



UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 29, 2016 and February 28, 2015

(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 as of February 29, 2016 and February 28, 2015, which comprise the statements of financial position as of February 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015, 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 8, 2016

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 29, 2016 and February 28, 2015

Assets	February 29, 2016	February 28, 2015
Cash and cash equivalents (note 11)	\$ 2,942,008	2,434,702
Grants and other receivables, net (note 3)	482,643	463,378
Other assets	810,906	939,223
Investments (notes 4 and 8)	83,760,260	102,938,398
Property and equipment, net (note 5)	2,505,238	2,682,006
Beneficial interest in perpetual trusts (notes 6 and 10)	3,539,958	4,113,482
Total assets	\$ 94,041,013	113,571,189
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 807,561	783,065
Indebtedness	—	66,667
Deferred rent obligation (note 8)	2,607,767	2,676,706
Grant commitments (note 2j)	902,308	987,500
Accrued postretirement benefits (note 7)	766,816	872,861
Total liabilities	5,084,452	5,386,799
Net assets:		
Unrestricted (note 9)	66,697,372	81,972,249
Temporarily restricted (notes 6 and 9)	17,461,791	20,841,219
Permanently restricted (notes 6 and 9)	4,797,398	5,370,922
Total net assets	88,956,561	108,184,390
Total liabilities and net assets	\$ 94,041,013	113,571,189

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 29, 2016 and February 28, 2015

	February 29, 2016				February 28, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and support:								
Public support:								
Foundation grants	\$ —	1,069,385	—	1,069,385	—	485,000	—	485,000
Government and exchange contracts	1,230,430	—	—	1,230,430	813,028	—	—	813,028
Contributions	315,847	—	—	315,847	366,195	—	—	366,195
Special events (net of direct expenses of \$395,034 in 2016 and \$370,027 in 2015)	2,350,865	—	—	2,350,865	1,973,397	—	—	1,973,397
Total public support	3,897,142	1,069,385	—	4,966,527	3,152,620	485,000	—	3,637,620
Other revenues:								
Conferences and other	123,150	—	—	123,150	66,939	—	—	66,939
Investment return designated for current operations (notes 4 and 9)	5,997,074	—	—	5,997,074	6,583,228	—	—	6,583,228
Other investment income	164,678	—	—	164,678	188,162	—	—	188,162
Total other revenues	6,284,902	—	—	6,284,902	6,838,329	—	—	6,838,329
Net assets released from restrictions	943,924	(943,924)	—	—	807,773	(807,773)	—	—
Total operating revenues and support	11,125,968	125,461	—	11,251,429	10,798,722	(322,773)	—	10,475,949
Operating expenses:								
Program services:								
Grants	896,808	—	—	896,808	922,000	—	—	922,000
Health services research, policy analysis, and education	5,329,398	—	—	5,329,398	5,142,270	—	—	5,142,270
Publications and information services	1,180,970	—	—	1,180,970	1,298,273	—	—	1,298,273
Total program services	7,407,176	—	—	7,407,176	7,362,543	—	—	7,362,543
Supporting services:								
Administrative and general	2,599,089	—	—	2,599,089	2,602,791	—	—	2,602,791
Fundraising	868,048	—	—	868,048	820,084	—	—	820,084
Total supporting services	3,467,137	—	—	3,467,137	3,422,875	—	—	3,422,875
Total operating expenses	10,874,313	—	—	10,874,313	10,785,418	—	—	10,785,418
Change in net assets from operations	251,655	125,461	—	377,116	13,304	(322,773)	—	(309,469)
Nonoperating activities and support:								
Investment return (less than) more than amounts designated for current operations (notes 4 and 9)	(15,673,249)	(3,504,889)	—	(19,178,138)	(2,194,291)	597,506	—	(1,596,785)
Investment fees	—	—	—	—	(116,395)	—	—	(116,395)
Postretirement related changes other than net periodic postretirement cost (note 7)	148,831	—	—	148,831	(36,178)	—	—	(36,178)
Change in value of beneficial interest in perpetual trusts (note 10)	—	—	(573,524)	(573,524)	—	—	4,293	4,293
Tax expense from unrelated business income	(2,114)	—	—	(2,114)	(1,775)	—	—	(1,775)
Change in net assets from nonoperating activities and support	(15,526,532)	(3,504,889)	(573,524)	(19,604,945)	(2,348,639)	597,506	4,293	(1,746,840)
Change in total net assets	(15,274,877)	(3,379,428)	(573,524)	(19,227,829)	(2,335,335)	274,733	4,293	(2,056,309)
Net assets at beginning of year	81,972,249	20,841,219	5,370,922	108,184,390	84,307,584	20,566,486	5,366,629	110,240,699
Net assets at end of year	\$ 66,697,372	17,461,791	4,797,398	88,956,561	81,972,249	20,841,219	5,370,922	108,184,390

