 2013 and February 29, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 11, 2013

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Financial Position

February 28, 2013 and February 29, 2012

Assets	February 28, 2013	February 29, 2012
Cash and cash equivalents (note 13)	\$ 4,512,216	4,779,149
Grants and other receivables, net (note 3)	524,164	961,169
Other assets	843,807	720,555
Investments (notes 4, 8, and 12)	101,173,265	100,980,318
Property and equipment, net (note 5)	3,203,441	3,476,292
Beneficial interest in perpetual trusts (notes 6, 10, and 12)	3,721,210	3,552,996
Total assets	\$ 113,978,103	114,470,479
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 962,729	823,605
Indebtedness (note 11)	266,667	366,667
Pension benefit liability (notes 7 and 12)	1,863,202	1,748,136
Deferred rent obligation (note 8)	2,872,876	2,970,846
Grant commitments (note 2j)	1,068,500	748,000
Accrued postretirement benefits (note 7)	720,665	728,689
Total liabilities	7,754,639	7,385,943
Net assets:		
Unrestricted (note 9)	80,392,628	80,950,492
Temporarily restricted (notes 6 and 9)	20,852,186	21,323,608
Permanently restricted (notes 6 and 9)	4,978,650	4,810,436
Total net assets	106,223,464	107,084,536
Total liabilities and net assets	\$ 113,978,103	114,470,479

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Activities

Years ended February 28, 2013 and February 29, 2012

	February 28, 2013				February 29, 2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and support:								
Public support:								
Foundation grants	\$ —	1,438,649	—	1,438,649	—	2,709,710	—	2,709,710
Government and exchange contracts	1,000,297	—	—	1,000,297	1,078,264	—	—	1,078,264
Legacies	10,000	—	—	10,000	8,549	—	—	8,549
Contributions	369,810	—	—	369,810	331,100	—	—	331,100
Sandy Relief contributions	—	558,717	—	558,717	—	—	—	—
Special events (net of direct expenses of \$378,561 in 2013 and 329,235 in 2012)	2,028,489	—	—	2,028,489	2,002,327	—	—	2,002,327
Total public support	3,408,596	1,997,366	—	5,405,962	3,420,240	2,709,710	—	6,129,950
Other revenues:								
Conferences and other	64,535	—	—	64,535	101,394	—	—	101,394
Investment return designated for current operations (notes 4 and 9)	5,298,000	—	—	5,298,000	5,720,000	—	—	5,720,000
Other investment income	82,359	—	—	82,359	93,779	—	—	93,779
Total other revenues	5,444,894	—	—	5,444,894	5,915,173	—	—	5,915,173
Net assets released from restrictions (note 6)	3,024,728	(3,024,728)	—	—	2,145,699	(2,145,699)	—	—
Total operating revenues and support	11,878,218	(1,027,362)	—	10,850,856	11,481,112	564,011	—	12,045,123
Operating expenses:								
Program services:								
Grants	1,122,000	—	—	1,122,000	879,642	—	—	879,642
Sandy Relief grants	608,717	—	—	608,717	—	—	—	—
Health services research, policy analysis, and education	5,233,452	—	—	5,233,452	5,523,131	—	—	5,523,131
Publications and information services	1,199,830	—	—	1,199,830	1,158,331	—	—	1,158,331
Total program services	8,163,999	—	—	8,163,999	7,561,104	—	—	7,561,104
Supporting services:								
Administrative and general	2,876,102	—	—	2,876,102	2,881,907	—	—	2,881,907
Fundraising	805,184	—	—	805,184	844,767	—	—	844,767
Total supporting services	3,681,286	—	—	3,681,286	3,726,674	—	—	3,726,674
Total operating expenses before pension plan curtailment	11,845,285	—	—	11,845,285	11,287,778	—	—	11,287,778
Change in net assets before effect of pension plan curtailment	32,933	(1,027,362)	—	(994,429)	—	—	—	—
Effect of pension plan curtailment (note 7)	1,602,214	—	—	1,602,214	—	—	—	—
Total operating expenses	13,447,499	—	—	13,447,499	11,287,778	—	—	11,287,778
Change in net assets from operations	(1,569,281)	(1,027,362)	—	(2,596,643)	193,334	564,011	—	757,345
Nonoperating activities and support:								
Investment return more than (less than) amounts designated for current operations (notes 4 and 9)	408,129	555,940	—	964,069	(4,988,449)	(791,026)	—	(5,779,475)
Pension related changes other than net periodic pension cost (note 7)	587,148	—	—	587,148	(862,098)	—	—	(862,098)
Postretirement related changes other than net periodic postretirement cost (note 7)	18,690	—	—	18,690	(122,525)	—	—	(122,525)
Change in value of beneficial interest in perpetual trusts (note 10)	—	—	168,214	168,214	—	—	(64,255)	(64,255)
Tax expense from unrelated business income (note 4)	(2,550)	—	—	(2,550)	(4,693)	—	—	(4,693)
Reclassification of funds	—	—	—	—	(404,325)	304,325	100,000	—
Change in net assets from nonoperating activities and support	1,011,417	555,940	168,214	1,735,571	(6,382,090)	(486,701)	35,745	(6,833,046)
Change in total net assets	(557,864)	(471,422)	168,214	(861,072)	(6,188,756)	77,310	35,745	(6,075,701)
Net assets at beginning of year	80,950,492	21,323,608	4,810,436	107,084,536	87,139,248	21,246,298	4,774,691	113,160,237
Net assets at end of year	\$ 80,392,628	20,852,186	4,978,650	106,223,464	80,950,492	21,323,608	4,810,436	107,084,536

