



**UNITED HOSPITAL FUND OF NEW YORK**

Financial Statements

February 28, 2018 and 2017

(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, which comprise the statements of financial position as of February 28, 2018 and 2017, 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, 2018 and 2017, 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 20, 2018

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Financial Position

February 28, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents (note 11)	\$ 3,098,473	2,159,915
Grants and other receivables, net (note 3)	739,559	575,586
Other assets	650,678	734,046
Investments (notes 4 and 8)	97,619,464	93,997,874
Property and equipment, net (notes 5 and 12)	2,065,834	2,263,838
Beneficial interest in perpetual trusts (notes 6 and 10)	4,241,501	3,920,060
Total assets	<u>\$ 108,415,509</u>	<u>103,651,319</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 904,754	782,953
Deferred rent obligation (note 8)	2,268,104	2,469,222
Grant commitments (note 2j)	856,198	1,073,689
Accrued postretirement benefits (note 7)	471,110	526,793
Total liabilities	<u>4,500,166</u>	<u>4,852,657</u>
Net assets:		
Unrestricted (note 9)	79,973,589	76,749,490
Temporarily restricted (notes 6 and 9)	17,271,401	15,700,260
Permanently restricted (notes 6 and 9)	6,670,353	6,348,912
Total net assets	<u>103,915,343</u>	<u>98,798,662</u>
Total liabilities and net assets	<u>\$ 108,415,509</u>	<u>103,651,319</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Activities

Years ended February 28, 2018 and 2017

	2018			2017				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and support:								
Public support:								
Foundation grants	\$ —	1,660,971	—	1,660,971	—	981,291	—	981,291
Legacies	—	—	—	—	600,000	—	—	600,000
Government and exchange contracts	1,153,709	—	—	1,153,709	1,159,258	—	—	1,159,258
Contributions	250,370	—	—	250,370	301,141	—	—	301,141
Special events (net of direct expenses of \$320,210 in 2018 and \$425,599 in 2017)	1,901,127	—	—	1,901,127	1,797,631	—	—	1,797,631
Total public support	<u>3,305,206</u>	<u>1,660,971</u>	<u>—</u>	<u>4,966,177</u>	<u>3,858,030</u>	<u>981,291</u>	<u>—</u>	<u>4,839,321</u>
Other revenues:								
Conferences and other	73,113	—	—	73,113	78,097	—	—	78,097
Investment return designated for current operations (notes 4 and 9)	6,351,950	—	—	6,351,950	6,197,193	—	—	6,197,193
Other investment income	180,992	—	—	180,992	155,816	—	—	155,816
Total other revenues	<u>6,606,055</u>	<u>—</u>	<u>—</u>	<u>6,606,055</u>	<u>6,431,106</u>	<u>—</u>	<u>—</u>	<u>6,431,106</u>
Net assets released from restrictions	1,010,763	(1,010,763)	—	—	1,224,821	(1,224,821)	—	—
Total operating revenues and support	<u>10,922,024</u>	<u>650,208</u>	<u>—</u>	<u>11,572,232</u>	<u>11,513,957</u>	<u>(243,530)</u>	<u>—</u>	<u>11,270,427</u>
Operating expenses:								
Program services:								
Grants	816,889	—	—	816,889	1,100,070	—	—	1,100,070
Health services research, policy analysis, and education	5,248,271	—	—	5,248,271	5,046,175	—	—	5,046,175
Publications and information services	1,244,094	—	—	1,244,094	1,170,240	—	—	1,170,240
Total program services	<u>7,309,254</u>	<u>—</u>	<u>—</u>	<u>7,309,254</u>	<u>7,316,485</u>	<u>—</u>	<u>—</u>	<u>7,316,485</u>
Supporting services:								
Administrative and general	2,694,005	—	—	2,694,005	2,755,513	—	—	2,755,513
Fundraising	899,991	—	—	899,991	856,920	—	—	856,920
Total supporting services	<u>3,593,996</u>	<u>—</u>	<u>—</u>	<u>3,593,996</u>	<u>3,612,433</u>	<u>—</u>	<u>—</u>	<u>3,612,433</u>
Total operating expenses	<u>10,903,250</u>	<u>—</u>	<u>—</u>	<u>10,903,250</u>	<u>10,928,918</u>	<u>—</u>	<u>—</u>	<u>10,928,918</u>
Change in net assets from operations	18,774	650,208	—	668,982	585,039	(243,530)	—	341,509
Nonoperating activities and support:								
Investment return more than amounts designated for current operations (notes 4 and 9)	3,269,076	920,933	—	4,190,009	7,374,331	1,475,419	—	8,849,750
Postretirement related changes other than net periodic postretirement cost (note 7)	(63,751)	—	—	(63,751)	270,740	—	—	270,740
Change in value of beneficial interest in perpetual trusts (note 10)	—	—	321,441	321,441	—	—	380,102	380,102
Transfer of net assets (note 9)	—	—	—	—	1,822,008	(2,993,420)	1,171,412	—
Change in net assets from nonoperating activities and support	<u>3,205,325</u>	<u>920,933</u>	<u>321,441</u>	<u>4,447,699</u>	<u>9,467,079</u>	<u>(1,518,001)</u>	<u>1,551,514</u>	<u>9,500,592</u>
Change in total net assets	<u>3,224,099</u>	<u>1,571,141</u>	<u>321,441</u>	<u>5,116,681</u>	<u>10,052,118</u>	<u>(1,761,531)</u>	<u>1,551,514</u>	<u>9,842,101</u>
Net assets at beginning of year	76,749,490	15,700,260	6,348,912	98,798,662	66,697,372	17,461,791	4,797,398	88,956,561
Net assets at end of year	<u>\$ 79,973,589</u>	<u>17,271,401</u>	<u>6,670,353</u>	<u>103,915,343</u>	<u>76,749,490</u>	<u>15,700,260</u>	<u>6,348,912</u>	<u>98,798,662</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Cash Flows

