



UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2021 and February 29, 2020

(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, 2021 and February 29, 2020, 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, 2021 and February 29, 2020, 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

July 27, 2021

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 28, 2021 and 2020

Assets	2021	2020
	<u> </u>	<u> </u>
Cash and cash equivalents (note 11)	\$ 3,235,805	2,685,692
Grants and other receivables (note 3)	1,315,526	1,053,376
Other assets	431,526	697,628
Investments (notes 4 and 8)	111,070,683	92,460,078
Property and equipment, net (note 5)	1,325,178	1,549,314
Beneficial interest in perpetual trusts (notes 6 and 10)	<u>4,714,083</u>	<u>4,041,412</u>
Total assets	\$ <u>122,092,801</u>	<u>102,487,500</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 834,277	651,441
Deferred rent obligation (note 8)	1,664,748	1,865,866
Grant commitments (note 2(j))	427,575	454,710
Accrued postretirement benefits (note 7)	462,595	499,832
Payroll Protection Program Loan (note 13)	<u>853,447</u>	<u>—</u>
Total liabilities	<u>4,242,642</u>	<u>3,471,849</u>
Net assets:		
Without donor restrictions (note 9):		
Undesignated	811,879	721,783
Board-designated endowment	<u>89,470,916</u>	<u>74,845,968</u>
Total net assets without donor restrictions	<u>90,282,795</u>	<u>75,567,751</u>
With donor restrictions (notes 6 and 9)		
Time or purpose	1,839,990	1,877,808
Endowment returns subject to future appropriation	18,584,439	15,099,828
Perpetual (note 10)	<u>7,142,935</u>	<u>6,470,264</u>
Total net assets with donor restrictions	<u>27,567,364</u>	<u>23,447,900</u>
Total net assets	<u>117,850,159</u>	<u>99,015,651</u>
Total liabilities and net assets	\$ <u>122,092,801</u>	<u>102,487,500</u>

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 28, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues and support:						
Public support:						
Foundation grants	\$ —	2,566,499	2,566,499	5,000	2,148,820	2,153,820
Government contracts	926,793	—	926,793	1,080,798	—	1,080,798
Contributed services	500,000	—	500,000	500,000	—	500,000
Contributions	295,713	—	295,713	304,144	—	304,144
Special events (net of direct expenses of \$51,426 in 2021 and \$262,409 in 2020)	1,399,645	—	1,399,645	1,721,186	—	1,721,186
Total public support	<u>3,122,151</u>	<u>2,566,499</u>	<u>5,688,650</u>	<u>3,611,128</u>	<u>2,148,820</u>	<u>5,759,948</u>
Other revenues:						
Conferences and other	27,015	—	27,015	80,525	—	80,525
Investment return appropriated and designated for current operations (notes 4 and 9):						
Quasi-endowment	4,577,367	—	4,577,367	4,564,502	—	4,564,502
Donor-restricted endowment	993,385	—	993,385	965,500	—	965,500
Other income	169,280	—	169,280	246,242	—	246,242
Total other revenues	<u>5,767,047</u>	<u>—</u>	<u>5,767,047</u>	<u>5,856,769</u>	<u>—</u>	<u>5,856,769</u>
Net assets released from restrictions	<u>2,604,317</u>	<u>(2,604,317)</u>	<u>—</u>	<u>1,208,864</u>	<u>(1,208,864)</u>	<u>—</u>
Total operating revenues and support	<u>11,493,515</u>	<u>(37,818)</u>	<u>11,455,697</u>	<u>10,676,761</u>	<u>939,956</u>	<u>11,616,717</u>
Operating expenses:						
Program services:						
Grants	446,697	—	446,697	629,588	—	629,588
Health services research, policy analysis, and education	5,798,461	—	5,798,461	5,022,950	—	5,022,950
Publications and information services	1,109,070	—	1,109,070	1,272,389	—	1,272,389
Total program services	<u>7,354,228</u>	<u>—</u>	<u>7,354,228</u>	<u>6,924,927</u>	<u>—</u>	<u>6,924,927</u>
Supporting services:						
Administrative and general	3,118,997	—	3,118,997	2,731,011	—	2,731,011
Fundraising	922,730	—	922,730	943,148	—	943,148
Total supporting services	<u>4,041,727</u>	<u>—</u>	<u>4,041,727</u>	<u>3,674,159</u>	<u>—</u>	<u>3,674,159</u>
Total operating expenses	<u>11,395,955</u>	<u>—</u>	<u>11,395,955</u>	<u>10,599,086</u>	<u>—</u>	<u>10,599,086</u>
Change in net assets from operations	<u>97,560</u>	<u>(37,818)</u>	<u>59,742</u>	<u>77,675</u>	<u>939,956</u>	<u>1,017,631</u>
Nonoperating activities and support:						
Investment return more than amounts designated for current operations (notes 4 and 9)	14,624,948	3,484,611	18,109,559	163,125	135,804	298,929
Postretirement related changes (note 7)	(7,464)	—	(7,464)	(116,491)	—	(116,491)
Change in value of beneficial interest in perpetual trusts (note 10)	—	672,671	672,671	—	12,340	12,340
Change in net assets from nonoperating activities and support	<u>14,617,484</u>	<u>4,157,282</u>	<u>18,774,766</u>	<u>46,634</u>	<u>148,144</u>	<u>194,778</u>
Change in total net assets	<u>14,715,044</u>	<u>4,119,464</u>	<u>18,834,508</u>	<u>124,309</u>	<u>1,088,100</u>	<u>1,212,409</u>
Net assets at beginning of year	<u>75,567,751</u>	<u>23,447,900</u>	<u>99,015,651</u>	<u>75,443,442</u>	<u>22,359,800</u>	<u>97,803,242</u>
Net assets at end of year	<u>\$ 90,282,795</u>	<u>27,567,364</u>	<u>117,850,159</u>	<u>75,567,751</u>	<u>23,447,900</u>	<u>99,015,651</u>

