

UNITED WAY OF NEW YORK CITY



**United Way
of New York City**

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**UNITED WAY OF NEW YORK CITY
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of New York City

We have audited the accompanying financial statements of United Way of New York City ("UWNYC") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America; 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 auditor's 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 UWNYC as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
December 17, 2018

**UNITED WAY OF NEW YORK CITY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 and 2017**

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 15)	\$ 2,509,632	\$ 6,372,666
Investments (Notes 2E, 2F, 4, 5 and 13)	6,555,085	7,636,526
Campaign receivables, net (Notes 2G, 2I and 6)	3,012,239	3,311,913
Government grants/contracts receivable (Note 2I)	9,397,012	5,372,847
Private grants and contributions receivable, net (Notes 2H and 7)	2,343,338	2,566,573
Other receivables (Note 2I)	1,822	61,135
Prepaid expenses and other assets (Notes 5 and 8)	1,214,883	905,808
Beneficial interest in perpetual trust (Note 13)	526,098	506,500
Capital lease asset and improvements (Note 9)	7,471,965	8,621,649
Property and equipment, net (Notes 2J and 10)	307,922	520,373
 TOTAL ASSETS	 \$ 33,339,996	 \$ 35,875,990
 LIABILITIES		
Accounts payable and accrued expenses	\$ 1,525,895	\$ 2,925,515
Community investment grants and awards payable (Note 2K)	115,859	399,314
Campaign donor designations payable (Note 2G)	174,281	91,017
Government contract awards payable (Note 2L)	9,428,676	8,166,420
Deferred rent liability (Notes 2M and 14B)	679,061	706,224
Unfunded pension liability (Notes 2N and 11)	23,541	717,255
Post-retirement life insurance liability (Notes 2N and 12)	2,568,405	2,594,235
Capital lease obligations (Note 9)	7,677,542	8,334,538
Capital lease improvements loan payable (Note 9)	2,283,060	2,322,338
 TOTAL LIABILITIES	 24,476,320	 26,256,856
 NET ASSETS (Note 2B)		
Unrestricted (Note 13):		
Operations	5,844,050	4,840,398
Board designated	489,473	489,473
Net investment in property and equipment	307,922	520,373
Unfunded pension liability	(23,541)	(717,255)
Post-retirement life insurance liability	(2,568,405)	(2,594,235)
Net investment in capital lease obligation	(2,488,637)	(2,035,227)
Total unrestricted net assets	1,560,862	503,527
Temporarily restricted (Note 13)	4,905,082	6,737,473
Permanently restricted (Note 13)	2,397,732	2,378,134
 TOTAL NET ASSETS	 8,863,676	 9,619,134
 TOTAL LIABILITIES AND NET ASSETS	 \$ 33,339,996	 \$ 35,875,990

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF NEW YORK CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Year Ended June 30, 2018			Total 2018	Total 2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
OPERATING REVENUE AND SUPPORT:					
Campaigns	\$ 24,746,219	\$ 1,962	\$ -	\$ 24,748,181	\$ 23,962,125
Less: Donor designations	(17,070,736)	-	-	(17,070,736)	(15,401,258)
Less: Provision for uncollectible receivables	(380,102)	-	-	(380,102)	(777,307)
Campaign results, net (Notes 2G and 6)	7,295,381	1,962	-	7,297,343	7,783,560
Special events revenue	3,921,591	-	-	3,921,591	2,965,725
Less: direct expenses	(502,839)	-	-	(502,839)	(476,887)
Special events, net (Note 2O)	3,418,752	-	-	3,418,752	2,488,838
Government grants/contracts	27,733,434	-	-	27,733,434	27,155,667
Individual contributions	1,229,923	442,447	-	1,672,370	3,107,540
Private grants and foundation giving	-	1,479,136	-	1,479,136	3,844,573
Fiscally sponsored funds	-	840,000	-	840,000	1,080,000
Designations from other United Ways	-	-	-	-	10,401
In-kind contributions (Note 2O)	19,060	-	-	19,060	43,245
Campaign administrative fees	107,359	-	-	107,359	120,419
Investment return used for operations (Note 4)	349,760	91,468	-	441,228	437,549
Other income	49,284	-	-	49,284	366,362
Net assets released from restrictions (Note 13)	4,732,283	(4,732,283)	-	-	-
TOTAL OPERATING REVENUE AND SUPPORT	44,935,236	(1,877,270)	-	43,057,966	46,438,154
OPERATING EXPENSES:					
Program Services:					
Community investment grants and awards (Note 2K)	2,734,722	-	-	2,734,722	3,908,538
Contract services and other grants	26,535,729	-	-	26,535,729	26,153,983
Community investment services	3,280,828	-	-	3,280,828	4,891,707
Total Program Services	32,551,279	-	-	32,551,279	34,954,228
Supporting Services:					
Management and general	6,776,293	-	-	6,776,293	9,903,231
Fundraising	5,309,906	-	-	5,309,906	4,029,566
Total Supporting Services	12,086,199	-	-	12,086,199	13,932,797
TOTAL OPERATING EXPENSES	44,637,478	-	-	44,637,478	48,887,025
SURPLUS (DEFICIT) OF OPERATING REVENUE AND SUPPORT OVER (UNDER) OPERATING EXPENSES	297,758	(1,877,270)	-	(1,579,512)	(2,448,871)
NON-OPERATING ACTIVITIES					
Investment return (under) over amounts appropriated for operations (Note 4)	(66,773)	44,879	-	(21,894)	393,177
Change in value of beneficial interest in perpetual trust (Note 13)	-	-	19,598	19,598	51,191
TOTAL NON-OPERATING ACTIVITIES	(66,773)	44,879	19,598	(2,296)	444,368
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	230,985	(1,832,391)	19,598	(1,581,808)	(2,004,503)
Pension plan related changes other than net periodic pension cost (Note 11)	746,950	-	-	746,950	2,293,197
Post-retirement life insurance plan related changes (Note 12)	79,400	-	-	79,400	239,722
CHANGE IN TOTAL NET ASSETS	1,057,335	(1,832,391)	19,598	(755,458)	528,416
Net assets, beginning of year	503,527	6,737,473	2,378,134	9,619,134	9,090,718
NET ASSETS - END OF YEAR	\$ 1,560,862	\$ 4,905,082	\$ 2,397,732	\$ 8,863,676	\$ 9,619,134