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 29, 2016 and February 28, 2015

	<u>February 29, 2016</u>	<u>February 28, 2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (19,227,829)	(2,056,309)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	238,333	317,617
Realized and unrealized losses (gains) on investments	13,436,286	(3,020,550)
Accrued investment fees	112,064	57,449
Postretirement related changes other than net periodic postretirement cost	(148,831)	36,178
Change in value of beneficial interest in perpetual trusts	573,524	(4,293)
Net change in assets and liabilities:		
Grants and other receivables, net	(19,265)	(75,672)
Other assets	128,317	(25,945)
Accounts payable and other liabilities, and deferred rent obligation	(44,443)	(240,695)
Grant commitments	(85,192)	(22,500)
Accrued postretirement benefits	42,786	49,557
Net cash used in operating activities	<u>(4,994,250)</u>	<u>(4,985,163)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(61,565)	(56,452)
Purchases of investments	(10,312,488)	(92,656,196)
Proceeds from sales of investments	15,942,276	97,214,949
Net cash provided by investing activities	<u>5,568,223</u>	<u>4,502,301</u>
Cash flows from financing activity:		
Repayment of debt instruments	(66,667)	(100,000)
Net cash used in financing activity	<u>(66,667)</u>	<u>(100,000)</u>
Net increase (decrease) in cash and cash equivalents	507,306	(582,862)
Cash and cash equivalents, beginning of year	2,434,702	3,017,564
Cash and cash equivalents, end of year	<u>\$ 2,942,008</u>	<u>2,434,702</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	\$ 2,114	1,775
Cash paid for interest on debt instruments	401	1,941

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 29, 2016

	Program services				Supporting services			Total
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	Total supporting services	
Salaries and benefits:								
Salaries	\$ —	2,956,291	646,709	3,603,000	1,361,972	423,629	1,785,601	5,388,601
Benefits (note 7)	—	954,099	193,117	1,147,216	405,405	134,947	540,352	1,687,568
Total salaries and benefits	—	3,910,390	839,826	4,750,216	1,767,377	558,576	2,325,953	7,076,169
Grants	896,808	—	—	896,808	—	—	—	896,808
Other expenses:								
Consulting and professional fees	—	344,888	72,946	417,834	203,348	24,458	227,806	645,640
Occupancy costs (note 8)	—	750,727	157,228	907,955	526,279	131,223	657,502	1,565,457
Conference costs	—	116,027	2,035	118,062	8,645	16,256	24,901	142,963
Printing costs	—	616	45,686	46,302	286	65,463	65,749	112,051
Other	—	206,750	63,249	269,999	93,154	72,072	165,226	435,225
Total other expenses	—	1,419,008	341,144	1,760,152	831,712	309,472	1,141,184	2,901,336
Total operating expenses	\$ 896,808	5,329,398	1,180,970	7,407,176	2,599,089	868,048	3,467,137	10,874,313
Special events								395,034
Total expenses								\$ 11,269,347