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Cash Flows

Years ended February 28, 2013 and February 29, 2012

	<u>February 28, 2013</u>	<u>February 29, 2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (861,072)	(6,075,701)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	304,268	307,329
Realized and unrealized (gains) losses on investments	(3,377,854)	1,471,214
Change in value of beneficial interest in perpetual trusts	(168,214)	64,255
Net change in assets and liabilities:		
Grants and other receivables, net	437,005	2,441,793
Other assets	(123,252)	414,553
Accounts payable and other liabilities, and deferred rent obligation (net of investing activities)	41,154	(17,623)
Pension benefit liability	115,066	245,734
Grant commitments	320,500	(405,000)
Accrued postretirement benefits	(8,024)	124,420
Net cash used in operating activities	<u>(3,320,423)</u>	<u>(1,429,026)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(31,417)	(1,020,382)
Accounts payable related to leasehold improvements	—	2,911
Purchases of investments	(14,146,942)	(28,234,691)
Proceeds from sales of investments	17,331,849	32,815,865
Net cash provided by investing activities	<u>3,153,490</u>	<u>3,563,703</u>
Cash flows from financing activity:		
Repayment of debt instruments	(100,000)	(1,333,333)
Net cash provided by financing activity	<u>(100,000)</u>	<u>(1,333,333)</u>
Net (decrease) increase in cash and cash equivalents	(266,933)	801,344
Cash and cash equivalents, beginning of year	4,779,149	3,977,805
Cash and cash equivalents, end of year	<u>\$ 4,512,216</u>	<u>4,779,149</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	\$ 2,550	4,693
Cash for interest on debt instruments	5,364	24,111

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2013

	<u>Program services</u>				<u>Supporting services</u>			<u>Total</u>
	<u>Grants</u>	<u>Health services research, policy analysis, and education</u>	<u>Publications and information services</u>	<u>Total program services</u>	<u>Administrative and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>	
Salaries and benefits:								
Salaries	\$ —	2,660,556	682,705	3,343,261	1,311,507	398,457	1,709,964	5,053,225
Benefits (note 7)	—	864,498	223,558	1,088,056	471,449	128,485	599,934	1,687,990
Total salaries and benefits	—	3,525,054	906,263	4,431,317	1,782,956	526,942	2,309,898	6,741,215
Grants	1,122,000	—	—	1,122,000	—	—	—	1,122,000
Sandy Relief grants	608,717	—	—	608,717	—	—	—	608,717
Other expenses:								
Consulting and professional fees	—	654,055	2,516	656,571	385,754	13,207	398,961	1,055,532
Occupancy costs (note 8)	—	748,931	180,386	929,317	516,766	129,396	646,162	1,575,479
Conference costs	—	115,288	4,742	120,030	17,115	15,889	33,004	153,034
Printing costs	—	4,868	46,354	51,222	249	69,540	69,789	121,011
Other	—	185,256	59,569	244,825	173,262	50,210	223,472	468,297
Total other expenses	—	1,708,398	293,567	2,001,965	1,093,146	278,242	1,371,388	3,373,353
Total operating expenses	\$ <u>1,730,717</u>	<u>5,233,452</u>	<u>1,199,830</u>	<u>8,163,999</u>	<u>2,876,102</u>	<u>805,184</u>	<u>3,681,286</u>	<u>11,845,285</u>
Pension plan curtailment	—	849,027	215,809	1,064,836	410,484	126,894	537,378	1,602,214
Special events								378,561
Total expenses								\$ <u>13,826,060</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 29, 2012

	<u>Program services</u>				<u>Supporting services</u>			<u>Total</u>
	<u>Grants</u>	<u>Health services research, policy analysis, and education</u>	<u>Publications and information services</u>	<u>Total program services</u>	<u>Administrative and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>	
Salaries and benefits:								
Salaries	\$ —	2,763,974	605,681	3,369,655	1,260,571	389,005	1,649,576	5,019,231
Benefits (note 7)	—	1,006,745	220,612	1,227,357	459,148	141,690	600,838	1,828,195
Total salaries and benefits	—	3,770,719	826,293	4,597,012	1,719,719	530,695	2,250,414	6,847,426
Grants	879,642	—	—	879,642	—	—	—	879,642
Other expenses:								
Consulting and professional fees	—	613,652	18,694	632,346	409,043	50,150	459,193	1,091,539
Occupancy costs (note 8)	—	809,068	190,209	999,277	582,184	136,430	718,614	1,717,891
Conference costs	—	137,743	2,956	140,699	10,430	15,939	26,369	167,068
Printing costs	—	22,744	50,127	72,871	2,011	63,067	65,078	137,949
Other	—	169,205	70,052	239,257	158,520	48,486	207,006	446,263
Total other expenses	—	1,752,412	332,038	2,084,450	1,162,188	314,072	1,476,260	3,560,710
Total operating expenses	\$ 879,642	5,523,131	1,158,331	7,561,104	2,881,907	844,767	3,726,674	11,287,778
Special events								329,235
Total expenses								\$ 11,617,013

See accompanying notes to financial statements.

# UNITED HOSPITAL FUND OF NEW YORK

## Notes to Financial Statements

February 28, 2013 and February 29, 2012

### (1) Organization

The United Hospital Fund of New York (the Fund) is a not-for-profit organization incorporated under the laws of New York State and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Fund is a health services research and philanthropic organization whose primary mission is to shape positive change in health care for the people of New York. The Fund was founded in 1879 by hospital trustees to help meet the financial needs of New York City's not-for-profit hospitals through a unified and coordinated citywide annual fundraising effort and to help hospitals address common concerns.

