



**UNITED HOSPITAL FUND OF NEW YORK**

Financial Statements

February 28, 2022 and 2021

(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:

### *Opinion*

We have audited the financial statements of United Hospital Fund of New York (the Organization), which comprise the statements of financial position as of February 28, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of February 28, 2022 and 2021, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York  
July 29, 2022

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Financial Position

February 28, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents (note 11)	\$ 3,303,196	3,235,805
Grants and other receivables (note 3)	732,283	1,315,526
Other assets	502,729	431,526
Investments (notes 4 and 8)	108,315,655	111,070,683
Property and equipment, net (note 5)	1,117,305	1,325,178
Beneficial interest in perpetual trusts (notes 6 and 10)	4,832,884	4,714,083
Total assets	\$ <u>118,804,052</u>	<u>122,092,801</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 724,398	834,277
Deferred rent obligation (note 8)	1,452,247	1,664,748
Grant commitments (note 2(j))	369,232	427,575
Accrued postretirement benefits (note 7)	378,466	462,595
Payroll protection program loan (note 13)	—	853,447
Total liabilities	<u>2,924,343</u>	<u>4,242,642</u>
Net assets:		
Without donor restrictions (note 9):		
Undesignated	1,767,906	811,879
Board-designated endowment	87,238,367	89,470,916
Total net assets without donor restrictions	<u>89,006,273</u>	<u>90,282,795</u>
With donor restrictions (notes 6 and 9):		
Time or purpose	1,586,414	1,839,990
Endowment returns subject to future appropriation	18,025,286	18,584,439
Perpetual (notes 6 and 10)	7,261,736	7,142,935
Total net assets with donor restrictions	<u>26,873,436</u>	<u>27,567,364</u>
Total net assets	<u>115,879,709</u>	<u>117,850,159</u>
Total liabilities and net assets	\$ <u>118,804,052</u>	<u>122,092,801</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Activities

Years ended February 28, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues and support:						
Public support:						
Foundation grants	\$ —	2,104,086	2,104,086	—	2,566,499	2,566,499
Government contracts	598,147	—	598,147	926,793	—	926,793
Contributed services	500,000	—	500,000	500,000	—	500,000
Contributions	373,870	—	373,870	295,713	—	295,713
Special events (net of direct expenses of \$38,993 in 2022 and \$51,426 in 2021)	1,288,956	—	1,288,956	1,399,645	—	1,399,645
Total public support	<u>2,760,973</u>	<u>2,104,086</u>	<u>4,865,059</u>	<u>3,122,151</u>	<u>2,566,499</u>	<u>5,688,650</u>
Other revenues:						
Conferences and other	325,112	—	325,112	27,015	—	27,015
Investment return appropriated and designated for current operations (notes 4 and 9):						
Quasi-endowment	4,128,031	—	4,128,031	4,577,367	—	4,577,367
Donor-restricted endowment	967,868	—	967,868	993,385	—	993,385
Other income	219,947	—	219,947	169,280	—	169,280
Total other revenues	<u>5,640,958</u>	<u>—</u>	<u>5,640,958</u>	<u>5,767,047</u>	<u>—</u>	<u>5,767,047</u>
Net assets released from restrictions	<u>2,357,662</u>	<u>(2,357,662)</u>	<u>—</u>	<u>2,604,317</u>	<u>(2,604,317)</u>	<u>—</u>
Total operating revenues and support	<u>10,759,593</u>	<u>(253,576)</u>	<u>10,506,017</u>	<u>11,493,515</u>	<u>(37,818)</u>	<u>11,455,697</u>
Operating expenses:						
Program services:						
Grants	352,899	—	352,899	446,697	—	446,697
Health services research, policy analysis, and education	4,997,591	—	4,997,591	5,798,461	—	5,798,461
Publications and information services	1,340,144	—	1,340,144	1,109,070	—	1,109,070
Total program services	<u>6,690,634</u>	<u>—</u>	<u>6,690,634</u>	<u>7,354,228</u>	<u>—</u>	<u>7,354,228</u>
Supporting services:						
Administrative and general	3,188,105	—	3,188,105	3,118,997	—	3,118,997
Fundraising	811,143	—	811,143	922,730	—	922,730
Total supporting services	<u>3,999,248</u>	<u>—</u>	<u>3,999,248</u>	<u>4,041,727</u>	<u>—</u>	<u>4,041,727</u>
Total operating expenses	<u>10,689,882</u>	<u>—</u>	<u>10,689,882</u>	<u>11,395,955</u>	<u>—</u>	<u>11,395,955</u>
Change in net assets from operations	<u>69,711</u>	<u>(253,576)</u>	<u>(183,865)</u>	<u>97,560</u>	<u>(37,818)</u>	<u>59,742</u>
Nonoperating activities and support:						
Investment return net of amounts designated for current operations (notes 4 and 9)	(2,232,549)	(559,154)	(2,791,703)	14,624,948	3,484,611	18,109,559
Postretirement related changes (note 7)	32,869	—	32,869	(7,464)	—	(7,464)
Change in value of beneficial interest in perpetual trusts (note 10)	—	118,802	118,802	—	672,671	672,671
Forgiveness of payroll protection program loan	853,447	—	853,447	—	—	—
Change in net assets from nonoperating activities and support	<u>(1,346,233)</u>	<u>(440,352)</u>	<u>(1,786,585)</u>	<u>14,617,484</u>	<u>4,157,282</u>	<u>18,774,766</u>
Change in total net assets	<u>(1,276,522)</u>	<u>(693,928)</u>	<u>(1,970,450)</u>	<u>14,715,044</u>	<u>4,119,464</u>	<u>18,834,508</u>
Net assets at beginning 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>
Net assets at end of year	<u>\$ 89,006,273</u>	<u>26,873,436</u>	<u>115,879,709</u>	<u>90,282,795</u>	<u>27,567,364</u>	<u>117,850,159</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Cash Flows