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 28, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 18,834,508	1,212,409
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	276,785	209,711
Realized and unrealized gains on investments	(23,751,607)	(5,340,415)
Postretirement related changes	7,464	116,491
Change in value of beneficial interest in perpetual trusts	(672,671)	(12,340)
Net change in assets and liabilities:		
Grants and other receivables	(262,150)	(303,969)
Other assets	266,102	(45,264)
Accounts payable and other liabilities, and deferred rent obligation	(18,282)	(1,187,542)
Grant commitments	(27,135)	(114,628)
Accrued postretirement benefits	(44,701)	(87,703)
Net cash used in operating activities	<u>(5,391,687)</u>	<u>(5,553,250)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(52,649)	(53,667)
Purchases of investments	(166,404,856)	(33,783,197)
Proceeds from sales of investments	171,686,259	39,526,891
Net cash provided by investing activities	<u>5,228,754</u>	<u>5,690,027</u>
Cash flows from financing activities:		
Payroll Protection Program loan proceeds	853,447	—
Net cash provided by financing activities	853,447	—
Net increase in cash, cash equivalents and restricted cash	690,514	136,777
Cash, cash equivalents and restricted cash, beginning of year	<u>3,670,147</u>	<u>3,533,370</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>4,360,661</u></u>	<u><u>3,670,147</u></u>
Reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 3,235,805	2,685,692
Cash included in investments	1,124,856	984,455
Total cash, cash equivalents, and restricted cash shown above	\$ <u><u>4,360,661</u></u>	<u><u>3,670,147</u></u>

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2021

	<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	\$ —	2,663,312	647,251	3,310,563	1,413,259	546,111	1,959,370	5,269,933
Benefits (note 7)	—	614,373	159,202	773,575	753,040	133,202	886,242	1,659,817
Total salaries and benefits	—	3,277,685	806,453	4,084,138	2,166,299	679,313	2,845,612	6,929,750
Grants	446,697	—	—	446,697	—	—	—	446,697
Other expenses:								
Contributed services	—	500,000	—	500,000	—	—	—	500,000
Consulting and professional fees	—	1,031,589	71,290	1,102,879	267,251	20,773	288,024	1,390,903
Occupancy costs (note 8)	—	643,070	188,256	831,326	577,469	138,512	715,981	1,547,307
Conference costs	—	149,969	—	149,969	1,364	—	1,364	151,333
Printing costs	—	47,677	21,918	69,595	—	27,436	27,436	97,031
Other	—	148,471	21,153	169,624	106,614	56,696	163,310	332,934
Total other expenses	—	2,520,776	302,617	2,823,393	952,698	243,417	1,196,115	4,019,508
Total operating expenses	\$ 446,697	5,798,461	1,109,070	7,354,228	3,118,997	922,730	4,041,727	11,395,955
Special events								51,426
Total expenses								\$ 11,447,381