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2015

	Program services				Supporting services			Total
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	Total supporting services	
Salaries and benefits:								
Salaries	\$ —	2,784,886	731,162	3,516,048	1,351,501	406,163	1,757,664	5,273,712
Benefits (note 7)	—	902,132	228,708	1,130,840	419,997	131,576	551,573	1,682,413
Total salaries and benefits	—	3,687,018	959,870	4,646,888	1,771,498	537,739	2,309,237	6,956,125
Grants	922,000	—	—	922,000	—	—	—	922,000
Other expenses:								
Consulting and professional fees	—	396,218	36,467	432,685	169,135	23,203	192,338	625,023
Occupancy costs (note 8)	—	773,440	179,442	952,882	518,258	119,323	637,581	1,590,463
Conference costs	—	78,080	1,375	79,455	27,114	18,820	45,934	125,389
Printing costs	—	14,153	50,489	64,642	1,257	63,297	64,554	129,196
Other	—	193,361	70,630	263,991	115,529	57,702	173,231	437,222
Total other expenses	—	1,455,252	338,403	1,793,655	831,293	282,345	1,113,638	2,907,293
Total operating expenses	\$ 922,000	5,142,270	1,298,273	7,362,543	2,602,791	820,084	3,422,875	10,785,418
Special events								370,027
Total expenses								\$ 11,155,445

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 29, 2016 and February 28, 2015

(1) Organization

United Hospital Fund of New York (UHF) 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.

UHF is an independent organization working to build a more effective health care system for every New Yorker. We analyze public policy to inform decision-makers, find common ground among diverse stakeholders, and develop and support innovative programs that improve the quality, accessibility, affordability, and experience of patient care.

UHF 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, UHF has evolved into a nationally recognized independent force for health care improvement in New York. UHF's current initiatives include:

- **Quality Institute:** Advancing health care quality through thought leadership, collaborations, and innovative programs;
- **Medicaid Institute:** Providing data and policy analysis to support a strong Medicaid program;
- **Children's Health:** Strengthening pediatric primary care to promote healthy child development;
- **Families and Health Care Project:** Recognizing and supporting family caregivers as essential partners in health care;
- **Health Insurance Project:** Promoting strong health insurance markets to provide affordable, efficient health coverage for New Yorkers;
- **Innovative Strategies:** Promoting innovations that improve performance of the health care delivery system; and
- **Aging in Place:** Building connections between community-based aging service organizations and health care to support healthy aging.

(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 (GAAP).

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Notes to Financial Statements

February 29, 2016 and February 28, 2015

(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 UHF 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.

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

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by UHF. Generally, the donors of these assets permit UHF 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 unrestricted 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, UHF 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 (less than) UHF's authorized spending policy, postretirement related changes other than net periodic cost, change in value of beneficial interest in perpetual trusts, and other nonrecurring activities are recognized as nonoperating activities and support.

(d) 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

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Notes to Financial Statements

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Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. The net asset value (NAV) reported by each fund is used as a practical expedient to estimate fair value of UHF's interest therein. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following methods and assumptions were used by UHF in estimating the fair value of each class of financial instruments, except where otherwise disclosed, 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.

Alternative Investments – Stated at the NAV as provided by the investment managers.

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. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

(e) Contributions and Grants

Grants and contributions are evaluated as to whether they qualify as exchange transactions or contributions as defined by GAAP. Grants and contributions that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement.

Contributions and grants, which include unconditional promises to give, are recognized initially at fair value as revenues in the period received. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. 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, UHF does not discount to present value contributions to be received greater than one year.

(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. UHF maintains cash in one commercial bank and the balance, at times, may exceed insured limits. UHF has not experienced any losses in such accounts.

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Notes to Financial Statements

February 29, 2016 and February 28, 2015

(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 NAV per share on the valuation date, which is their redeemable value. Investments in investment funds and limited partnerships are stated at the NAV as provided by the investment managers. Because of the inherent uncertainty of valuation of UHF'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.

In October 2014, the Board elected to contract with an outsourced chief investment officer (OCIO) to manage its investments. As noted in the agreement, the OCIO serves as UHF's discretionary investment advisor, charged with investing in accordance with and abiding by UHF's investment policy and guidelines. At the end of December 2014 and into January 2015, UHF liquidated and transferred most of its assets to a new custodian, which were then available to be invested by UHF's OCIO. UHF's approved spending needs will be provided for each year. Additional withdrawals can be requested with 100 days' written notice, which will be paid on the last business day of the calendar quarter in which the notice applies, except that UHF is precluded from requesting additional withdrawals prior to the first anniversary of the initial investment.