**UNITED WAY OF NEW YORK CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
OPERATING REVENUE AND SUPPORT:				
Campaigns	\$ 23,909,947	\$ 52,178	\$ -	\$ 23,962,125
Less: Donor designations	(15,401,258)	-	-	(15,401,258)
Less: Provision for uncollectible receivables	(777,307)	-	-	(777,307)
Campaign results, net (Notes 2G and 6)	<u>7,731,382</u>	<u>52,178</u>	<u>-</u>	<u>7,783,560</u>
Special events revenue	2,965,725	-	-	2,965,725
Less: direct expenses	(476,887)	-	-	(476,887)
Special events, net (Note 2O)	<u>2,488,838</u>	<u>-</u>	<u>-</u>	<u>2,488,838</u>
Government grants/contracts	27,155,667	-	-	27,155,667
Individual contributions	1,654,210	1,453,330	-	3,107,540
Private grants and foundation giving	-	3,844,573	-	3,844,573
Fiscally sponsored funds	-	1,080,000	-	1,080,000
Designations from other United Ways	10,401	-	-	10,401
In-kind contributions (Note 2O)	43,245	-	-	43,245
Campaign administrative fees	120,419	-	-	120,419
Investment return used for operations (Note 4)	334,938	102,611	-	437,549
Other income	366,362	-	-	366,362
Net assets released from restrictions (Note 13)	(4,568,196)	(4,568,196)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>44,473,658</u>	<u>1,964,496</u>	<u>-</u>	<u>46,438,154</u>
OPERATING EXPENSES:				
Program Services:				
Community investment grants and awards (Note 2K)	3,908,538	-	-	3,908,538
Contract services and other grants	26,153,983	-	-	26,153,983
Community investment services	4,891,707	-	-	4,891,707
Total Program Services	<u>34,954,228</u>	<u>-</u>	<u>-</u>	<u>34,954,228</u>
Supporting Services:				
Management and general	9,903,231	-	-	9,903,231
Fundraising	4,029,566	-	-	4,029,566
Total Supporting Services	<u>13,932,797</u>	<u>-</u>	<u>-</u>	<u>13,932,797</u>
TOTAL OPERATING EXPENSES	<u>48,887,025</u>	<u>-</u>	<u>-</u>	<u>48,887,025</u>
(DEFICIT) SURPLUS OF OPERATING REVENUE AND SUPPORT OVER (UNDER) OPERATING EXPENSES	(4,413,367)	1,964,496	-	(2,448,871)
NON-OPERATING ACTIVITIES				
Investment return under amounts appropriated for operations (Note 3)	303,710	89,467	-	393,177
Change in value of beneficial interest in perpetual trust (Note 13)	-	-	51,191	51,191
TOTAL NON-OPERATING ACTIVITIES	<u>303,710</u>	<u>89,467</u>	<u>51,191</u>	<u>444,368</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	<u>(4,109,657)</u>	<u>2,053,963</u>	<u>51,191</u>	<u>(2,004,503)</u>
Pension plan related changes other than net periodic pension cost (Note 11)	2,293,197	-	-	2,293,197
Post-retirement life insurance plan related changes (Note 12)	239,722	-	-	239,722
CHANGE IN TOTAL NET ASSETS	(1,576,738)	2,053,963	51,191	528,416
Net assets, beginning of year	<u>2,080,265</u>	<u>4,683,510</u>	<u>2,326,943</u>	<u>9,090,718</u>
NET ASSETS - END OF YEAR	<u>\$ 503,527</u>	<u>\$ 6,737,473</u>	<u>\$ 2,378,134</u>	<u>\$ 9,619,134</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF NEW YORK CITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Year Ended June 30, 2018					Total 2017
	Supporting Services			Total Supporting Services	Total 2018	
	Program Services	Management & General	Fundraising			
Grants, contracts and awards						
Community investment grants and awards	\$ 2,734,722	\$ -	\$ -	\$ -	\$ 2,734,722.00	\$ 3,908,538
Contract services and other grants	26,535,729	-	-	-	26,535,729	26,153,983
	<u>29,270,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,270,451</u>	<u>30,062,521</u>
Personnel						
Salaries	1,477,501	3,278,207	2,215,246	5,493,453	6,970,954	9,159,853
Payroll taxes and benefits (Notes 11 and 12)	482,342	905,362	624,265	1,529,627	2,011,969	2,398,451
	<u>1,959,843</u>	<u>4,183,569</u>	<u>2,839,511</u>	<u>7,023,080</u>	<u>8,982,923</u>	<u>11,558,304</u>
Office, occupancy, and professional fees						
Office maintenance and general supplies	25,240	39,745	145,449	185,194	210,434	407,453
Expensed equipment and rentals	43,432	227,507	77,576	305,083	348,515	315,872
Dues and subscriptions	10,142	55,411	37,104	92,515	102,657	103,852
Travel and transportation	3,029	25,255	18,015	43,270	46,299	79,635
Telephone	15,396	14,572	13,900	28,472	43,868	43,062
Insurance	53,232	76,528	68,481	145,009	198,241	206,057
Occupancy	484,323	684,035	622,778	1,306,813	1,791,136	1,660,710
Professional fees (Note 20)	88,591	698,908	196,982	895,890	984,481	1,882,851
	<u>723,385</u>	<u>1,821,961</u>	<u>1,180,285</u>	<u>3,002,246</u>	<u>3,725,631</u>	<u>4,699,492</u>
Events and promotion						
Special events - indirect expenses	50	4,660	587,766	592,426	592,476	533,861
General promotion	2,296	413	28,361	28,774	31,070	49,371
Meetings, seminars and training	5,006	105,574	24,260	129,834	134,840	263,997
Postage and shipping	1,619	19,340	26,737	46,077	47,696	56,003
Printing and distribution	2,500	-	30,182	30,182	32,682	25,967
	<u>11,471</u>	<u>129,987</u>	<u>697,306</u>	<u>827,293</u>	<u>838,764</u>	<u>929,199</u>
Other expenses						
Depreciation and amortization (Note 10)	94,871	63,981	61,775	125,756	220,627	151,832
Amortization of capital lease assets (Note 9)	158,592	106,959	103,269	210,228	368,820	397,854
Interest expense	160,820	227,134	206,793	433,927	594,747	637,146
Dues paid to national and state organizations	171,846	242,702	220,967	463,669	635,515	450,677
	<u>586,129</u>	<u>640,776</u>	<u>592,804</u>	<u>1,233,580</u>	<u>1,819,709</u>	<u>1,637,509</u>
TOTAL EXPENSES	<u>\$ 32,551,279</u>	<u>\$ 6,776,293</u>	<u>\$ 5,309,906</u>	<u>\$ 12,086,199</u>	<u>\$ 44,637,478</u>	<u>\$ 48,887,025</u>

