UNITED HOSPITAL FUND OF NEW YORK

Financial Statements

February 28, 2019 and 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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

Emphasis of Matter

As discussed in Note 2(p) to the financial statements, in 2019 United Hospital Fund of New York adopted new accounting guidance, Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

June 12, 2019

UNITED HOSPITAL FUND OF NEW YORK

Statements of Financial Position

February 28, 2019 and 2018

Assets		2019	2018
Cash and cash equivalents (note 11)	$	2,608,986	3,098,473
Grants and other receivables, net (note 3)		749,407	739,559
Other assets		652,364	650,678
Investments (notes 4 and 8)		92,803,286	97,619,464
Property and equipment, net (notes 5 and 12)		1,705,358	2,065,834
Beneficial interest in perpetual trusts (notes 6 and 10)		4,029,072	4,241,501
Total assets	$	102,548,473	108,415,509
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other liabilities (note 8)	$	1,637,864	904,754
Deferred rent obligation (note 8)		2,066,985	2,268,104
Grant commitments (note 2(j))		569,338	856,198
Accrued postretirement benefits (note 7)		471,044	471,110
Total liabilities		4,745,231	4,500,166
Net assets:			
Without donor restrictions (note 9):			
Undesignated		760,598	992,112
Board-designated endowment		74,682,844	78,981,477
Total net assets without donor restrictions		75,443,442	79,973,589
With donor restrictions (notes 6 and 9)			
Time or purpose		937,852	1,281,711
Endowment returns subject to future appropriation		14,964,024	15,989,690
Perpetual		6,457,924	6,670,353
Total net assets with donor restrictions		22,359,800	23,941,754
Total net assets		97,803,242	103,915,343
Total liabilities and net assets	$	102,548,473	108,415,509

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Activities

Years ended February 28, 2019 and 2018

	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Operating revenues and support:						
Public support:						
Foundation grants	$ —	792,750	792,750	—	1,660,971	1,660,971
Government and exchange contracts	1,203,644	—	1,203,644	1,153,709	—	1,153,709
Contributions	297,419	—	297,419	250,370	—	250,370
Special events (net of direct expenses of $306,923 in 2019 and $320,210 in 2018)	1,361,917	—	1,361,917	1,901,127	—	1,901,127
Total public support	2,862,980	792,750	3,655,730	3,305,206	1,660,971	4,966,177
Other revenues:						
Conferences and other	80,213	—	80,213	73,113	—	73,113
Investment return appropriated and designated for current operations (notes 4 and 9):						
Quasi-endowment	6,199,026	—	6,199,026	5,256,351	—	5,256,351
Donor-restricted endowment	1,102,590	—	1,102,590	1,095,599	—	1,095,599
Other investment income	180,078	—	180,078	180,992	—	180,992
Total other revenues	7,561,907	—	7,561,907	6,606,055	—	6,606,055
Net assets released from restrictions	1,136,609	(1,136,609)	—	1,010,763	(1,010,763)	—
Total operating revenues and support, before gain on sale of property and equipment	11,561,496	(343,859)	11,217,637	10,922,024	650,208	11,572,232
Gain on sale of property and equipment (notes 5 and 8)	1,332,401	—	1,332,401	—	—	—
Total operating revenues and support, after gain on sale of property and equipment	12,893,897	(343,859)	12,550,038	10,922,024	650,208	11,572,232
Operating expenses:						
Program services:						
Grants	667,445	—	667,445	816,889	—	816,889
Health services research, policy analysis, and education	5,653,097	—	5,653,097	5,248,271	—	5,248,271
Publications and information services	1,251,313	—	1,251,313	1,244,094	—	1,244,094
Total program services	7,571,855	—	7,571,855	7,309,254	—	7,309,254
Supporting services:						
Administrative and general	3,017,432	—	3,017,432	2,694,005	—	2,694,005
Fundraising	854,097	—	854,097	899,991	—	899,991
Total supporting services	3,871,529	—	3,871,529	3,593,996	—	3,593,996
Total operating expenses	11,443,384	—	11,443,384	10,903,250	—	10,903,250
Change in net assets from operations	1,450,513	(343,859)	1,106,654	18,774	650,208	668,982
Nonoperating activities and support:						
Investment return (less than) more than amounts designated for current operations (notes 4 and 9)	(5,869,166)	(1,025,666)	(6,894,832)	3,269,076	920,933	4,190,009
Postretirement related changes other than net periodic postretirement cost (note 7)	(111,494)	—	(111,494)	(63,751)	—	(63,751)
Change in value of beneficial interest in perpetual trusts (note 10)	—	(212,429)	(212,429)	—	321,441	321,441
Change in net assets from nonoperating activities and support	(5,980,660)	(1,238,095)	(7,218,755)	3,205,325	1,242,374	4,447,699
Change in total net assets	(4,530,147)	(1,581,954)	(6,112,101)	3,224,099	1,892,582	5,116,681
Net assets at beginning of year	79,973,589	23,941,754	103,915,343	76,749,490	22,049,172	98,798,662
Net assets at end of year	$ 75,443,442	22,359,800	97,803,242	79,973,589	23,941,754	103,915,343