Over the years, the Fund has evolved into a nationally recognized independent research and philanthropic organization dedicated to inspiring and nurturing innovation and improvement across the full spectrum of health care delivery and financing. The Fund currently focuses its efforts to:

- Achieve improvements in safety and quality of care for hospitalized patients;
- Link health care and community resources to meet rising chronic care needs of seniors;
- Involve and support family caregivers as essential members of the health care team;
- Strengthen the operation of New York's Medicaid program, to improve care and reduce costs, with a special focus on high-cost, high-need patients;
- Maximize affordable insurance coverage through the design and implementation of New York's health insurance exchange.

The Fund's approach to innovation and improvement draws on four methods: *information and analysis* that clarify health care issues, identify possible solutions, and shape public policy; *partnerships* that engage leaders, bridge perspectives, and develop new ideas and approaches within the health care community and with business and government; *grant making* that stimulates innovation by testing new ideas and proposed solutions; and *communications* that "tell the story" and build consensus and partnerships to implement effective policies and proven strategies.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

#### (b) Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed restrictions. This includes unrestricted gifts that the board of directors (the Board) designates for long-term investment purposes but that the Board can approve for use at a future date.



## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Fund and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on related investments.

Revenues, gains, and other support are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(c) ***Measure of Operations***

In the statements of activities, the Fund includes in its definition of operations, all support, revenue, and expenses that are an integral part of its program and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Fund's authorized spending policy, pension and other postretirement related changes other than net periodic cost, change in value of beneficial perpetual trusts, and other nonrecurring activities are recognized as nonoperating activities and support.

(d) ***Contributions and Grants***

Contributions and grants, which include unconditional promises to give, are recognized as revenues in the period received. Conditional contributions and promises to give are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. Contributions with a donor-designated recipient are treated as pass-through items and are recognized as a receivable and payable, with no impact on the statements of activities. Donated securities are measured at fair value at the date of the contribution. Unless material, the Fund does not discount to present value contributions to be received greater than one year.

(e) ***Sandy Relief Grants***

The *Hurricane Sandy Health Care Employee Relief Fund* (Sandy Relief Fund) was established by the Fund and area hospital and healthcare associations working with the American Hospital Association in an effort to provide assistance to hospital and health care employees who suffered significant personal unreimbursed losses as a result of Hurricane Sandy. Funds raised were held by the Fund and then allocated to 47 member organizations of the sponsoring associations, based on the number of employees within those organizations who qualified for assistance. Member organizations were responsible to determine eligibility and provide for distributions to those employees who qualified. For the year ended February 28, 2013, the Fund received contributions of \$558,717. Grants totaling \$608,717, including \$50,000 from United Hospital Fund, were distributed as of February 28, 2013. An additional \$23,441 was received and distributed in May of 2013.

## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

**(f) Legacies**

Legacies are recognized as support when the wills have passed probate and the sum is certain.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, demand bank accounts, and short-term money market accounts, but exclude cash held for long-term investment. The Fund maintains cash in one commercial bank and the balance, at times, may exceed insured limits. The Fund has not experienced any losses in such accounts.

**(h) Investments**

Investments in short-term instruments, fixed income securities, and equity securities are carried at fair value based on published market prices at the end of the fiscal year. Investments in mutual funds are valued at their closing net asset value per share on the valuation date, which is their redeemable value. Investments in investment funds and limited partnerships are stated at the net asset value as provided by the investment managers. Because of the inherent uncertainty of valuation of the Fund's investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Purchases and sales of short-term instruments, fixed income securities, and equity securities are reflected on the trade-date basis. Investment income and gains are recorded on an accrual basis.

**(i) Property and Equipment**

Purchases in excess of \$1,000 are capitalized and are recorded at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which approximate 37 years for property and ranges from 3 to 5 years for equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

**(j) Grant Commitments**

Grant commitments consist of grants, which the Fund is obligated to pay to beneficiary hospitals or other organizations. Grants are recorded as a liability and related expense when the Board approves them. Unless material, the Fund does not discount to present value commitments to be paid later than one year. Grant commitments of \$1,068,500 and \$748,000 as of February 28, 2013 and February 29, 2012, respectively, are payable within one year.

**(k) Beneficial Interest in Perpetual Trusts**

The Fund receives periodic income from certain trusts that require part or all of the income to be paid to the Fund in perpetuity. Title to the principal interests in the assets of these trusts is held by outside trustees not affiliated with the Fund, who retain control over the investment decisions regarding these assets. U.S. generally accepted accounting principles require, however, that these trusts be recorded as permanently restricted net assets in the Fund's financial statements. As a result, the Fund has recorded the trusts based upon the Fund's ownership percentage of the fair value of the underlying assets. Changes in the value of the investments are recognized as gains or losses in permanently restricted net assets in the accompanying statements of activities on an annual basis.

## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

**(l) Board Spending Policy**

The Fund maintains an investment pool for certain investments. The Board has authorized a policy to provide a predictable flow of funds to support operations. The policy permits allocation based on a trailing moving average of the pool calculated as of the calendar year-end, as operating income in the following fiscal year, even in the event the actual return achieved is inadequate to meet the allocation. The allocation authorized for the years ended February 28, 2013 and February 29, 2012 was 5.5%. For the years ended February 28, 2013 and February 29, 2012, the trailing moving average used was a 36-month base. Certain endowment gifts are restricted for specific purposes, the income from which, included in the spending rate, is spent in accordance with those restrictions.

**(m) Functional Allocation of Expenses**

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

**(n) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(o) Fair Values**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and alternative investments that are redeemable at or near the balance sheet date.
- Level 3 inputs are unobservable inputs for the asset or liability and alternative investments that are not redeemable near the balance sheet date.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund's interest therein, its classification in Level 2 or 3 is based on the Fund's ability to redeem its interest at or near the balance sheet date. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

**(p) Tax**

The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Fund's exempt purpose is subject to tax under Internal Revenue Code Section 511. The Fund did not recognize any unrelated business income tax liability for the years ended February 28, 2013 and February 29, 2012.