Years ended February 28, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,970,450)	18,834,508
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	275,109	276,785
Realized and unrealized gains on investments	(2,408,626)	(23,751,607)
Postretirement related changes	(32,869)	7,464
Change in value of beneficial interest in perpetual trusts	(118,801)	(672,671)
Forgiveness of payroll protection program loan	(853,447)	—
Net change in assets and liabilities:		
Grants and other receivables	583,243	(262,150)
Other assets	(71,203)	266,102
Accounts payable and other liabilities, and deferred rent obligation	(322,380)	(18,282)
Grant commitments	(58,343)	(27,135)
Accrued postretirement benefits	(51,260)	(44,701)
Net cash used in operating activities	<u>(5,029,027)</u>	<u>(5,391,687)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(67,236)	(52,649)
Purchases of investments	(22,410,575)	(166,404,856)
Proceeds from sales of investments	27,175,800	171,686,259
Net cash provided by investing activities	<u>4,697,989</u>	<u>5,228,754</u>
Cash flows from financing activities:		
Payroll protection program loan proceeds	—	853,447
Net cash provided by financing activities	<u>—</u>	<u>853,447</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(331,038)	690,514
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,360,661</u>	<u>3,670,147</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u><u>4,029,623</u></u>	\$ <u><u>4,360,661</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	\$ 3,303,196	3,235,805
Cash included in investments	726,427	1,124,856
Total cash, cash equivalents, and restricted cash shown above	\$ <u><u>4,029,623</u></u>	\$ <u><u>4,360,661</u></u>
Supplemental disclosures of noncash financing activities:		
Forgiveness of payroll protection program loan	\$ 853,447	—