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statements of Cash Flows

Years ended February 28, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	(6,112,101)	5,116,681
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		235,529	263,224
Realized and unrealized gains on investments		(79,645)	(10,497,653)
Accrued investment fees		46,245	66,153
Postretirement related changes other than net periodic postretirement cost		111,494	63,751
Change in value of beneficial interest in perpetual trusts		212,429	(321,441)
Gain on sale of property and equipment		(1,332,401)	—
Net change in assets and liabilities:			
Grants and other receivables, net		(9,848)	(163,973)
Other assets		(1,686)	83,368
Accounts payable and other liabilities, and deferred rent obligation		531,991	(79,317)
Grant commitments		(286,860)	(217,491)
Accrued postretirement benefits		(111,560)	(119,434)
Net cash used in operating activities		(6,796,413)	(5,806,132)
Cash flows from investing activities:			
Purchases of property and equipment		(112,785)	(65,220)
Proceeds from sale of property and equipment		1,570,133	—
Purchases of investments		(30,923,136)	(28,558,042)
Proceeds from sales of investments		35,772,714	35,367,952
Net cash provided by investing activities		6,306,926	6,744,690
Net (decrease) increase in cash and cash equivalents		(489,487)	938,558
Cash and cash equivalents, beginning of year		3,098,473	2,159,915
Cash and cash equivalents, end of year	$	2,608,986	3,098,473
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	$	2,128	1,868

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2019

	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, including retirement incentive expense (note 8)	$ —	3,402,264	682,471	4,084,735	1,693,447	446,200	2,139,647	6,224,382
Benefits (note 7)	—	902,107	187,024	1,089,131	449,362	121,840	571,202	1,660,333
Total salaries and benefits	—	4,304,371	869,495	5,173,866	2,142,809	568,040	2,710,849	7,884,715
Grants	667,445	—	—	667,445	—	—	—	667,445
Other expenses:								
Consulting and professional fees	—	210,377	104,726	315,103	253,818	19,010	272,828	587,931
Occupancy costs (note 8)	—	817,380	176,291	993,671	506,285	141,276	647,561	1,641,232
Conference costs	—	117,395	5,885	123,280	12,382	11,759	24,141	147,421
Printing costs	—	3,815	35,034	38,849	—	52,322	52,322	91,171
Other	—	199,759	59,882	259,641	102,138	61,690	163,828	423,469
Total other expenses	—	1,348,726	381,818	1,730,544	874,623	286,057	1,160,680	2,891,224
Total operating expenses	$ 667,445	5,653,097	1,251,313	7,571,855	3,017,432	854,097	3,871,529	11,443,384
Special events								306,923
Total expenses								$ 11,750,307

See accompanying notes to financial statements.