**UNITED WAY OF NEW YORK CITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total 2017</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>		
Grants, contracts and awards					
Community investment grants and awards	\$ 3,908,538	\$ -	\$ -	\$ -	\$ 3,908,538
Contract services and other grants	26,153,983	-	-	-	26,153,983
	<u>30,062,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,062,521</u>
Personnel					
Salaries	2,515,797	4,761,294	1,882,762	6,644,056	9,159,853
Payroll taxes and benefits (Notes 11 and 12)	695,936	1,239,025	463,490	1,702,515	2,398,451
	<u>3,211,733</u>	<u>6,000,319</u>	<u>2,346,252</u>	<u>8,346,571</u>	<u>11,558,304</u>
Office, occupancy, and professional fees					
Office maintenance and general supplies	64,336	113,582	229,535	343,117	407,453
Expensed equipment and rentals	26,499	262,794	26,579	289,373	315,872
Dues and subscriptions	16,620	44,470	42,762	87,232	103,852
Travel and transportation	34,684	21,220	23,731	44,951	79,635
Telephone	18,605	15,895	8,562	24,457	43,062
Insurance	54,702	114,899	36,456	151,355	206,057
Occupancy	509,350	814,565	336,795	1,151,360	1,660,710
Professional fees (Note 2O)	346,349	1,125,300	411,202	1,536,502	1,882,851
	<u>1,071,145</u>	<u>2,512,725</u>	<u>1,115,622</u>	<u>3,628,347</u>	<u>4,699,492</u>
Events and promotion					
Special events - indirect expenses	12,811	301,604	219,446	521,050	533,861
General promotion	4,605	25,700	19,066	44,766	49,371
Meetings, seminars and training	86,323	108,580	69,094	177,674	263,997
Postage and shipping	8,636	32,925	14,442	47,367	56,003
Printing and distribution	911	15,033	10,023	25,056	25,967
	<u>113,286</u>	<u>483,842</u>	<u>332,071</u>	<u>815,913</u>	<u>929,199</u>
Other expenses					
Depreciation and amortization (Note 10)	50,844	70,548	30,440	100,988	151,832
Amortization of capital lease assets (Note 9)	135,270	186,992	75,592	262,584	397,854
Interest expense	195,986	311,571	129,589	441,160	637,146
Dues paid to national and state organizations	113,443	337,234	-	337,234	450,677
	<u>495,543</u>	<u>906,345</u>	<u>235,621</u>	<u>1,141,966</u>	<u>1,637,509</u>
TOTAL EXPENSES	<u>\$ 34,954,228</u>	<u>\$ 9,903,231</u>	<u>\$ 4,029,566</u>	<u>\$ 13,932,797</u>	<u>\$ 48,887,025</u>