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 29, 2020

	<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	\$ —	2,585,313	736,907	3,322,220	1,501,203	521,880	2,023,083	5,345,303
Benefits (note 7)	—	643,293	198,934	842,227	340,251	153,792	494,043	1,336,270
Total salaries and benefits	—	3,228,606	935,841	4,164,447	1,841,454	675,672	2,517,126	6,681,573
Grants	629,588	—	—	629,588	—	—	—	629,588
Other expenses:								
Contributed services	—	500,000	—	500,000	—	—	—	500,000
Consulting and professional fees	—	354,765	81,702	436,467	263,629	34,806	298,435	734,902
Occupancy costs (note 8)	—	687,777	170,552	858,329	531,611	133,691	665,302	1,523,631
Conference costs	—	84,727	748	85,475	25,202	5,098	30,300	115,775
Printing costs	—	12,447	52,272	64,719	—	44,921	44,921	109,640
Other	—	154,628	31,274	185,902	69,115	48,960	118,075	303,977
Total other expenses	—	1,794,344	336,548	2,130,892	889,557	267,476	1,157,033	3,287,925
Total operating expenses	\$ 629,588	5,022,950	1,272,389	6,924,927	2,731,011	943,148	3,674,159	10,599,086
Special events								262,409
Total expenses								\$ 10,861,495

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2021 and February 29, 2020

(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. UHF analyzes 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 health care providers, the community, and other sectors.

(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).

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2021 and February 29, 2020

(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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions; this includes gifts without donor-imposed restrictions 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. Board designations generally consist of legacy gifts without restrictions that the Board elects to allocate as quasi-endowment funds. These funds, together with endowed funds, are subject to annual draw based on board spending policy. Additionally, the Board can approve the use of quasi-endowment funds beyond its spending policy for special purposes.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of UHF and/or the passage of time; also included in this category are net assets subject to donor-imposed restrictions that they be maintained permanently by UHF, including beneficial interest in perpetual trusts. 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 net assets without donor restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Revenues from donor imposed restrictions are reported as increases in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (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 certain other nonrecurring activities are recognized as nonoperating activities and support.

(d) Fair Value

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.

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2021 and February 29, 2020

- 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 contracts that are treated as exchange transactions are reported as without donor restrictions revenue when expenses are incurred in accordance with the terms of the agreement.

Grants and contributions that are non-exchange transactions, which include unconditional promises to give, are recognized initially at fair value as revenues in the period received. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional contributions and promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are 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 certain 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 and losses are recorded on an accrual basis.

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2021 and February 29, 2020

(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. Grant commitments 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 \$427,575 and \$454,710 as of February 28, 2021 and February 29, 2020, 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 net assets with donor restrictions 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 net assets with donor restrictions 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, 2021 and February 29, 2020 was 5.5% of a 36-month trailing average. In February 2019, the Board authorized an additional draw of \$1.2 million to be spent during fiscal years ended February 29, 2020 and February 28, 2021 for operations, of which \$0 and \$385,000 was applied during the years ended February 28, 2021 and February 29, 2020, respectively. 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. Costs, such as operation and maintenance of plant, are allocated based on square footage. Information technology costs are allocated based on usage in each department.

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Notes to Financial Statements

February 28, 2021 and February 29, 2020

(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, 2021 and February 29, 2020.

(p) Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* as amended by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*. This guidance, effective for UHF's fiscal year ending February 28, 2023, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments on the statement of financial position and disclosing key information about leasing arrangements. Management is evaluating the effect this ASU will have on its financial statements.

(3) Grants and Other Receivables

Grants and other receivables balances at February 28, 2021 and February 29, 2020 were \$1,315,526 and \$1,053,376, respectively, which are expected to be collected within one year.