**(3) Grants and Other Receivables**

Grants and other receivables outstanding were as follows:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
	<u>                    </u>	<u>                    </u>
Gross receivables due:		
Within one year	\$ 524,164	960,169
One to five years	—	10,000
	<u>524,164</u>	<u>970,169</u>
Gross receivables		
Allowance for doubtful accounts	—	(9,000)
	<u>524,164</u>	<u>961,169</u>
	<u>\$ 524,164</u>	<u>961,169</u>

## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

#### (4) Investments

Investments consisted of the following as of February 28, 2013 and February 29, 2012:

	February 28, 2013	February 29, 2012	
Held at financial institutions:			
Cash and short-term investments	\$ 152,091	529,282	
Accrued income	19,831	15,525	
Mutual funds – fixed income and bonds	18,832,742	17,427,715	
Mutual funds – primarily U.S. equities	8,995,411	8,769,194	
U.S. common stocks	6,271,872	5,814,087	
International equities	1,998,943	2,394,265	
Treasury inflation – protected securities	885,802	1,337,179	F
	37,156,692	36,287,247	
Limited partnerships/commingled funds:			
Absolute return fund of funds	10,392,643	9,655,255	A
Real estate fund of funds	858,863	962,441	E
WTC common trust fund real asset portfolio	8,175,746	8,615,380	B
International value equity trust	13,136,341	11,521,718	C
Concentrated core equities fund	—	9,046,375	D
Select equities fund	8,427,756	—	J
Investable emerging markets country fund	5,950,402	7,731,145	G
Equity hedge fund	10,083,303	10,801,172	H
International equity fund	6,991,519	6,359,585	I
	64,016,573	64,693,071	
	\$ 101,173,265	100,980,318	

A Absolute Return Fund of Funds is an investment in an exempted company with limited liability incorporated in the Cayman Islands. The Fund of Funds manager invests primarily in a diversified group of managers employing investment strategies relating to long equity positions, arbitrage opportunities, bankruptcies and reorganizations, international and emerging markets, commodities, futures and fixed income trading.

B The WTC Common Trust Fund Real Asset Portfolio is an inflation hedge fund that invests in four primary asset categories that offer strong relative performance in rising inflation environments. The underlying assets consist of equity securities (primarily companies involved in energy, metals and mining, and forest sectors), real estate securities, fixed income securities (primarily inflation-linked government and corporate bonds), and commodity futures.

C The International Value Equity Trust is a commingled fund formed primarily to afford participants an opportunity to obtain long-term capital gains and income from a diversified portfolio of equity securities of companies ordinarily incorporated outside of the United States. At times, this fund may enter into foreign currency contracts with banks for purchases and sales of securities denominated in a foreign currency, thus fixing the U.S. dollar price of the security traded. Unanticipated changes in

## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

currency prices may result in poorer overall performance for this fund than if it had not entered into such contracts.

- D The Concentrated Core Equities Fund is a commingled fund that is generally invested in equity securities. This fund primarily targets top large cap companies and seeks to maximize total return, with an emphasis on capital appreciation.
- E The Real Estate Fund of Funds is an investment in a limited partnership that invests in real estate managers pursuing traditional commercial property strategies. This fund can have up to 20% invested internationally.
- F This fund consists primarily of inflation-indexed securities of which at least 80% of assets are invested in inflation-indexed bonds of the U.S. government. However, up to 35% of assets may be invested in noninflation-indexed securities, such as corporate debt, U.S. government, and agency bonds. This fund typically maintains a dollar-weighted average maturity of 7–10 years. This fund may also invest in options and futures and up to 15% of assets may be invested in illiquid securities.
- G The Investable Emerging Markets Country Fund's objective is to achieve long-term capital growth by investing in emerging markets. Its policy is to make such investments indirectly through closed-end country funds whose assets are invested principally in emerging markets.
- H The Equity Hedge Fund is an offshore limited partnership that invests primarily in long-short equity hedge funds. The objective of the fund is to outperform the indices over a two-year period with significantly lower volatility and correlation to those indices. The underlying investments consist of common stocks and debt securities in the United States and abroad, as well as options and futures.
- I The International Equity Fund is a comingled fund comprising investments in international companies considered to have a competitive advantage and that are growth oriented. Risk is managed through diversification across dimensions of geography, industry sector, currency, and size. Foreign currency exposure is not routinely hedged.
- J The Select Equities Fund invests primarily in equity securities of mid and large capitalization companies. The Fund seeks to achieve superior long-term returns over a full market cycle by owning shares of companies considered to have strong and enduring business models and inherent advantages over their competitors.

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

As of February 28, 2013, the following table summarizes the composition of \$101,173,265 at fair value of investments by the various redemption provisions and lock-up periods:

<u>Redemption period</u>	<u>Amount</u>
Daily	\$ 52,575,967
Monthly	27,262,489
Quarterly	10,392,643
Annual	10,083,303
Lock-up	<u>858,863</u>
Total	<u>\$ 101,173,265</u>

The amount subject to redemption lock-up of \$858,863 is set to expire in fiscal year 2016.