UNITED HOSPITAL FUND OF NEW YORK

Statement of Functional Expenses

Year ended February 28, 2018

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

See accompanying notes to financial statements.

(1) Organization

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

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

UHF was founded in 1879 by hospital trustees to help meet the financial needs of New York City's not-for-profit hospitals through a unified and coordinated citywide annual fundraising effort and to help hospitals address common concerns.

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Net Asset Classifications

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

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 Values

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

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(e) Contributions and Grants

Grants and contributions are evaluated as to whether they qualify as exchange transactions or contributions as defined by GAAP. Grants and contributions that are treated as exchange transactions are reported as without donor restrictions revenue when expenses are incurred in accordance with the terms of the agreement.

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

(f) Legacies

Legacies are recognized as support when the wills have passed probate and the sum is certain or can be reasonably estimated.

(g) Cash and Cash Equivalents

UHF considers all highly liquid debt instruments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents consist of cash, demand bank accounts, and short-term money market accounts, but exclude cash held for long-term investment. UHF maintains cash in one commercial bank and the balance, at times, may exceed insured limits. UHF has not experienced any losses in such accounts.

(h) Investments

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

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

(i) Property and Equipment

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

(j) Grant Commitments

Grant commitments consist of grants, which UHF is obligated to pay to beneficiary hospitals or other organizations. Grants are recorded as a liability and related expense when the Board approves them. Unless material, UHF does not discount to present value commitments to be paid later than one year. Grant commitments of $569,338 and $856,198 as of February 28, 2019 and 2018, 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, 2019 and 2018 was 5.5% of a 36-month trailing moving average. In February 2014, the Board authorized an additional draw of 1.5%, or approximately $5 million over 3 fiscal years, 2015, 2016, and 2017, to be used for specified purposes as approved by the Board for each year's budget, and as reported to the Board at interim periods during the year. In February 2017, the Board approved a resolution to carry unspent balances from the additional draw into fiscal year 2018 to be used for specific purposes as approved by the Board, and as reported to the Board at interim periods during the year. In February 2018, the Board approved a resolution to carry unspent balances from the additional draw into fiscal year 2019 to be used for specified purposes as approved by the Board, and as reported to the Board at interim periods during the year. These amounts were spent on investment in new program, strategy and branding initiatives, website development and other expenses as approved. 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.

(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, 2019 and 2018.

(p) Not-for-Profit Financial Statement Presentation

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not for profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. UHF adopted ASU No. 2016-14 for the year ended February 28, 2019 on a retrospective basis for the year ended February 28, 2018. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the presentation requirements.

(q) Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation

(3) Grants and Other Receivables, Net

Grants and other receivables balances at February 28, 2019 and 2018 were $749,407 and $739,559, respectively, which are expected to be collected within one year.

(Continued)

(4) Investments

Investments consisted of the following as of February 28, 2019:

	Level 1	Level 2	Investments measured at NAV	Total	
Held at financial institutions:					
Cash and short-term investments	$ 1,101,134	—	—	1,101,134	
Investment fees payable	(46,245)	—	—	(46,245)	
Global equities	23,322,987	—	31,154,411	54,477,398	A
Hedge funds – Directional	—	—	6,305,278	6,305,278	B
Fixed income	6,965,010	6,536,036	—	13,501,046	C
Hedge funds – Nondirectional	—	—	7,903,835	7,903,835	D
Marketable real assets	519,997	—	—	519,997	E
Private real assets	—	—	3,666,975	3,666,975	F
Private capital	—	—	2,246,197	2,246,197	G
Private debt	—	—	3,127,671	3,127,671	H
	$ 31,862,883	6,536,036	54,404,367	92,803,286	