(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 UHF 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, UHF does not discount to present value commitments to be paid later than one year. Grant commitments of \$902,308 and \$987,500 as of February 29, 2016 and February 28, 2015, respectively, are payable within one year.

(k) Beneficial Interest in Perpetual Trusts

UHF receives periodic income from certain trusts that require part or all of the income to be paid to UHF in perpetuity. Title to the principal interests in the assets of these trusts is held by outside trustees not affiliated with UHF, who retain control over the investment decisions regarding these assets. GAAP requires, however, that these trusts be recorded as permanently restricted net assets in UHF's financial statements. As a result, UHF has recorded the trusts based upon UHF's ownership percentage of the fair value of the underlying assets. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy. Changes in the value of the investments are

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 29, 2016 and February 28, 2015

recognized as gains or losses in permanently restricted net assets in the accompanying statements of activities on an annual basis.

(l) Board Spending Policy

UHF 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 29, 2016 and February 28, 2015 was 5.5% of a 36-month trailing moving average. In February 2014, the Board authorized an additional draw of 1.5%, or approximately \$5 million over 3 fiscal years, 2015, 2016 and 2017, to be used for specified purposes as approved by the Board for each year's budget, and as reported to the board at interim periods during the year. 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 UHF 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 GAAP 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) Tax

UHF 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 UHF's exempt purpose is subject to tax under Internal Revenue Code Section 511. UHF did not recognize any unrelated business income tax liability for the years ended February 29, 2016 and February 28, 2015.

(p) Reclassifications

Certain reclassifications of 2015 amounts have been made to conform to the 2016 presentation.

(3) Grants and Other Receivables, Net

Grants and other receivables balances at February 29, 2016 and February 28, 2015 were \$482,643 and \$463,378, respectively, which are expected to be collected within one year.

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Notes to Financial Statements

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(4) Investments

Investments consisted of the following as of February 29, 2016:

	<u>Level 1</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:				
Cash and Short-Term Investments	\$ 48,827	—	48,827	
Investment Fees Payable	(112,064)	—	(112,064)	
Global Equities	7,527,097	39,252,741	46,779,838	A
Hedge Funds – Directional	—	13,882,661	13,882,661	B
Fixed Income	—	9,045,790	9,045,790	C
Hedge Funds – Non-Directional	—	6,722,917	6,722,917	D
Marketable Real Assets	—	6,848,522	6,848,522	E
Private Real Assets	—	505,431	505,431	F
Private Capital	—	38,338	38,338	G
	<u>\$ 7,463,860</u>	<u>76,296,400</u>	<u>83,760,260</u>	

Investments consisted of the following as of February 28, 2015:

	<u>Level 1</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:				
Cash and Short-Term Investments	\$ 2,794,686	—	2,794,686	
Investment Fees Payable	(57,449)	—	(57,449)	
Receivable Pending Final Distribution	1,728,531	—	1,728,531	A
Global Equities	15,795,009	42,311,946	58,106,955	B
Hedge Funds – Directional	—	16,371,616	16,371,616	C
Fixed Income	—	9,461,516	9,461,516	D
Hedge Funds – Non-Directional	—	5,101,462	5,101,462	E
Marketable Real Assets	2,089,485	7,102,854	9,192,339	F
Private Real Assets	—	238,742	238,742	G
	<u>\$ 22,350,262</u>	<u>80,588,136</u>	<u>102,938,398</u>	

A Global Equities – This asset class invests primarily in domestic, international, and global long-only investment funds that employ a variety of investment and trading strategies generally utilizing publicly traded equity securities.

B Hedge Funds – Directional – This asset class invests primarily in investment funds with long-biased equity or long-biased distressed debt hedge fund strategies. The long-biased equity investment funds may pursue event, special situation, or fundamental long/short equity hedge fund strategies.