Investment return and its classification in the statements of activities are as follows:

	<u>February 28, 2013</u>			<u>February 29, 2012</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest (net of investment and advisory fees of \$458,133 in 2013 and \$506,815 in 2012)	\$ 2,282,857	601,358	2,884,215	1,078,041	333,698	1,411,739
Realized gain on investments	1,890,262	497,940	2,388,202	1,780,839	496,449	2,277,288
Unrealized gain (loss) on investments	<u>783,310</u>	<u>206,342</u>	<u>989,652</u>	<u>(2,931,329)</u>	<u>(817,173)</u>	<u>(3,748,502)</u>
	4,956,429	1,305,640	6,262,069	(72,449)	12,974	(59,475)
Spending rate allocated for current operations	<u>749,700</u>	<u>(749,700)</u>	<u>—</u>	<u>804,000</u>	<u>(804,000)</u>	<u>—</u>
	5,706,129	555,940	6,262,069	731,551	(791,026)	(59,475)
Investment return designated for current operations	<u>(5,298,000)</u>	<u>—</u>	<u>(5,298,000)</u>	<u>(5,720,000)</u>	<u>—</u>	<u>(5,720,000)</u>
Investment return more than (less than) amounts designated for current operations	\$ <u>408,129</u>	<u>555,940</u>	<u>964,069</u>	<u>(4,988,449)</u>	<u>(791,026)</u>	<u>(5,779,475)</u>

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

**(5) Property and Equipment**

Property and equipment consisted of the following as of February 28, 2013 and February 29, 2012:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Property	\$ 417,375	417,375
Leasehold improvements	2,804,212	2,804,212
Furniture and office equipment	1,086,018	1,104,120
	<u>4,307,605</u>	<u>4,325,707</u>
Accumulated depreciation and amortization	<u>(1,104,164)</u>	<u>(849,415)</u>
Total	<u>\$ 3,203,441</u>	<u>3,476,292</u>

**(6) Restricted Net Assets**

Net assets were restricted for the following purposes as of February 28, 2013 and February 29, 2012:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Temporarily restricted net assets to support:		
Program initiatives	\$ 18,184,271	17,628,331
Program grants restricted by:		
Purpose	1,723,257	2,053,019
Time	944,658	1,642,258
	<u>\$ 20,852,186</u>	<u>21,323,608</u>
	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Permanently restricted net assets:		
Investments to be held in perpetuity, the income from which is temporarily restricted to support directed distribution	\$ 1,257,440	1,257,440
Beneficial interest in perpetual trusts, the income from which is unrestricted	3,721,210	3,552,996
	<u>\$ 4,978,650</u>	<u>4,810,436</u>

**(7) Pension and Postretirement Benefit Plans**

The Fund has a qualified defined benefit pension plan (Pension or Plan) for eligible employees. The benefits are based on years of service and the employee's average final compensation. Average annual compensation is defined as the amount paid to a member during their five most highly paid consecutive years of participation during the 10 years immediately preceding their retirement or termination of service.



**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

The Fund's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plan with assets sufficient to provide benefits to plan participants. On June 20, 2007, the Board elected to close the defined benefit plan to new members and to freeze the plan for existing members as of December 31, 2011. On November 16, 2011, the Board elected to terminate the defined benefit plan as of March 1, 2012 and amended the plan to include a lump-sum payment option. The Fund submitted the Plan to the Internal Revenue Service (IRS) in January 2012 to obtain a final determination, which was received in August 2012. The termination process was completed and all funds liquidated by March 28, 2013.

The Fund also has a noncontributory unfunded postretirement benefit plan (postretirement), which covers substantially all employees and their spouses. Each participant will be eligible to receive benefits at age 65 and after 5 years of service. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required contributions are made. Employees who retired on or after February 1, 1993 are not eligible for Medicare Part B premium reimbursement.

Health care cost trend assumptions were not used in the postretirement calculation since the benefit liability attributable to the Fund is determined by the portion of the total cost of medical benefits that are covered by the Fund. The Fund's contribution amount is \$1,500 per year for individuals and \$3,000 per year for family coverage, without regard to the total cost of the medical benefit in each case. The liability, based on this flat dollar benefit amount contributed by the Fund, assumes no further increases in the \$1,500/\$3,000 Fund contribution.

The accumulated pension and postretirement benefit obligations and the funded status of the plans as of February 28, 2013 and February 29, 2012 are as follows:

	<b>Pension</b>		<b>Postretirement</b>	
	<b>February 28, 2013</b>	<b>February 29, 2012</b>	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 17,766,928	14,524,841	728,689	604,269
Service cost	—	273,201	20,178	19,472
Interest cost	727,797	768,902	28,947	31,415
Actuarial loss (gain)	1,317,192	2,686,576	(34,021)	94,533
Benefits paid	(496,074)	(486,592)	(23,128)	(21,000)
Divestitures, curtailments or settlements	(12,243,236)	—	—	—
Benefit obligation, end of year	7,072,607	17,766,928	720,665	728,689
Fair value of plan assets	5,209,405	16,018,792	—	—
Funded status	\$ (1,863,202)	(1,748,136)	(720,665)	(728,689)
Accumulated benefit obligation	\$ 7,072,607	17,766,928	720,665	728,689
Employer contributions	900,000	920,000	(23,128)	(21,000)

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

The components of benefit cost for the years ended February 28, 2013 and February 29, 2012 are as follows:

	<b>Pension</b>		<b>Postretirement</b>	
	<b>February 28, 2013</b>	<b>February 29, 2012</b>	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Service cost	\$ —	273,201	20,178	19,472
Interest cost	727,797	768,902	28,947	31,415
Expected return on assets	(964,231)	(761,744)	—	—
Amortization of prior service cost	5,821	23,277	—	—
Recognized actuarial gain	—	—	(15,331)	(27,992)
Net (credit) benefit cost	\$ <u>(230,613)</u>	<u>303,636</u>	<u>33,794</u>	<u>22,895</u>