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

	Level 1	Level 2	Investments measured at NAV	Total	
Held at financial institutions:					
Cash and short-term investments	$ 1,120,351	—	—	1,120,351	
Investment fees payable	(66,153)	—	—	(66,153)	
Global equities	20,820,508	—	36,745,639	57,566,147	A
Hedge funds – Directional	—	—	10,803,344	10,803,344	B
Fixed income	—	3,822,732	5,653,415	9,476,147	C
Hedge funds – Nondirectional	—	—	7,913,426	7,913,426	D
Marketable real assets	4,554,633	—	1,560,035	6,114,668	E
Private real assets	—	—	2,169,367	2,169,367	F
Private capital	—	—	878,293	878,293	G
Private debt	—	—	1,643,874	1,643,874	H
	$ 26,429,339	3,822,732	67,367,393	97,619,464	

(Continued)

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

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

C Fixed Income – This asset class invests primarily in long-only investment funds that focus on domestic and international fixed income investments, including those issued by governments, municipalities, agencies, and corporations.

D Hedge Funds – 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 – This asset class invests primarily in investment funds that invest in publicly traded securities and/or futures contracts providing exposure to real estate investment trusts (REITs), commodities, resource-related debt and equities, global and domestic Treasury Inflation-Protected Securities (TIPS), and/or infrastructure bonds.

F Private Real Assets – Includes private fund of funds that invests in investment funds, which hold real assets, and may include commodities, real estate, agricultural land, and natural resources investments. This fund may have up to 20% invested internationally.

G Private Capital – Private capital funds invest primarily in underlying funds that invest in private equity, venture capital, mezzanine, and special situations.

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, 2019, the following table summarizes the composition of $54,404,367 at fair value of investments by the various redemption provisions and lock-up periods:

		Amount
Redemption period:		
Monthly up to 30 days' notice	$	15,319,537
Quarterly up to 90 days' notice		25,670,235
Annually up to 90 days' notice		3,656,310
Lock-up		9,758,285
Total	$	54,404,367

The lock-up total of $9,758,285 is nonredeemable at this time.

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

	February 28, 2019			February 28, 2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Dividends and interest (net of investment and advisory fees of $288,885 in 2019 and $385,664 in 2018)	$ 265,276	61,863	327,139	35,831	8,475	44,306
Net appreciation in fair value of investments	64,584	15,061	79,645	8,489,596	2,008,057	10,497,653
	329,860	76,924	406,784	8,525,427	2,016,532	10,541,959
Spending rate allocated for current operations	1,102,590	(1,102,590)	—	1,095,599	(1,095,599)	—
	1,432,450	(1,025,666)	406,784	9,621,026	920,933	10,541,959
Investment return appropriated and designated for current operations	(7,301,616)	—	(7,301,616)	(6,351,950)	—	(6,351,950)
Investment return (less than) more than amounts appropriated and designated for current operations	$ (5,869,166)	(1,025,666)	(6,894,832)	3,269,076	920,933	4,190,009

(5) Property and Equipment

Property and equipment consisted of the following as of February 28, 2019 and 2018:

	2019	2018
Property	$ —	692,080
Leasehold improvements	2,925,962	2,817,180
Furniture and office equipment	786,561	1,000,043
	3,712,523	4,509,303
Accumulated depreciation and amortization	(2,007,165)	(2,443,469)
Total	$ 1,705,358	2,065,834

UHF sold its apartment located at 161 West 15th Street in New York City in August of 2018 for $1,700,000, less closing costs and fees of $129,867. The apartment was purchased in August 2004. UHF realized a net gain of $1,332,401 on this sale after deducting the net book value, closing costs, and associated fees.

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of February 28, 2019 and 2018:

		2019	2018
Donor restricted net assets to support program initiatives:			
Beneficiary hospitals	$	14,964,024	15,989,690
Other		937,852	1,281,711
	$	15,901,876	17,271,401

		2019	2018
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		4,029,072	4,241,501
	$	6,457,924	6,670,353

(7) Postretirement Benefit Plans

UHF has a noncontributory unfunded postretirement benefit plan (postretirement), which covers certain employees and their spouses. Each participant will be eligible for these benefits at age 55 and after 10 years of service upon retirement and enrollment in Medicare. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required contributions are made. Employees who retired on or after February 1, 1993 are not eligible for Medicare Part B premium reimbursement.