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2022

	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	\$ —	2,428,446	915,084	3,343,530	1,504,763	383,137	1,887,900	5,231,430
Benefits (note 7)	—	460,198	156,966	617,164	623,135	87,251	710,386	1,327,550
Total salaries and benefits	—	2,888,644	1,072,050	3,960,694	2,127,898	470,388	2,598,286	6,558,980
Grants	352,899	—	—	352,899	—	—	—	352,899
Other expenses:								
Contributed services	—	500,000	—	500,000	—	—	—	500,000
Consulting and professional fees	—	752,156	10,343	762,499	232,164	3,827	235,991	998,490
Occupancy costs (note 8)	—	532,905	186,275	719,180	617,073	142,355	759,428	1,478,608
Conference costs	—	53,814	(2,378)	51,436	13,066	12,719	25,785	77,221
Printing costs	—	6,954	23,951	30,905	—	45,700	45,700	76,605
Other	—	263,118	49,903	313,021	197,904	136,154	334,058	647,079
Total other expenses	—	2,108,947	268,094	2,377,041	1,060,207	340,755	1,400,962	3,778,003
Total operating expenses	\$ 352,899	4,997,591	1,340,144	6,690,634	3,188,105	811,143	3,999,248	10,689,882
Special events								38,993
Total expenses								\$ 10,728,875

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2021

	Program services			Supporting services				
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	Total supporting services	Total
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

Notes to Financial Statements

February 28, 2022 and 2021

### (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:

**Expanding 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. UHF works to improve access to health care, including in the Medicaid program; reduce the number of uninsured New Yorkers; identify and analyze best practices to advance health equity, and improve quality and cost outcomes.

**Promoting improvements in the quality and equity of health care delivery:** Working with a broad range of partners, UHF is training and engaging quality improvement leaders, strengthening and spreading best practices, fostering patient and family engagement and informed decision-making, analyzing the impact of uneven health quality, prioritizing the needs of populations experiencing disparities, and bridging gaps in quality assessment and improvement and care coordination.

**Addressing social factors driving health disparities through clinical-community partnerships:** Stressors like inadequate housing, unemployment, poor nutrition, and poverty compound illness and can cause lasting effects on physical and emotional well-being. UHF works to address these by forging partnerships between health care providers, social service agencies, and communities; facilitates screening for social needs; supports payment policies incentivizing providers to address social needs; develops cross-sector strategies to tackle urgent health challenges.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2022 and 2021

### **(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 more than (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 could access at the measurement date.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2022 and 2021

- 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 contributed services and 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 an asset and liability, 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, 2022 and 2021

### **(i) Property and Equipment**

Purchases more than \$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 and ranges from 4 to 15 years.

### **(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 \$369,232 and \$427,575 as of February 28, 2022 and 2021, 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, may include 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, 2022 and 2021 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 28, 2021 and 2022 for operations, of which \$0 was applied during the years ended February 28, 2022 and 2021. 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.

**UNITED HOSPITAL FUND OF NEW YORK**

Notes to Financial Statements

February 28, 2022 and 2021

**(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, 2022 or 2021.

**(p) Accounting Pronouncements Effective in Future Years**

The Financial Accounting Standards Board issued 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, 2022 and 2021 were \$732,283 and \$1,315,526, respectively, which are expected to be collected within one year.

**(4) Investments**

Investments consisted of the following as of February 28, 2022:

	<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	\$ 819,893	—	—	819,893	
Fixed income	488,909	—	—	488,909	B
Hedge funds – nondirectional	—	—	103,820,531	103,820,531	C
Private real assets	—	—	986,246	986,246	D
Private debt	—	—	2,200,076	2,200,076	E
	<u>\$ 1,308,802</u>	<u>—</u>	<u>107,006,853</u>	<u>108,315,655</u>	

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Investments consisted of the following as of February 28, 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	\$ 1,747,495	—	—	1,747,495	
Global equities	—	—	8,248,491	8,248,491	A
Hedge funds – nondirectional	—	—	96,578,151	96,578,151	C
Private real assets	—	—	54,926	54,926	D
Private debt	—	—	4,441,620	4,441,620	E
	<u>\$ 1,747,495</u>	<u>—</u>	<u>109,323,188</u>	<u>111,070,683</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 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.
- C 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.
- D 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.
- E 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.).

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As of February 28, 2022, the following table summarizes the composition of investments measured at NAV of \$107,006,853 by the various redemption provisions and lock-up periods:

	<u>Amount</u>
Redemption period:	
Quarterly up to 90 days' notice	\$ 103,820,531
Lock-up	<u>3,186,322</u>
Total	\$ <u><u>107,006,853</u></u>

The lock-up total of \$3,186,321 is nonredeemable until the end of the life of the funds, which is approximately 3 years.