The amounts not yet recognized as a component of changes other than net periodic pension cost recognized in unrestricted net assets for the pension plan consist of the following as of February 28, 2013 and February 29, 2012:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Net actuarial loss	\$ —	1,640,105
Prior service cost	—	5,821
	\$ <u>—</u>	<u>1,645,926</u>

The amounts not yet recognized as a component of changes other than net periodic postretirement cost recognized in unrestricted net assets for the postretirement plan consist of the following as of February 28, 2013 and February 29, 2012:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Net actuarial gain	\$ 227,837	209,147

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the pension plan for the year ended February 28, 2013 are as follows:

	<u>Pension</u>	<u>Postretirement</u>	<u>Total</u>
Prior service cost	\$ (5,821)	—	(5,821)
Net loss (gain)	<u>(581,327)</u>	<u>18,690</u>	<u>(562,637)</u>
Total recognized in change in unrestricted net assets	(587,148)	18,690	(568,458)
Net periodic benefit cost	<u>(230,613)</u>	<u>33,794</u>	<u>(196,819)</u>
Total recognized in change in unrestricted net assets and net periodic benefit	\$ <u><u>(817,761)</u></u>	<u><u>52,484</u></u>	<u><u>(765,277)</u></u>

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the pension plan for the year ended February 29, 2012 are as follows:

	<u>Pension</u>	<u>Postretirement</u>	<u>Total</u>
Prior service cost	\$ (23,277)	—	(23,277)
Net loss (gain)	<u>885,375</u>	<u>(122,525)</u>	<u>762,850</u>
Total recognized in change in unrestricted net assets	862,098	(122,525)	739,573
Net periodic benefit cost	<u>303,636</u>	<u>22,895</u>	<u>326,531</u>
Total recognized in change in unrestricted net assets and net periodic benefit	\$ <u><u>1,165,734</u></u>	<u><u>(99,630)</u></u>	<u><u>1,066,104</u></u>

The amounts expected to be recognized in net periodic pension and benefit costs during fiscal year 2013 are as follows:

	<u>Pension</u>	<u>Postretirement</u>
Cost recognition	\$ 5,821	—
Gain recognition	—	<u>15,331</u>
	\$ <u><u>5,821</u></u>	<u><u>15,331</u></u>

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

The weighted average assumptions used to determine the components of benefit cost as of and for the years ended February 28, 2013 and February 29, 2012 were as follows:

	<b>Pension</b>		<b>Postretirement</b>	
	<b>February 28, 2013</b>	<b>February 29, 2012</b>	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Weighted average assumptions:				
Discount rate	4.18%	4.18%	3.81%	4.18%
Expected return on plan assets	6.00	6.00	—	—
Rate of compensation increase	—	3.50	—	—

The defined benefit plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The assets (expressed in percentages) for the pension plan consisted of the following as of February 28, 2013 and February 29, 2012:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Debt securities	100%	78%
Immediate participation guarantee contract, unallocated	—	22
	100%	100%

In addition to the defined benefit retirement plan, the Fund maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the purchase of retirement annuities. The Fund is obligated to match annual employee contributions, measured as of December 31 of each year, up to a maximum of \$2,000 for each eligible employee, as defined in this plan. In conjunction with the freezing of the defined benefit plan in fiscal year 2008, the Board implemented an enhancement to its defined contribution retirement plan under Section 403(b) of the Internal Revenue Code during calendar year 2007. The enhancement allowed for a discretionary employer contribution of 4% to 8% based on years of service. The enhancement was available immediately to those not eligible for the defined benefit plan as of June 20, 2007, and was made available to defined benefit plan participants on January 1, 2012, subsequent to the defined benefit plan's freeze on December 31, 2011. For the years ended February 28, 2013 and February 29, 2012, the Fund contributed \$408,865 and \$189,333, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of U.S. equity holdings and fixed income securities.

In December 2002, due to IRS Tax Code changes, the Fund implemented a 457(b) defined contribution retirement plan, in which only certain highly compensated employees are eligible to participate.

## UNITED HOSPITAL FUND OF NEW YORK

### Notes to Financial Statements

February 28, 2013 and February 29, 2012

Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. The Fund may make a contribution to the Plan on behalf of certain participants as defined in the Plan to receive a Fund contribution. For the years ended February 28, 2013 and February 29, 2012, the Fund contributed \$32,000 and \$31,054, respectively, to this plan.

#### (8) Commitments

In September 2010, the Fund entered into a lease for office facilities at 1411 Broadway, expiring in October 2025. The lease terms provide for a free rent period through October 2011 and tenant improvement allowances (TI allowance) in the amount of \$2,045,228. Free rent period, TI allowance, and charges are accounted for on a straight-line basis over the life of the lease. The Fund's prior lease at 350 Fifth Avenue ended on March 31, 2011 and the space was returned and accepted by the landlord with no further obligation.

In January 2013, the Fund entered into a lease for office facilities in Albany. The lease expires in December 2017.

Future minimum lease payments as of February 28, 2013, net of the applicable rent credits, for the fiscal years ending February 28 are as follows:

2014	\$	1,080,360
2015		1,080,360
2016		1,080,360
2017		1,080,360
2018		1,077,688
Thereafter		8,159,864
	\$	<u>13,558,992</u>

Rent expense for the years ended February 28, 2013 and February 29, 2012 amounted to \$1,080,360 and \$1,079,756, respectively, and a deferred rent obligation of \$2,872,876 and \$2,970,846, respectively, was recorded for the free rent period and tenant improvement allowance.

The Fund has made a commitment to invest \$2,500,000 in real estate limited partnerships (real estate fund of funds investment), funded from its fixed income investments within the investment portfolio. As of February 28, 2013 and February 29, 2012, the Fund had invested \$2,145,545 and \$2,125,000, respectively, of this commitment. For the years ended February 28, 2013 and February 29, 2012, the Fund received redemptions of \$180,148 and \$173,843, respectively. Cumulative redemptions to date are \$2,042,314 and \$1,862,166, respectively, at February 28, 2013 and February 29, 2012.