(4) Investments

Investments consisted of the following as of February 28, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:					
Cash and short-term investments	\$ 1,747,495	—	—	1,747,495	
Global equities	—	—	8,248,491	8,248,491	A
Hedge funds – nondirectional	—	—	96,578,151	96,578,151	D
Private real assets	—	—	54,926	54,926	F
Private debt	—	—	4,441,620	4,441,620	H
	<u>\$ 1,747,495</u>	<u>—</u>	<u>109,323,188</u>	<u>111,070,683</u>	

UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2021 and February 29, 2020

Investments consisted of the following as of February 29, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:					
Cash and short-term investments	\$ 1,119,985	—	—	1,119,985	
Global equities	23,468,235	—	28,057,356	51,525,591	A
Hedge funds – directional	—	—	6,312,756	6,312,756	B
Fixed income	7,633,911	7,313,894	—	14,947,805	C
Hedge funds – nondirectional	—	—	8,356,299	8,356,299	D
Marketable real assets	559,546	—	—	559,546	E
Private real assets	—	—	4,328,244	4,328,244	F
Private capital	—	—	3,947,069	3,947,069	G
Private debt	—	—	1,362,783	1,362,783	H
	<u>\$ 32,781,677</u>	<u>7,313,894</u>	<u>52,364,507</u>	<u>92,460,078</u>	

- A Global Equities Funds – 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.
- C Fixed Income Funds – 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 – Nondirectional – 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 Funds – 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 Funds – 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.

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- G Private Capital Funds – This asset class invests primarily in private capital funds which invest primarily in underlying funds that invest in private equity, venture capital, mezzanine, and special situations.
- H Private Debt – This asset class is designed to deliver equity-like returns with less equity risk primarily through income generation. Strategies could include direct lending, specialty finance, commercial real estate first mortgage loans, and equipment leasing (aircraft, marine, rail etc.).

As of February 28, 2021, the following table summarizes the composition of investments measured at NAV of \$109,323,188 by the various redemption provisions and lock-up periods:

	<u>Amount</u>
Redemption period:	
Quarterly up to 90 days' notice	\$ 104,826,641
Lock-up	<u>4,496,547</u>
Total	<u>\$ 109,323,188</u>

The lock-up total of \$4,496,547 is nonredeemable until the end of the life of the funds which is approximately 3 years.

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

	February 28, 2021			February 28, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Dividends and interest (net of investment and advisory fees of \$215,132 in 2021 and \$286,292 in 2020)	\$ (57,814)	(13,482)	(71,296)	397,095	91,421	488,516
Net appreciation in fair value of investments	19,260,129	4,491,478	23,751,607	4,330,532	1,009,883	5,340,415
	19,202,315	4,477,996	23,680,311	4,727,627	1,101,304	5,828,931
Spending rate allocated for current operations	993,385	(993,385)	—	965,500	(965,500)	—
	20,195,700	3,484,611	23,680,311	5,693,127	135,804	5,828,931
Investment return appropriated and designated for current operations	(5,570,752)	—	(5,570,752)	(5,530,002)	—	(5,530,002)
Investment return more than amounts appropriated and designated for current operations	\$ 14,624,948	3,484,611	18,109,559	163,125	135,804	298,929

(5) Property and Equipment

Property and equipment consisted of the following as of February 28, 2021 and February 29, 2020:

	2021	2020
Leasehold improvements	\$ 2,948,049	2,930,761
Furniture and office equipment	868,754	833,393
	3,816,803	3,764,154
Accumulated depreciation and amortization	(2,491,625)	(2,214,840)
Total	\$ 1,325,178	1,549,314

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(6) Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Donor restricted net assets to support program initiatives:		
Beneficiary hospitals	\$ 18,584,439	15,099,828
Other	<u>1,839,990</u>	<u>1,877,808</u>
	\$ <u>20,424,429</u>	<u>16,977,636</u>
	<u>2021</u>	<u>2020</u>
Donor restricted net assets to be held in perpetuity:		
Investments to be held in perpetuity, the income from which supports distribution to beneficiary hospitals	\$ 1,210,869	1,210,869
Investments to be held in perpetuity, the income from which is without donor restrictions	1,217,983	1,217,983
Beneficial interest in perpetual trusts, the income from which is without donor restrictions	<u>4,714,083</u>	<u>4,041,412</u>
	\$ <u>7,142,935</u>	<u>6,470,264</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 because 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, 2021 and February 29, 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 499,832	471,044
Interest cost	10,795	16,799
Actuarial (gain) loss	(18,117)	38,312
Benefits paid	<u>(29,915)</u>	<u>(26,323)</u>
Benefit obligation, end of year	<u>462,595</u>	<u>499,832</u>
Funded status	\$ <u>(462,595)</u>	<u>(499,832)</u>
Accumulated benefit obligation	\$ 462,595	499,832
Employer contributions	(29,915)	(26,323)

	<u>2021</u>	<u>2020</u>
Items not yet recognized as component of net periodic benefit cost:		
Net actuarial gain	\$ 86,554	79,899
Prior service costs	<u>165,614</u>	<u>179,733</u>
	\$ <u>252,168</u>	<u>259,632</u>

The amount expected to be recognized in net periodic benefit cost is a gain of \$21,548 and amortization of prior service costs of \$14,119 during fiscal year 2022.