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- C Fixed Income – This asset class invests primarily in long-only investment funds that focus on domestic and international fixed income investments, including those issued by governments, municipalities, agencies, and corporations.
- D Hedge Funds – Non-Directional – This asset class invests primarily in investment funds focused on higher hedge long/short equity, higher hedge long/short credit, fundamental and quantitative global macro, arbitrage, and relative value hedge fund strategies.
- E Marketable Real Assets – This asset class invests primarily in investment funds that invest in publicly traded securities and/or futures contracts providing exposure to real estate investment trusts (REITs), commodities, resource-related debt and equities, global and domestic Treasury Inflation-Protected Securities (TIPS), and/or infrastructure bonds.
- F Private Real Assets – Includes a private fund of funds that invests in real estate managers pursuing traditional commercial property strategies. This fund may have up to 20% invested internationally.
- G Private Capital – Private capital funds invest primarily in underlying funds that invest in private equity, venture capital, mezzanine, and special situations.

As of February 29, 2016, the following table summarizes the composition of \$76,296,400 at fair value of investments by the various redemption provisions and lock-up periods:

<u>Redemption period</u>	<u>Amount</u>
Daily	\$ 3,259,741
Weekly up to 5 days' notice	1,843,891
Monthly up to 90 days' notice	40,242,045
Quarterly up to 90 days' notice	21,228,001
Annually up to 90 days' notice	4,225,300
Lock-up	5,497,422
Total	<u>\$ 76,296,400</u>

The amount subject to redemption lock-up of \$189,649 and \$4,953,653 is set to expire in fiscal years 2016 and 2018, respectively. The remaining amount of \$354,120 is nonredeemable at this time.

For additional information regarding commitments for private real assets and private capital, see footnote 8.

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

	February 29, 2016			February 28, 2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Dividends and interest (net of investment and advisory fees of \$500,435 in 2016 and \$331,213 in 2015)	\$ 194,217	59,977	254,194	1,323,131	642,762	1,965,893
Net (depreciation) appreciation in fair value of investments	(10,265,187)	(3,170,071)	(13,435,258)	1,970,809	1,049,741	3,020,550
	(10,070,970)	(3,110,094)	(13,181,064)	3,293,940	1,692,503	4,986,443
Spending rate allocated for current operations	394,795	(394,795)	—	1,094,997	(1,094,997)	—
	(9,676,175)	(3,504,889)	(13,181,064)	4,388,937	597,506	4,986,443
Investment return designated for current operations	(5,997,074)	—	(5,997,074)	(6,583,228)	—	(6,583,228)
Investment return (less than) more than amounts designated for current operations	\$ (15,673,249)	(3,504,889)	(19,178,138)	(2,194,291)	597,506	(1,596,785)

(5) Property and Equipment

Property and equipment consisted of the following as of February 29, 2016 and February 28, 2015:

	February 29, 2016	February 28, 2015
Property	\$ 650,630	630,493
Leasehold improvements	2,814,028	2,804,212
Furniture and office equipment	970,614	966,088
	4,435,272	4,400,793
Accumulated depreciation and amortization	(1,930,034)	(1,718,787)
Total	\$ 2,505,238	2,682,006

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February 29, 2016 and February 28, 2015

(6) Restricted Net Assets

Net assets were restricted for the following purposes as of February 29, 2016 and February 28, 2015:

	February 29, 2016	February 28, 2015
Temporarily restricted net assets to support:		
Program initiatives	\$ 16,586,002	20,090,891
Program grants restricted by:		
Purpose	725,789	550,328
Time	150,000	200,000
	<u>\$ 17,461,791</u>	<u>20,841,219</u>
	February 29, 2016	February 28, 2015
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	3,539,958	4,113,482
	<u>\$ 4,797,398</u>	<u>5,370,922</u>

(7) Postretirement Benefit Plans

UHF has a noncontributory unfunded postretirement benefit plan (postretirement), which covers substantially all employees and their spouses. Each participant will be eligible for these benefits at age 55 and after 10 years of service upon retirement and enrollment in Medicare. 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 UHF is determined by the portion of the total cost of medical benefits that are covered by UHF. UHF'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 UHF, assumes no further increases in the \$1,500/\$3,000 UHF contribution.