#### (9) Endowment Net Assets

The Fund 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. The portion of a donor-restricted

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until appropriated for expenditure.

The Board has interpreted state law to include preservation of an endowment gift's historic value measured as of the gift date, absent explicit donor stipulations to the contrary. The policy for valuing the Fund's investments is described in note 2(g). In accordance with accounting principles generally accepted in the United States of America, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires the Fund to retain in perpetuity is to be reported in unrestricted net assets. The Fund has not incurred such deficiencies in its endowment funds as of February 28, 2013 and February 29, 2012.

The Fund's endowment investment policy states the Fund is to invest primarily in a mix of equities, alternative investments, and fixed income securities based on a prescribed asset allocation strategy designed to achieve the Fund's investment objectives. These objectives are to preserve the inflation-adjusted value of the Fund's invested assets after administrative costs and spending needs, prudently invest assets in high-quality, diversified vehicles, and achieve the optimal return possible within specified risk parameters. The prescribed asset allocation strategy is designed to achieve not less than a 0.5% rate of return, net of spending needs and expenses, over the long term. The Fund 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). The Fund's annual spending rate from endowment, described in note 2(k), is to invest primarily in equities and fixed income based on an asset allocation to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns, and achieve long-term growth.

The composition of the endowment net assets at February 28, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 76,687,837	—	—	76,687,837
Donor-restricted endowment	—	18,184,271	1,257,440	19,441,711
Total endowment	\$ <u>76,687,837</u>	<u>18,184,271</u>	<u>1,257,440</u>	<u>96,129,548</u>

The composition of the endowment net assets at February 29, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 76,351,116	—	—	76,351,116
Donor-restricted endowment	—	17,628,331	1,257,440	18,885,771
Total endowment	\$ <u>76,351,116</u>	<u>17,628,331</u>	<u>1,257,440</u>	<u>95,236,887</u>

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

Changes in endowment net assets for the year ended February 28, 2013 are as follows:

	<b>Board- designated unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 76,351,116	17,628,331	1,257,440	95,236,887
Investment activity:				
Interest and dividends	2,282,857	601,358	—	2,884,215
Realized gain on investments	1,890,262	497,940	—	2,388,202
Unrealized gain on investments	783,310	206,342	—	989,652
Spending rate applied to operations	(4,548,300)	(749,700)	—	(5,298,000)
Other	(71,408)	—	—	(71,408)
Endowment net assets, end of the year	\$ <u>76,687,837</u>	<u>18,184,271</u>	<u>1,257,440</u>	<u>96,129,548</u>

Changes in endowment net assets for the year ended February 29, 2012 are as follows:

	<b>Board- designated unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 81,724,077	18,115,032	1,157,440	100,996,549
Investment activity:				
Interest and dividends	1,078,041	333,698	—	1,411,739
Realized gain on investments	1,780,839	496,449	—	2,277,288
Unrealized loss on investments	(2,931,329)	(817,173)	—	(3,748,502)
Spending rate applied to operations	(4,916,000)	(804,000)	—	(5,720,000)
Other	19,813	—	—	19,813
Reclassification of funds	(404,325)	304,325	100,000	—
Endowment net assets, end of the year	\$ <u>76,351,116</u>	<u>17,628,331</u>	<u>1,257,440</u>	<u>95,236,887</u>

**(10) Beneficial Interest in Perpetual Trusts**

The Fund has recorded an increase of \$168,214 and a decrease of \$64,255 in permanently restricted net assets for the years ended February 28, 2013 and February 29, 2012, respectively, relating to the change in fair value of its beneficial interest in perpetual trusts. An outside custodian holds these trusts on behalf of

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

the Fund, the perpetual beneficiary. Certain income from the trusts is paid to the Fund and the balance, if any, is retained in the trusts.

The underlying assets in the perpetual trusts are allocated as follows:

	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Cash and short-term investments	4%	4%
Equities	57	60
Fixed income	29	26
Alternative investments	10	10
	100%	100%

For the years ended February 28, 2013 and February 29, 2012, the Fund received distributions from these trusts of \$80,442 and \$84,494, respectively.

**(11) Indebtedness**

In December 2010, the Fund entered into a one-year credit agreement of up to \$3,300,000 to finance the cost of leasehold improvements for its new offices at 1411 Broadway. The agreement calls for revolver loan advances to and repayments by the Fund with interest at monthly LIBOR plus 1.4% and a commitment fee of 0.20% on the daily average unused amount of the commitment during the period of the agreement. As of February 28, 2011, the Fund had borrowed \$1,700,000. During the fiscal year ended February 29, 2012, the Fund repaid \$1,300,000 and converted the remaining balance of \$400,000 to a 4-year term loan with interest using the monthly LIBOR. As of February 28, 2013 and February 29, 2012, the loan had an outstanding balance of \$266,667 and \$366,667 and interest in the amount of \$5,364 and \$24,111, respectively, had been paid to the lender. The Fund is not and has not been in violation of any loan covenants through the date of this report.

In January 2013, the Fund renewed a \$1,000,000 line of credit, which expires on December 31, 2013. Borrowings are unsecured and interest is charged at the bank's prime rate. There were no amounts outstanding under this agreement during the year or at February 28, 2013 and February 29, 2012.

**(12) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Fund in estimating the fair value of each class of financial instruments for which it is practicable to estimate fair value:

*Cash and Short-Term Investments, Actively Traded Mutual Funds, Common Stocks, and U.S. Treasury Inflation-Protected Securities* – Valued using market prices in active markets.