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

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

The accumulated postretirement benefit obligations and the funded status of the plan as of February 28, 2019 and 2018 are as follows:

		2019	2018
Change in benefit obligation:			
Benefit obligation, beginning of year	$	471,110	526,793
Service cost		—	—
Interest cost		16,702	17,824
Actuarial loss (gain)		4,732	(52,059)
Benefits paid		(21,500)	(21,448)
Benefit obligation, end of year		471,044	471,110
Funded status	$	(471,044)	(471,110)
Accumulated benefit obligation	$	471,044	471,110
Employer contributions		(21,500)	(21,448)
Recognized actuarial gain		(92,643)	(101,691)

The amounts not yet recognized as a component of changes other than net periodic postretirement cost recognized in net assets without donor restrictions for the postretirement plan consist of a net actuarial gain of $376,123 and $487,617 as of February 28, 2019 and 2018, respectively.

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

		2019	2018
Net gain	$	111,494	63,751
Total recognized in change in net assets without donor restrictions (nonoperating)		111,494	63,751
Net periodic benefit cost (operating)		(90,060)	(97,986)
Total recognized in change in net assets without donor restrictions	$	21,434	(34,235)

(Continued)

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

2020	$ 39,303
2021	39,606
2022	37,900
2023	40,919
2024	39,327
2025–2029	169,740
	$ 366,795

The amount expected to be recognized in net periodic benefit cost is a gain of $64,060 during fiscal year 2020.

The weighted average assumption (discount rate) used to determine the components of benefit cost as of and for the years ended February 28, 2019 and 2018 was 3.72% and 3.69%, respectively.

UHF maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the purchase of retirement annuities. UHF is obligated to match annual employee contributions, measured as of December 31 of each year, up to a maximum of $2,000 for each eligible employee, as defined in this plan and allows for a discretionary employer contribution of 4% to 8% based on years of service. For the years ended February 28, 2019 and 2018, UHF contributed $433,897 and $419,555, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of equity holdings and fixed income securities.

In December 2002, UHF implemented a 457(b) defined contribution retirement plan, in which only certain highly compensated employees are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. UHF may make a contribution to the plan on behalf of certain participants as defined in the plan to receive a UHF contribution. For the years ended February 28, 2019 and 2018, UHF contributed $39,116 and $38,096, respectively, to this plan.

(8) Commitments

In September 2010, UHF entered into a lease for office facilities at 1411 Broadway, expiring in September 2026. The lease terms provided for a free rent period through October 2011 and tenant improvement allowances (TI allowance) in the amount of $2,045,228. Free rent period, TI allowance, and charges are accounted for on a straight-line basis over the life of the lease.

In January 2013, UHF entered into a lease for office facilities in Albany. The lease expired in December 2018 and was extended through February 2019. Beginning in March 2019, UHF rents office space on a month to month basis.

(Continued)

Future minimum lease payments as of February 28, 2019, net of the applicable rent credits, are as follows:

2020	$	1,270,758
2021		1,270,758
2022		1,315,917
2023		1,379,139
2024		1,379,139
Thereafter		3,562,776
	$	10,178,487

Rent expense for the years ended February 28, 2019 and 2018 amounted to $1,086,128 and $1,085,746, respectively, and a deferred rent obligation of $2,066,985 and $2,268,104, respectively, is the liability for the free rent period and TI allowance.

UHF has unfunded commitments in investments of approximately $13 million as of February 28, 2019.

In December 2018, UHF renewed a $1,000,000 line of credit, which expires on December 30, 2019. 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, 2019 and 2018.

In January 2019, UHF offered an early retirement incentive to employees 60 years of age and older with 5 or more years of service. The incentive provides 2 weeks for every year of service up to one year's salary. Employees who notified UHF of their intent to take the incentive by February 28, 2019 will retire during the fiscal year ending February 29, 2020, and payouts will take place over the period July 2019 through November 2019. The total liability in fiscal year 2019 related to this program is $705,518.