Years ended February 28, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,116,681	9,842,101
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	263,224	275,006
Realized and unrealized gains on investments	(10,497,653)	(14,863,489)
Accrued investment fees	66,153	121,853
Postretirement related changes other than net periodic postretirement cost	63,751	(270,740)
Change in value of beneficial interest in perpetual trusts	(321,441)	(380,102)
Net change in assets and liabilities:		
Grants and other receivables, net	(163,973)	(92,943)
Other assets	83,368	76,860
Accounts payable and other liabilities, and deferred rent obligation	(79,317)	(163,153)
Grant commitments	(217,491)	171,381
Accrued postretirement benefits	(119,434)	30,717
Net cash used in operating activities	<u>(5,806,132)</u>	<u>(5,252,509)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(65,220)	(33,606)
Purchases of investments	(28,558,042)	(30,346,986)
Proceeds from sales of investments	35,367,952	34,851,008
Net cash provided by investing activities	<u>6,744,690</u>	<u>4,470,416</u>
Net increase (decrease) in cash and cash equivalents	938,558	(782,093)
Cash and cash equivalents, beginning of year	<u>2,159,915</u>	<u>2,942,008</u>
Cash and cash equivalents, end of year	\$ <u><u>3,098,473</u></u>	<u><u>2,159,915</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 1,868	2,116

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2018

	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	\$ —	2,921,123	685,487	3,606,610	1,412,996	464,270	1,877,266	5,483,876
Benefits (note 7)	—	760,407	175,583	935,990	365,789	120,730	486,519	1,422,509
Total salaries and benefits	—	3,681,530	861,070	4,542,600	1,778,785	585,000	2,363,785	6,906,385
Grants	816,889	—	—	816,889	—	—	—	816,889
Other expenses:								
Consulting and professional fees	—	355,190	109,986	465,176	248,977	32,385	281,362	746,538
Occupancy costs (note 8)	—	820,417	166,125	986,542	522,917	138,907	661,824	1,648,366
Conference costs	—	96,815	1,089	97,904	42,173	10,361	52,534	150,438
Printing costs	—	839	45,495	46,334	3,628	56,515	60,143	106,477
Other	—	293,480	60,329	353,809	97,525	76,823	174,348	528,157
Total other expenses	—	1,566,741	383,024	1,949,765	915,220	314,991	1,230,211	3,179,976
Total operating expenses	\$ 816,889	5,248,271	1,244,094	7,309,254	2,694,005	899,991	3,593,996	10,903,250
Special events								320,210
Total expenses								\$ 11,223,460