Other changes in benefit obligations recognized in the change in net assets without donor restrictions for the postretirement plan are as follows:

	<u>2021</u>	<u>2020</u>
Net actuarial (gain) loss	\$ (18,117)	38,312
Amortization of prior service cost	14,119	14,119
Amortization of net gain	<u>11,462</u>	<u>64,060</u>
Total recognized in change in net assets without donor restrictions (nonoperating)	\$ <u>7,464</u>	<u>116,491</u>

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	<u>2021</u>	<u>2020</u>
Components of net periodic benefit costs:		
Interest cost	\$ 10,795	16,799
Amortization of prior service cost	(14,119)	(14,119)
Amortization of net gain	<u>(11,462)</u>	<u>(64,060)</u>
	<u>\$ (14,786)</u>	<u>(61,380)</u>

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

2022	\$ 39,520
2023	40,801
2024	39,277
2025	37,476
2026	35,486
2027–2031	<u>147,726</u>
	<u>\$ 340,286</u>

Weighted average assumptions used to determine benefit obligation discount rate and net periodic benefit cost:

	<u>2021</u>	<u>2020</u>
Weighted average assumptions used to determine benefit obligation discount rate	2.27 %	2.26 %
Weighted average assumptions used to determine net periodic benefit cost	2.26	3.72

Employer contributions of \$28,850 are expected to be made in fiscal year 2022.

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, 2021 and February 29, 2020, UHF contributed \$379,408 and \$360,239, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of equity holdings and fixed income securities.

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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 contribute to the plan on behalf of certain participants as defined in the plan to receive a UHF contribution. For the years ended February 28, 2021 and February 29, 2020, UHF contributed \$42,692 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. Beginning in March 2019, UHF began renting office space in Albany on a month to month basis.

Rent expense for the years ended February 28, 2021 and February 29, 2020 amounted to \$1,069,640 and \$1,076,839, respectively, and a deferred rent obligation of \$1,664,748 and \$1,865,866, respectively, is the liability for the free rent period and TI allowance.

Future minimum lease payments as of February 28, 2021, net of the applicable rent credits, are as follows:

2022	\$	1,315,917
2023		1,379,139
2024		1,379,139
2025		1,379,139
2026		1,379,139
Thereafter		<u>804,498</u>
	\$	<u><u>7,636,971</u></u>

UHF entered into a licensing agreement with a not-for-profit entity to license some of its office space. The agreement is effective April 24, 2019 through June 30, 2023. The agreement includes a standby letter of credit in the amount of \$63,249 in the event of the licensee's default. The licensee will pay a monthly fee of \$21,083 in addition to a prorated share of electric, common charges, and real estate taxes.

Future minimum lease income by fiscal year is expected to be as follows:

2022	\$	252,996
2023		252,996
2024		<u>84,332</u>
	\$	<u><u>590,324</u></u>

UHF has unfunded commitments in investments of approximately \$13.4 million as of February 28, 2021.

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UHF has a \$1,000,000 line of credit, which was renewed in May 2021 and expires on December 30, 2021. Borrowings are unsecured and interest is charged based on the LIBOR, CB Floating rate or another negotiated rate with the bank. There were no amounts outstanding or drawn under this agreement during the years ended February 28, 2021 and February 29, 2020.

(9) Endowment Net Assets

UHF classifies net assets with donor restrictions – perpetual as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 with donor restrictions – perpetual is classified as net assets with donor restrictions until appropriated for expenditure.

The policy for valuing UHF's investments is described in note 2(h). 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 net assets with donor restrictions. UHF has not incurred such deficiencies in its endowment funds as of February 28, 2021 and February 29, 2020.

UHF's endowment investment policy states UHF is to invest primarily in a mix of equities, alternative investments, private investments, 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.