**UNITED WAY OF NEW YORK CITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (755,458)	\$ 528,416
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	220,627	151,832
Amortization of capital lease assets	368,820	397,854
Pension related changes other than net periodic pension cost	(826,350)	(2,532,919)
Change in value of beneficial interest in perpetual trust	(19,598)	(51,191)
Change in discount on private grants and contributions receivable	16,945	37,545
Change in value of capital lease obligation	356,686	496,590
Recovery of uncollectible campaign receivables, net of write-offs	(380,102)	(694,092)
Net realized and unrealized gain on investments	<u>(320,634)</u>	<u>(662,485)</u>
Sub-total	(1,339,064)	(2,328,450)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Campaign receivables	674,256	1,576,576
Government grants/contracts receivable	(4,024,165)	(1,257,864)
Private grants and contributions receivable	211,810	(862,590)
Other receivables	59,313	209,479
Prepaid expenses and other assets	(309,075)	76,092
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(1,399,620)	396,390
Community investment grants and awards payable	(283,455)	(512,934)
Campaign donor designations payable	83,264	(103,476)
Government contract awards payable	1,262,256	1,382,938
Deferred rent liability	(27,163)	(27,180)
Accrued pension and post-retirement life insurance liability	<u>106,806</u>	<u>(17,404)</u>
Net Cash Used in Operating Activities	<u>(4,984,837)</u>	<u>(1,468,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,876,618)	(3,655,003)
Proceeds from sales of investments	4,278,693	7,404,519
Purchases of property and equipment	<u>(8,176)</u>	<u>(356,937)</u>
Net Cash Provided by Investing Activities	<u>1,393,899</u>	<u>3,392,579</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of capital lease obligations	(232,818)	(390,468)
Payments of loan payable	<u>(39,278)</u>	<u>(36,997)</u>
Net Cash Used in Financing Activities	<u>(272,096)</u>	<u>(427,465)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,863,034)	1,496,691
Cash and cash equivalents - beginning of year	<u>6,372,666</u>	<u>4,875,975</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,509,632</u>	<u>\$ 6,372,666</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 273,823</u>	<u>\$ 140,554</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

United Way of New York City (“UWNYC”) is a not-for-profit community service organization recognized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. UWNYC envisions caring communities where all individuals and families have access to quality education and the opportunity to lead healthy and financially secure lives. UWNYC raises funds on an annual basis primarily through employee payroll deductions at the workplace, grants and gifts from foundations, corporations and government contracts. UWNYC focuses on education, income stability, and health throughout New York City’s five boroughs. UWNYC also works to build the capacity of local nonprofits to enable them to deliver the highest-quality services possible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** - UWNYC's financial statements have been prepared on the accrual basis of accounting. UWNYC adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. ***Financial Statement Presentation*** - UWNYC maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of UWNYC's operations over which the Board of Directors has discretionary control. Board designated net assets consist of unrestricted net assets whose use has been designated by the Board.