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2017

	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	\$ —	2,843,391	662,983	3,506,374	1,326,414	436,710	1,763,124	5,269,498
Benefits (note 7)	—	810,485	177,492	987,977	364,351	124,488	488,839	1,476,816
Total salaries and benefits	—	3,653,876	840,475	4,494,351	1,690,765	561,198	2,251,963	6,746,314
Grants	1,100,070	—	—	1,100,070	—	—	—	1,100,070
Other expenses:								
Consulting and professional fees	—	284,713	34,648	319,361	455,676	23,582	479,258	798,619
Occupancy costs (note 8)	—	814,138	177,790	991,928	509,274	133,018	642,292	1,634,220
Conference costs	—	88,562	4,298	92,860	10,057	15,052	25,109	117,969
Printing costs	—	8,695	43,840	52,535	—	60,541	60,541	113,076
Other	—	196,191	69,189	265,380	89,741	63,529	153,270	418,650
Total other expenses	—	1,392,299	329,765	1,722,064	1,064,748	295,722	1,360,470	3,082,534
Total operating expenses	\$ 1,100,070	5,046,175	1,170,240	7,316,485	2,755,513	856,920	3,612,433	10,928,918
Special events								425,599
Total expenses								\$ 11,354,517

See accompanying notes to financial statements.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2018 and 2017

### (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:

- **Supporting comprehensive health insurance coverage and access to services:** Universal, affordable, accessible health insurance offering comprehensive coverage is a prerequisite for obtaining adequate care, and for an effective, equitable health care system. New York has made remarkable leaps forward in decreasing the percent of residents without health insurance, but over 1 million New Yorkers still lack insurance and many more are underinsured;
- **Promoting improvements in the quality and efficiency of health care delivery:** Working with a broad range of partners, UHF is advancing transformative approaches to primary care, integration of behavioral and physical health care services, health care quality measurement and improvement, and transitions from institutional care to the home care setting;
- **Fostering collaborations between the health care delivery system and communities:** For both individuals and specific populations, health status is in large part a function of factors outside the doctor's office, including the social determinants of health. Addressing those requires new and productive relationships between the health care sector and community services.

### (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).

#### (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.



## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2018 and 2017

*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 postretirement 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 or published 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.

### **(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.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2018 and 2017

Grants and contributions, which include unconditional promises to give, are recognized initially at fair value as revenues in the period received. Conditional contributions and promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. 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 or can be reasonably estimated.

### **(g) Cash and Cash Equivalents**

UHF considers all highly liquid debt instruments with original maturities of three months or less at the time of purchase to be 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.

### **(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 (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, as a practical expedient. 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.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2018 and 2017

### **(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 \$856,198 and \$1,073,689 as of February 28, 2018 and 2017, 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 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 28, 2018 and 2017 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. In February 2017, the Board approved a resolution to carry unspent balances from the additional draw into fiscal year 2018 to be used for specified purposes as approved by the Board, 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.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2018 and 2017

### **(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 at February 28, 2018 and 2017.

### **(p) New Authoritative Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016 14, *Presentation of Financial Statements of Not for Profit Entities*, which among other things, changes how not for profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. UHF plans to adopt ASU 2016 14 for the year ending February 28, 2019.

### **(3) Grants and Other Receivables, Net**

Grants and other receivables balances at February 28, 2018 and 2017 were \$739,559 and \$575,586, respectively, which are expected to be collected within one year.

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2018 and 2017

**(4) Investments**

Investments consisted of the following as of February 28, 2018:

	<u>Level 1</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:				
Cash and short-term investments	\$ 1,120,351	—	1,120,351	
Investment fees payable	(66,153)	—	(66,153)	
Global equities	20,820,508	36,745,639	57,566,147	A
Hedge funds – Directional	—	12,447,218	12,447,218	B
Fixed income	3,822,732	5,653,415	9,476,147	C
Hedge funds – Non-Directional	—	7,913,426	7,913,426	D
Marketable real assets	4,554,633	1,560,035	6,114,668	E
Private real assets	—	2,169,367	2,169,367	F
Private capital	—	878,293	878,293	G
	<u>\$ 30,252,071</u>	<u>67,367,393</u>	<u>97,619,464</u>	

Investments consisted of the following as of February 28, 2017:

	<u>Level 1</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:				
Cash and short-term investments	\$ 3,093,542	—	3,093,542	
Investment fees payable	(121,853)	—	(121,853)	
Global equities	11,766,965	41,649,160	53,416,125	A
Hedge funds – Directional	—	15,564,653	15,564,653	B
Fixed income	2,202,767	4,984,750	7,187,517	C
Hedge funds – Non-Directional	—	7,365,771	7,365,771	D
Marketable real assets	2,392,913	3,353,109	5,746,022	E
Private real assets	—	1,310,235	1,310,235	F
Private capital	—	435,862	435,862	G
	<u>\$ 19,334,334</u>	<u>74,663,540</u>	<u>93,997,874</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 private fund of funds that invests in investment funds which hold real assets, and may include commodities, real estate, agricultural land and natural resources investments. 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 28, 2018, the following table summarizes the composition of \$67,367,393 at fair value of investments by the various redemption provisions and lock-up periods:

<u>Redemption period</u>	<u>Amount</u>
Daily	\$ 1,913,759
Monthly up to 90 days' notice	18,954,248
Quarterly up to 90 days' notice	33,917,604
Annually up to 90 days' notice	6,100,972
Lock-up	<u>6,480,810</u>
Total	<u>\$ 67,367,393</u>

The amount subject to redemption lock-up of \$1,523,471 is set to expire in fiscal year 2019. The remaining amount of \$4,957,339 is nonredeemable at this time.

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

	February 28, 2018			February 28, 2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Dividends and interest (net of investment and advisory fees of \$385,664 in 2018 and \$404,998 in 2017)	\$ 35,831	8,475	44,306	148,362	35,092	183,454
Net appreciation in fair value of investments	8,489,596	2,008,057	10,497,653	12,020,307	2,843,182	14,863,489
	8,525,427	2,016,532	10,541,959	12,168,669	2,878,274	15,046,943
Spending rate allocated for current operations	1,095,599	(1,095,599)	—	1,402,855	(1,402,855)	—
	9,621,026	920,933	10,541,959	13,571,524	1,475,419	15,046,943
Investment return designated for current operations	(6,351,950)	—	(6,351,950)	(6,197,193)	—	(6,197,193)
Investment return more than amounts designated for current operations	\$ 3,269,076	920,933	4,190,009	7,374,331	1,475,419	8,849,750

**(5) Property and Equipment**

Property and equipment consisted of the following as of February 28, 2018 and 2017:

	2018	2017
Property	\$ 692,080	671,943
Leasehold improvements	2,817,180	2,814,028
Furniture and office equipment	1,000,043	982,907
	4,509,303	4,468,878
Accumulated depreciation and amortization	(2,443,469)	(2,205,040)
Total	\$ 2,065,834	2,263,838

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**(6) Restricted Net Assets**

Net assets were restricted for the following purposes as of February 28, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Temporarily restricted net assets to support:		
Program initiatives	\$ 15,989,690	15,068,757
Program grants restricted by:		
Purpose	937,781	336,180
Time	<u>343,930</u>	<u>295,323</u>
	\$ <u>17,271,401</u>	<u>15,700,260</u>
	<u>2018</u>	<u>2017</u>
Permanently restricted net assets:		
Investments to be held in perpetuity, the income from which is temporarily restricted to support distribution	\$ 2,428,852	2,428,852
Beneficial interest in perpetual trusts, the income from which is unrestricted	<u>4,241,501</u>	<u>3,920,060</u>
	\$ <u>6,670,353</u>	<u>6,348,912</u>

**(7) Postretirement Benefit Plans**

UHF has a noncontributory unfunded postretirement benefit plan (postretirement), which covers certain 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.

In February 2017, employees were notified that the benefit, which had covered substantially all employees and their spouses, would be frozen effective February 28, 2018. Those employees who are participants or who met the eligibility requirements as of February 28, 2018 remain eligible to participate upon retirement. Further, any retirees who, as of February 28, 2018, have not elected to sign up for the benefit upon retirement will no longer be eligible to participate.

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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The accumulated postretirement benefit obligations and the funded status of the plan as of February 28, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 526,793	766,816
Service cost	—	35,051
Interest cost	17,824	28,869
Actuarial loss	(52,059)	(61,477)
Benefits paid	(21,448)	(20,376)
Change in plan provisions	—	(222,090)
Benefit obligation, end of year	<u>471,110</u>	<u>526,793</u>
Funded status	\$ <u>(471,110)</u>	<u>(526,793)</u>
Accumulated benefit obligation	\$ 471,110	526,793
Employer contributions	(21,448)	(20,376)
Recognized actuarial gain	(101,691)	(12,827)

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 \$487,617 and \$551,368 as of February 28, 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Net gain	\$ <u>63,751</u>	<u>(270,740)</u>
Total recognized in change in unrestricted net assets	63,751	(270,740)
Net periodic benefit cost	<u>(97,986)</u>	<u>51,093</u>
Total recognized in change in unrestricted net assets and net periodic benefit	\$ <u>(34,235)</u>	<u>(219,647)</u>

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

2019	\$	37,323
2020		37,657
2021		37,742
2022		36,331
2023		38,621
2024–2028		<u>169,731</u>
	\$	<u>357,405</u>

The amount expected to be recognized in net periodic benefit cost is a gain of \$92,643 during fiscal year 2019.