The composition of the endowment net assets at February 28, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 89,470,916	—	89,470,916
Donor-restricted endowment:			
Historical gift value	—	2,428,852	2,428,852
Accumulated gains	—	18,584,439	18,584,439
Total endowment	<u>\$ 89,470,916</u>	<u>21,013,291</u>	<u>110,484,207</u>

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The composition of the endowment net assets at February 29, 2020 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 74,845,968	—	74,845,968
Donor-restricted endowment:			
Historical gift value	—	2,428,852	2,428,852
Accumulated gains	—	15,099,828	15,099,828
Total endowment	<u>\$ 74,845,968</u>	<u>17,528,680</u>	<u>92,374,648</u>

Changes in endowment net assets for the year ended February 28, 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 74,845,968	17,528,680	92,374,648
Investment activity:			
Interest and dividends, net	(57,814)	(13,482)	(71,296)
Net appreciation on investments	19,260,129	4,491,478	23,751,607
Spending rate applied to operations	<u>(4,577,367)</u>	<u>(993,385)</u>	<u>(5,570,752)</u>
Endowment net assets, end of year	<u>\$ 89,470,916</u>	<u>21,013,291</u>	<u>110,484,207</u>

Changes in endowment net assets for the year ended February 29, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 74,682,844	17,392,876	92,075,720
Investment activity:			
Interest and dividends, net	397,094	91,421	488,515
Net appreciation on investments	4,330,532	1,009,883	5,340,415
Spending rate applied to operations	<u>(4,564,502)</u>	<u>(965,500)</u>	<u>(5,530,002)</u>
Endowment net assets, end of year	<u>\$ 74,845,968</u>	<u>17,528,680</u>	<u>92,374,648</u>

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(10) Beneficial Interest in Perpetual Trusts

UHF has recorded an increase of \$672,671 and \$12,340 in net assets with donor restrictions for the years ended February 28, 2021 and February 29, 2020, respectively, relating to the change in the value of its beneficial interest in perpetual trusts, net of distributions. For the years ended February 28, 2021 and February 29, 2020, UHF received distributions from these trusts of \$168,630 and \$191,804, respectively. 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:

	<u>2021</u>	<u>2020</u>
Cash and short-term investments	2 %	2 %
Equities	77	72
Fixed income	17	21
Alternative investments	4	5
	<u>100 %</u>	<u>100 %</u>

(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, 2021 and February 29, 2020, UHF's cash and cash equivalents included cash and money market funds approximating \$2,985,805 and \$2,435,692, respectively, which are not covered by FDIC insurance.

As of February 28, 2021, approximately 85% of UHF's investment holdings were maintained in one investment fund.

(12) Liquidity and Availability of Resources

UHF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, UHF considers all expenditures related to its ongoing mission related activities as well as conduct of services undertaken to support those activities to be general expenditures.

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As of February 28, 2021 and February 29, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
At February 28 and February 29, financial assets consist of:		
Cash and cash equivalents	\$ 3,235,805	2,685,692
Grants and other receivables, net	1,315,526	1,053,376
Investments not subject to donor or board restrictions	586,474	85,430
Payout on donor-restricted endowments	553,662	552,817
Payout on board-restricted endowments	<u>4,652,217</u>	<u>4,682,183</u>
Total financial assets available within one year	<u>\$ 10,343,684</u>	<u>9,059,498</u>

At February 28, 2021, UHF had \$89,470,916 of board-designated endowments that, with the board's approval, could be made available for operations, which includes the draw for the year ended February 28, 2022 of approximately \$5.2 million. In addition, UHF has a bank line of credit of \$1,000,000 for additional liquidity resources.

(13) COVID-19 and the Payroll Protection Program

The spread of the coronavirus (COVID-19) around the world has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, UHF is unable to determine if it will have a material impact on future operations.

UHF applied for and received a Payroll Protection Program Loan (PPP loan) in April 2020 in the amount of \$853,447. Subsequent to February 28, 2021, UHF applied for complete forgiveness in accordance with the provisions for the loan forgiveness.

(14) Subsequent Events

In connection with the preparation of the financial statements, UHF evaluated subsequent events after the balance sheet date of February 28, 2021 through July 27, 2021, which was the date the financial statements were available to be issued, and determined that, except as otherwise disclosed in these financial statements, there were no additional matters requiring disclosure.