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

	<u>February 28, 2022</u>			<u>February 28, 2021</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Dividends and interest (net of investment and advisory fees of \$105,218 in 2022 and \$215,132 in 2021)	\$ (84,595)	(19,835)	(104,430)	(57,814)	(13,482)	(71,296)
Realized and unrealized gains on investments	<u>1,980,077</u>	<u>428,549</u>	<u>2,408,626</u>	<u>19,260,129</u>	<u>4,491,478</u>	<u>23,751,607</u>
	1,895,482	408,714	2,304,196	19,202,315	4,477,996	23,680,311
Spending rate allocated for current operations	<u>967,868</u>	<u>(967,868)</u>	<u>—</u>	<u>993,385</u>	<u>(993,385)</u>	<u>—</u>
	2,863,350	(559,154)	2,304,196	20,195,700	3,484,611	23,680,311
Investment return appropriated and designated for current operations	<u>(5,095,899)</u>	<u>—</u>	<u>(5,095,899)</u>	<u>(5,570,752)</u>	<u>—</u>	<u>(5,570,752)</u>
Investment return more than amounts appropriated and designated for current operations	\$ <u><u>(2,232,549)</u></u>	<u><u>(559,154)</u></u>	<u><u>(2,791,703)</u></u>	<u><u>14,624,948</u></u>	<u><u>3,484,611</u></u>	<u><u>18,109,559</u></u>

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**(5) Property and Equipment**

Property and equipment consisted of the following as of February 28, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 2,955,852	2,948,049
Furniture and office equipment	926,519	868,754
	3,882,371	3,816,803
Accumulated depreciation and amortization	<u>(2,765,066)</u>	<u>(2,491,625)</u>
Total	<u>\$ 1,117,305</u>	<u>1,325,178</u>

**(6) Net Assets with Donor Restrictions**

Net assets with donor restrictions were restricted for the following purposes as of February 28, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donor restricted net assets to support program initiatives:		
Beneficiary hospitals	\$ 18,025,286	18,584,439
Other	1,586,414	1,839,990
	<u>\$ 19,611,700</u>	<u>20,424,429</u>
	<u>2022</u>	<u>2021</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	4,832,884	4,714,083
	<u>\$ 7,261,736</u>	<u>7,142,935</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 lifetime's, 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.



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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.

The accumulated postretirement benefit obligations and the funded status of the plan as of February 28, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 462,595	499,832
Interest cost	10,055	10,795
Actuarial gain	(68,536)	(18,117)
Benefits paid	<u>(25,648)</u>	<u>(29,915)</u>
Benefit obligation, end of year	<u>378,466</u>	<u>462,595</u>
Funded status	\$ <u>(378,466)</u>	<u>(462,595)</u>
Accumulated benefit obligation	\$ 378,466	462,595
Employer contributions	(25,648)	(29,915)
	<u>2022</u>	<u>2021</u>
Items not yet recognized as component of net periodic benefit cost:		
Net actuarial gain	\$ 133,542	86,554
Prior service costs	<u>151,495</u>	<u>165,614</u>
	\$ <u>285,037</u>	<u>252,168</u>

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

	<u>2022</u>	<u>2021</u>
Net actuarial gain	\$ (68,536)	(18,117)
Amortization of prior service cost	14,119	14,119
Amortization of net gain	<u>21,548</u>	<u>11,462</u>
Total recognized in change in net assets without donor restrictions (nonoperating)	\$ <u>(32,869)</u>	<u>7,464</u>

	<u>2022</u>	<u>2021</u>
Components of net periodic benefit costs:		
Interest cost	\$ 10,055	10,795
Amortization of prior service cost	(14,119)	(14,119)
Amortization of net gain	<u>(21,548)</u>	<u>(11,462)</u>
	\$ <u>(25,612)</u>	<u>(14,786)</u>

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

2023	\$ 34,956
2024	34,015
2025	32,836
2026	31,468
2027	29,965
2028–2032	<u>126,924</u>
	\$ <u>290,164</u>

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

	<u>2022</u>	<u>2021</u>
Weighted average assumptions used to determine benefit obligation discount rate	2.91 %	2.27 %
Weighted average assumptions used to determine net periodic benefit cost	2.27	2.26

Employer contributions of \$25,331 are expected to be made in fiscal year 2023.