(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). In accordance with GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires UHF to retain in perpetuity is to be reported in net assets with donor restrictions. UHF has not incurred such deficiencies in its endowment funds as of February 28, 2019 and 2018.

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, 2019 is as follows:

		Without donor restrictions	With donor restrictions	Total
Board-designated quasi-endowment	$	74,682,844	—	74,682,844
Donor-restricted endowment:				
Historical gift value		—	2,428,852	2,428,852
Accumulated gains		—	14,964,024	14,964,024
Total endowment	$	74,682,844	17,392,876	92,075,720

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

		Without donor restrictions	With donor restrictions	Total
Board-designated quasi-endowment	$	78,981,477	—	78,981,477
Donor-restricted endowment:				
Historical gift value		—	2,428,852	2,428,852
Accumulated gains		—	15,989,690	15,989,690
Total endowment	$	78,981,477	18,418,542	97,400,019

Changes in endowment net assets for the year ended February 28, 2019 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	78,981,477	18,418,542	97,400,019
Net proceeds from the sale of real estate		1,570,533	—	1,570,533
Investment activity:				
Interest and dividends, net		265,276	61,863	327,139
Net appreciation on investments		64,584	15,061	79,645
Spending rate applied to operations		(6,199,026)	(1,102,590)	(7,301,616)
Endowment net assets, end of year	$	74,682,844	17,392,876	92,075,720

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

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	75,712,401	17,497,609	93,210,010
Investment activity:				
Interest and dividends, net		35,831	8,475	44,306
Net appreciation on investments		8,489,596	2,008,057	10,497,653
Spending rate applied to operations		(5,256,351)	(1,095,599)	(6,351,950)
Endowment net assets, end of year	$	78,981,477	18,418,542	97,400,019

(10) Beneficial Interest in Perpetual Trusts

UHF has recorded a decrease of $212,429 and an increase of $321,441 in net assets with donor restrictions for the years ended February 28, 2019 and 2018, respectively, relating to the change in fair value of its beneficial interest in perpetual trusts. An outside custodian holds these trusts on behalf of UHF, the perpetual beneficiary. Certain income from the trusts is paid to UHF and the balance, if any, is retained in the trusts.

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

	2019	2018
Cash and short-term investments	1%	2%
Equities	76	78
Fixed income	19	12
Alternative investments	4	8
	100%	100%

For the years ended February 28, 2019 and 2018, UHF received distributions from these trusts of $174,217 and $177,749, respectively.

(11) Concentration of Credit Risk

Financial instruments that potentially subject UHF to a concentration of credit risk include cash accounts and other cash equivalents that may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of $250,000 per financial institution. As of February 28, 2019 and 2018, UHF's cash and cash equivalents included cash and money market funds approximating $2,358,238 and $2,846,973, respectively, which are not covered by FDIC insurance.

(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, 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

		2019
At February 28, financial assets consist of:		
Cash and cash equivalents	$	2,608,986
Grants and other receivables, net		749,407
Investments not subject to donor or board restrictions		727,566
Payout on donor-restricted endowments		924,090
Payout on board-restricted endowments		4,107,508
Total financial assets available within one year	$	9,117,557

At February 28, 2019, UHF had $74,682,844 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 29, 2020 of approximately $5 million. In addition, UHF has a bank line of credit of $1,000,000 for additional liquidity resources.

(13) Subsequent Events

In connection with the preparation of the financial statements, UHF evaluated subsequent events after the balance sheet date of February 28, 2019 through June 12, 2019, which was the date the financial statements were available to be issued and determined that there were no matters that are required to be disclosed, except as noted below.

UHF entered into a 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 additional 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:

2020	$	215,749
2021		252,996
2022		252,996
2023		252,996
2024		84,332
	$	1,059,069