*Fund of Funds, Hedge Fund, and Real Estate Investment Trusts* – Stated at the net asset value as provided by the investment managers.



**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

*Grants and Other Receivables, Accounts Payable and Other Liabilities, and Grant Commitments* – The carrying amount reported in the statements of financial position approximates its fair value because of the short-term nature of the accounts.

Financial assets carried at fair value at February 28, 2013 are classified in the table in one of three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets carried at fair value:				
Investments:				
Cash and short-term investments	\$ 152,091	—	—	152,091
Accrued income	19,831	—	—	19,831
Mutual funds – fixed income and bonds	18,832,742	—	—	18,832,742
Mutual funds – primarily U.S. equities	8,995,411	—	—	8,995,411
U.S. common stocks	6,271,872	—	—	6,271,872
International equities	1,998,943	—	—	1,998,943
Treasury inflation – protected securities	885,802	—	—	885,802
Limited partnerships/ commingled funds:				
Absolute return fund of funds	—	10,392,643	—	10,392,643
Real estate fund of funds	—	—	858,863	858,863
WTC common trust fund real asset portfolio	—	8,175,746	—	8,175,746
International value equity trust	—	13,136,341	—	13,136,341
Select equities fund	—	8,427,756	—	8,427,756
Investable emerging markets country fund	—	5,950,402	—	5,950,402
Equity hedge funds	—	—	10,083,303	10,083,303
International equity	—	6,991,519	—	6,991,519
Total investments	\$ <u>37,156,692</u>	<u>53,074,407</u>	<u>10,942,166</u>	<u>101,173,265</u>

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in perpetual trusts	\$ —	—	3,721,210	3,721,210
Pension plan assets:				
Bonds	<u>5,209,405</u>	<u>—</u>	<u>—</u>	<u>5,209,405</u>
Total assets carried at fair value	<u>\$ 42,366,097</u>	<u>53,074,407</u>	<u>14,663,376</u>	<u>110,103,880</u>

Financial assets carried at fair value at February 29, 2012 are classified in the table in one of three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets carried at fair value:				
Investments:				
Cash and short-term investments	\$ 529,282	—	—	529,282
Accrued income	15,525	—	—	15,525
Mutual funds – fixed income and bonds	17,427,715	—	—	17,427,715
Mutual funds – primarily U.S. equities	8,769,194	—	—	8,769,194
U.S. common stocks	5,814,087	—	—	5,814,087
International equities	2,394,265	—	—	2,394,265
Treasury inflation – protected securities	1,337,179	—	—	1,337,179
Limited partnerships/commingled funds:				
Absolute return fund of funds	—	9,655,255	—	9,655,255
Real estate fund of funds	—	—	962,441	962,441
WTC common trust fund real asset portfolio	—	8,615,380	—	8,615,380
International value equity trust	—	11,521,718	—	11,521,718
Concentrated core equities fund	—	9,046,375	—	9,046,375

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investable emerging markets country fund	—	7,731,145	—	7,731,145
Equity hedge funds	—	—	10,801,172	10,801,172
International equity	—	6,359,585	—	6,359,585
Total investments	\$ 36,287,247	52,929,458	11,763,613	100,980,318
Beneficial interest in perpetual trusts	\$ —	—	3,552,996	3,552,996
Pension plan assets:				
Immediate participation guarantee contract	—	3,702,527	—	3,702,527
Bonds	12,316,265	—	—	12,316,265
Total assets carried at fair value	\$ 48,603,512	56,631,985	15,316,609	120,552,106

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows for the year ended February 28, 2013:

	<u>Real estate fund of funds</u>	<u>Equity hedge fund</u>	<u>Beneficial interest in perpetual trusts</u>	<u>Total</u>
Balance at February 29, 2012	\$ 962,441	10,801,172	3,552,996	15,316,609
Purchases	13,565	—	—	13,565
Sales and redemptions	(173,092)	(1,000,000)	—	(1,173,092)
Realized/unrealized gain	55,949	282,131	—	338,080
Change in value of beneficial interest in perpetual trusts	—	—	168,214	168,214
Balance at February 28, 2013	\$ 858,863	10,083,303	3,721,210	14,663,376

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2013 and February 29, 2012

The changes in assets measured at fair value for which the Fund has classified as Level 3 are as follows for the year ended February 29, 2012:

	<b>Real estate fund of funds</b>	<b>Equity hedge fund</b>	<b>Beneficial interest in perpetual trusts</b>	<b>Total</b>
Balance at February 28, 2011	\$ 963,475	5,499,153	3,617,251	10,079,879
Purchases	99,413	5,000,000	—	5,099,413
Redemptions	(212,517)	—	—	(212,517)
Realized/unrealized gain	112,070	302,019	—	414,089
Change in value of beneficial interest in perpetual trusts	—	—	(64,255)	(64,255)
Balance at February 29, 2012	\$ <u>962,441</u>	<u>10,801,172</u>	<u>3,552,996</u>	<u>15,316,609</u>

**(13) Concentration of Credit Risk**

Financial instruments that potentially subject the Fund to a concentration of credit risk include cash accounts and other cash equivalents that may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000 per financial institution. As of February 28, 2013 and February 29, 2012, the Fund's cash and cash equivalents included cash and money market funds approximating \$4,260,716 and \$4,527,649, respectively, which are not covered by FDIC insurance.

**(14) Subsequent Events**

In connection with the preparation of the financial statements, the Fund evaluated subsequent events after the balance sheet date of February 28, 2013 through June 11, 2013, which was the date the financial statements were available to be issued and determined that there were no matters that are required to be disclosed.