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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, 2022 and 2021, UHF contributed \$388,645 and \$379,408, 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 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, 2022 and 2021, UHF contributed \$32,785 and \$42,692, 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, 2022 and 2021 amounted to \$1,101,396 and \$1,069,640, respectively, and a deferred rent obligation of \$1,452,247 and \$1,664,748, respectively, is the liability for the free rent period and TI allowance.

Future minimum lease payments as of February 28, 2022 are as follows:

2023	\$	1,367,514
2024		1,367,514
2025		1,367,514
2026		1,367,514
2027		797,717
	\$	<u>6,267,773</u>

UHF entered into a licensing agreement with a not-for-profit entity to license some of its office space. The agreement was effective April 2019 and terminated in June 2021.

UHF has unfunded commitments in investments of approximately \$16.5 million as of February 28, 2022.

UHF has a \$1,000,000 line of credit, which was renewed in May 2021 and expires on January 31, 2023. 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, 2022 and 2021.

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**(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, 2022 and 2021.

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). The objective of 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, 2022 is as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Board-designated quasi-endowment	\$ 87,238,367	—	87,238,367
Donor-restricted endowment:			
Historical gift value	—	2,428,851	2,428,851
Accumulated gains	—	18,025,286	18,025,286
Total endowment	\$ 87,238,367	20,454,137	107,692,504

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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>

Changes in endowment net assets for the year ended February 28, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 89,470,916	21,013,291	110,484,207
Investment activity:			
Interest and dividends, net	(84,595)	(19,835)	(104,430)
Realized and unrealized gains on investments	1,980,077	428,549	2,408,626
Spending rate applied to operations	<u>(4,128,031)</u>	<u>(967,868)</u>	<u>(5,095,899)</u>
Endowment net assets, end of year	\$ <u>87,238,367</u>	<u>20,454,137</u>	<u>107,692,504</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>

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

UHF has recorded an increase of \$118,801 and \$672,671 in net assets with donor restrictions for the years ended February 28, 2022 and 2021, respectively, relating to the change in the value of its beneficial interest in perpetual trusts, net of distributions. For the years ended February 28, 2022 and 2021, UHF received distributions from these trusts of \$220,035 and \$168,630, respectively. An outside custodian holds

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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>2022</b>	<b>2021</b>
Cash and short-term investments	2 %	2 %
Equities	78	77
Fixed income	18	17
Alternative investments	2	4
	100 %	100 %

**(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, 2022 and 2021, UHF's cash and cash equivalents included cash and money market funds approximating \$3,053,206 and \$2,985,805, respectively, which are not covered by FDIC insurance.

As of February 28, 2022, approximately 96% 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.

As of February 28, 2022 and 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<b>2022</b>	<b>2021</b>
At February 28, financial assets consist of:		
Cash and cash equivalents	\$ 3,303,206	3,235,805
Grants and other receivables, net	732,283	1,315,526
Investments not subject to donor or board restrictions	623,149	586,474
Payout on donor-restricted endowments	500,000	553,662
Payout on board-restricted endowments	5,091,000	4,652,217
Total financial assets available within one year	\$ 10,249,638	10,343,684

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At February 28, 2022, UHF had \$87,238,367 of board-designated endowments that, with the board's approval, could be made available for operations, which includes the draw for the year ending February 28, 2023 of approximately \$5.6 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 some 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 received a Payroll Protection Program Loan (PPP loan) in April 2020 in the amount of \$853,447. In June 2021, UHF received full forgiveness from the Small Business Administration. The amount is recognized on the Statement of Activities in Nonoperating activities and support.

### **(14) Subsequent Events**

In connection with the preparation of the financial statements, UHF evaluated subsequent events after the balance sheet date of February 28, 2022 through July 29, 2022, 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.