The weighted average assumption (discount rate) used to determine the components of benefit cost as of and for the years ended February 28, 2018 and 2017 was 3.69% and 3.51%, 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 28, 2018 and 2017, UHF contributed \$419,555 and \$410,627, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of 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 UHF contribution. For the years ended February 28, 2018 and 2017, UHF contributed \$38,096 and \$38,000, 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 2018.

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Future minimum lease payments as of February 28, 2018, net of the applicable rent credits, are as follows:

2019	\$	1,284,498
2020		1,270,758
2021		1,270,758
2022		1,315,917
2023		1,379,139
Thereafter		<u>4,941,915</u>
	\$	<u>11,462,985</u>

Rent expense for the years ended February 28, 2018 and 2017 amounted to \$1,085,746 and \$1,085,670, respectively, and a deferred rent obligation of \$2,268,104 and \$2,469,222, respectively, is the liability for the free rent period and TI allowance.

UHF has unfunded commitments in investments of approximately \$10 million as of February 28, 2018.

In January 2018, UHF renewed a \$1,000,000 line of credit, which expires on December 30, 2018. 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 28, 2018 and 2017.

#### (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 28, 2018 and 2017.

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 and dividends) 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.

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The composition of the endowment net assets at February 28, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 78,981,477	—	—	78,981,477
Donor-restricted endowment	—	15,989,690	2,428,852	18,418,542
Total endowment	\$ <u>78,981,477</u>	<u>15,989,690</u>	<u>2,428,852</u>	<u>97,400,019</u>

The composition of the endowment net assets at February 28, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 75,712,401	—	—	75,712,401
Donor-restricted endowment	—	15,068,757	2,428,852	17,497,609
Total endowment	\$ <u>75,712,401</u>	<u>15,068,757</u>	<u>2,428,852</u>	<u>93,210,010</u>

Changes in endowment net assets for the year ended February 28, 2018 are as follows:

	<u>Board- designated unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 75,712,401	15,068,757	2,428,852	93,210,010
Investment activity:				
Interest and dividends, net	35,831	8,475	—	44,306
Net appreciation on investments	8,489,596	2,008,057	—	10,497,653
Spending rate applied to operations	<u>(5,256,351)</u>	<u>(1,095,599)</u>	—	<u>(6,351,950)</u>
Endowment net assets, end of year	\$ <u>78,981,477</u>	<u>15,989,690</u>	<u>2,428,852</u>	<u>97,400,019</u>

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Changes in endowment net assets for the year ended February 28, 2017 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	\$ 65,916,818	16,586,002	1,257,440	83,760,260
Investment activity:				
Legacies	600,000	—	—	600,000
Interest and dividends, net	148,362	35,092	—	183,454
Net appreciation on investments	12,020,307	2,843,182	—	14,863,489
Spending rate applied to operations	(4,794,338)	(1,402,855)	—	(6,197,193)
Transfer of net assets	1,821,252	(2,992,664)	1,171,412	—
Endowment net assets, end of year	\$ <u>75,712,401</u>	<u>15,068,757</u>	<u>2,428,852</u>	<u>93,210,010</u>

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

UHF has recorded an increase of \$321,441 and \$380,102 in permanently restricted net assets for the years ended February 28, 2018 and 2017, 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.

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

	<b>2018</b>	<b>2017</b>
Cash and short-term investments	2 %	4 %
Equities	78	74
Fixed income	8	16
Alternative investments	12	6
	<u>100 %</u>	<u>100 %</u>

For the years ended February 28, 2018 and 2017, UHF received distributions from these trusts of \$177,749 and \$154,650, respectively.

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### **(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 28, 2018 and 2017, UHF's cash and cash equivalents included cash and money market funds approximating \$2,846,973 and \$1,908,415, 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 28, 2018 through June 20, 2018, 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, except as noted below.

UHF entered into a contract for sale of its 924 shares in a co-op apartment on May 17, 2018 for \$1,700,000. The purchase is contingent upon the buyer securing financing in the amount of \$1,275,000, 75% of the purchase price, within 40 days from the date of the executed contract. The sale is also subject to the buyer's approval from the co-op Board to become shareholders. Should such financing be secured, and the buyer obtain approval from the co-op board, the sale is anticipated to close in July 2018.