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February 29, 2016 and February 28, 2015

The accumulated postretirement benefit obligations and the funded status of the plan as of February 29, 2016 and February 28, 2015 are as follows:

	February 29, 2016	February 28, 2015
	<u> </u>	<u> </u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 872,861	787,126
Service cost	38,249	44,618
Interest cost	30,162	32,741
Actuarial loss	(151,684)	29,838
Benefits paid	<u>(22,772)</u>	<u>(21,462)</u>
Benefit obligation, end of year	<u>766,816</u>	<u>872,861</u>
Funded status	\$ <u>(766,816)</u>	<u>(872,861)</u>
Accumulated benefit obligation	\$ 766,816	872,861
Employer contributions	(22,772)	(21,462)
Recognized actuarial gain	(2,853)	(6,340)

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 a net actuarial gain of \$280,628 and \$131,797 as of February 29, 2016 and February 28, 2015, respectively.

Other changes in benefit obligations recognized in the change in unrestricted net assets for the postretirement plan are as follows:

	February 29, 2016	February 28, 2015
	<u> </u>	<u> </u>
Net (gain) loss	\$ <u>(148,831)</u>	<u>36,178</u>
Total recognized in change in unrestricted net assets	(148,831)	36,178
Net periodic benefit cost	<u>65,558</u>	<u>71,019</u>
Total recognized in change in unrestricted net assets and net periodic benefit	\$ <u><u>(83,273)</u></u>	<u><u>107,197</u></u>

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The following benefit payments are expected to be paid as follows:

2017	\$	38,201
2018		42,757
2019		44,326
2020		45,068
2021		45,753
2022–2026		<u>232,881</u>
	\$	<u><u>448,986</u></u>

The amount expected to be recognized in net periodic benefit cost is a gain of \$12,827 during fiscal year 2017.

The weighted average assumption used to determine the components of benefit cost as of and for the years ended February 29, 2016 and February 28, 2015 was 3.86% and 3.54%, respectively.

UHF 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. UHF 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 and allows for a discretionary employer contribution of 4% to 8% based on years of service. For the years ended February 29, 2016 and February 28, 2015, UHF contributed \$428,630 and \$421,747, 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, UHF implemented a 457(b) defined contribution retirement plan, in which only certain highly compensated employees are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. UHF 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 29, 2016 and February 28, 2015, UHF contributed \$38,000 and \$37,500, respectively, to this plan.

(8) Commitments

In September 2010, UHF entered into a lease for office facilities at 1411 Broadway, expiring in September 2026. The lease terms provided 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.

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

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February 29, 2016 and February 28, 2015

Future minimum lease payments as of February 29, 2016, net of the applicable rent credits, are as follows:

2017	\$	1,223,833
2018		1,284,498
2019		1,270,758
2020		1,270,758
2021		1,270,758
Thereafter		<u>7,636,971</u>
	\$	<u><u>13,957,576</u></u>

Rent expense for the years ended February 29, 2016 and February 28, 2015 amounted to \$1,108,819 and \$1,080,360, respectively, and a deferred rent obligation of \$2,607,767 and \$2,677,393, respectively, is the liability for the free rent period and TI allowance.

UHF 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 29, 2016 and February 28, 2015, UHF had invested \$2,145,545 of this commitment. For the years ended February 29, 2016 and February 28, 2015, UHF received redemptions of \$61,261 and \$457,755, respectively. Cumulative redemptions to date are \$2,827,619 and \$2,766,358 at February 29, 2016 and February 28, 2015, respectively.

UHF has made a commitment to invest \$3,000,000 in private real assets, funded from its fixed income investments within the investment portfolio. As of February 29, 2016, UHF had invested \$333,608 of this commitment, and has received no redemptions to date.

UHF has made a commitment to invest \$3,000,000 in private capital, funded from its fixed income investments within the investment portfolio. As of February 29, 2016, UHF had invested \$52,500 of this commitment, and has received \$1,028 in redemptions.

In December 2015, UHF renewed a \$1,000,000 line of credit, which expires on December 30, 2016. Borrowings are unsecured and interest is charged at the bank's prime rate. There were no amounts outstanding or drawn under this agreement during the years ended February 29, 2016 and February 28, 2015.

(9) Endowment Net Assets

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

The policy for valuing UHF's investments is described in note 2(h). In accordance with GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires UHF to retain in perpetuity is to be reported in unrestricted net assets. UHF has not incurred such deficiencies in its endowment funds as of February 29, 2016 and February 28, 2015.

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February 29, 2016 and February 28, 2015

UHF’s endowment investment policy states UHF is to invest primarily in a mix of equities, alternative investments, private equity and fixed income securities based on a prescribed asset allocation strategy designed to achieve UHF’s investment objectives. These objectives are to preserve the long-term real purchasing power of UHF’s invested assets, prudently invest assets in high-quality, diversified vehicles, and achieve the optimal return possible within specified risk parameters. UHF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from income (interest, dividends and rent). UHF’s annual spending rate from endowment, described in note 2(l), 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 preserve the long-term real purchasing power of the endowment while providing a relatively predictable and stable stream of annual distributions in support of UHF’s spending requirements.

The composition of the endowment net assets at February 29, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 65,916,818	—	—	65,916,818
Donor-restricted endowment	—	16,586,002	1,257,440	17,843,442
Total endowment	\$ <u>65,916,818</u>	<u>16,586,002</u>	<u>1,257,440</u>	<u>83,760,260</u>

The composition of the endowment net assets at February 28, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 81,590,067	—	—	81,590,067
Donor-restricted endowment	—	20,090,891	1,257,440	21,348,331
Total endowment	\$ <u>81,590,067</u>	<u>20,090,891</u>	<u>1,257,440</u>	<u>102,938,398</u>

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Notes to Financial Statements

February 29, 2016 and February 28, 2015

Changes in endowment net assets for the year ended February 29, 2016 are as follows:

	Board- designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 81,590,067	20,090,891	1,257,440	102,938,398
Investment activity:				
Interest and dividends, net	194,217	59,977	—	254,194
Net depreciation on investments	(10,265,187)	(3,170,071)	—	(13,435,258)
Spending rate applied to operations	<u>(5,602,279)</u>	<u>(394,795)</u>	<u>—</u>	<u>(5,997,074)</u>
Endowment net assets, end of year	<u>\$ 65,916,818</u>	<u>16,586,002</u>	<u>1,257,440</u>	<u>83,760,260</u>

Changes in endowment net assets for the year ended February 28, 2015 are as follows:

	Board- designated unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 83,783,225	19,493,385	1,257,440	104,534,050
Investment activity:				
Interest and dividends, net	1,323,131	642,762	—	1,965,893
Net depreciation on investments	1,970,809	1,049,741	—	3,020,550
Other	1,133	—	—	1,133
Spending rate applied to operations	<u>(5,488,231)</u>	<u>(1,094,997)</u>	<u>—</u>	<u>(6,583,228)</u>
Endowment net assets, end of year	<u>\$ 81,590,067</u>	<u>20,090,891</u>	<u>1,257,440</u>	<u>102,938,398</u>

(10) Beneficial Interest in Perpetual Trusts

UHF has recorded a decrease of \$573,524 and an increase of \$4,293 in permanently restricted net assets for the years ended February 29, 2016 and February 28, 2015, respectively, relating to the change in fair value of its beneficial interest in perpetual trusts. An outside custodian holds these trusts on behalf of UHF, the perpetual beneficiary. Certain income from the trusts is paid to UHF and the balance, if any, is retained in the trusts.

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

	February 29, 2016	February 28, 2015
Cash and short-term investments	6%	4%
Equities	69	72
Fixed income	17	13
Alternative investments	8	11
	<u>100%</u>	<u>100%</u>

For the years ended February 29, 2016 and February 28, 2015, UHF received distributions from these trusts of \$164,379 and \$184,171, respectively.

(11) Concentration of Credit Risk

Financial instruments that potentially subject UHF 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 29, 2016 and February 28, 2015, UHF's cash and cash equivalents included cash and money market funds approximating \$2,690,508 and \$2,183,202, respectively, which are not covered by FDIC insurance.

(12) Subsequent Events

In connection with the preparation of the financial statements, UHF evaluated subsequent events after the balance sheet date of February 29, 2016 through June 8, 2016, 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.