Temporarily Restricted - This represents net assets subject to donor-imposed restrictions that are satisfied either by the passage of time or by actions of UWNYC or the donor. In addition, earnings from permanently restricted endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Directors. In addition, earnings from temporarily restricted net assets are classified as unrestricted at the end of the year. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - This represents endowment net assets subject to donor-imposed stipulations that they be maintained permanently by UWNYC. Generally, the donors of these assets permit UWNYC to use all or part of the income earned on related investments for unrestricted or donor-specified purposes. Also included in permanently restricted net assets is a beneficial interest in a perpetual trust where UWNYC is one of six equal beneficiaries, with the investments held in perpetuity by a third party trustee.

C. ***Support and Revenue*** - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time restrictions expire, or as a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are released to unrestricted net assets.

Investment income and net realized and unrealized gains (losses) on investments of temporarily and permanently restricted net assets are reported as follows:

- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the investment income and unappropriated earnings from endowment funds.
- As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added back to the principal.
- As increases (decreases) in unrestricted net assets in all other cases.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Cash and cash equivalents** – Cash and cash equivalents include all highly liquid instruments with maturities of three months or less when acquired, except for certain cash and money market funds which are included with investments. As of June 30, 2018 and 2017, cash and cash equivalents balance of \$2,509,632 and \$6,372,666, respectively, include cash for the NYC Department of Education contracts that amounted to \$2,025,442 and \$4,816,616, respectively (see Note 15). UWNYP regularly monitors the availability of resources required to meet its operating needs and other contractual commitments to ensure adequate capital is available for its needs (see Note 3).
- E. **Investments** – Investments are carried at fair value as defined in Note 2F. Net appreciation/(depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, are reported in the statement of activities. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is possible that changes in risks in the near term could materially affect investment balances.
- F. **Fair Value Measurements** - Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 5.
- G. **Campaign Results and Campaign Donor Designations Payable** – Annual campaigns are conducted each year to raise support for charitable distributions. Campaign revenue is recognized as revenue at the time of the promise, net of an allowance for uncollectible campaign receivables.
- Donors have the option to designate their contribution to another specific recognized 501(c)(3) organization. These transactions are included in the total campaign amounts raised on the statement of activities and then deducted as designations payable before arriving at net campaign results. Campaign designations payable in the statement of financial position represent amounts raised through various campaigns that are designated by donors to be paid out to other 501(c)(3) organizations.
- H. **Private Grants and Contributions Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as contribution revenue until the conditions are substantially met. As of June 30, 2018 and 2017, UWNYP determined that an allowance of \$67,000 and \$72,520, respectively, was necessary for uncollectible private grant and contributions receivable. This determination was based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables and historical experience.
- I. **Allowance for Doubtful Accounts** – UWNYP determines whether an allowance for uncollectible receivables should be provided for government grants/contracts receivable, campaign and other receivables. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year end. As of June 30, 2018 and 2017, UWNYP determined an allowance of \$452,548 and \$452,412, respectively, was necessary for campaign receivables and no allowance for government grants/contracts receivable and other receivables.

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. **Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the lease or the improvement. UWNYPC capitalizes property and equipment with cost of \$1,000 or more and a useful life of greater than one year. Upon retirement or disposal, the asset cost and related accumulated depreciation and amortization are eliminated from the respective accounts, and the resulting gain or loss is included in the changes in net assets for the period.
- K. **Community Investment Grants and Awards** – The program services budget is approved annually by the Board of Directors on the recommendation of the Community Investment Committee. Awards support the impact areas namely; Health, Education and Income as well as services provided to strengthen New York City nonprofits. Grants and awards are accrued as commitments are made in accordance with the approved budget.
- L. **Government Contract Awards Payable** – UWNYPC administers a variety of government-funded programs. Through these programs, UWNYPC provides grants to community-based organizations in support of specific services for emergency food and shelter and hunger and nutrition assistance. The government contract awards payable reflect those expenses incurred by the community-based organizations that will be reimbursed by UWNYPC.
- M. **Deferred Rent** – UWNYPC records an adjustment to rent expense each year to reflect the straight-line method. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- N. **Unfunded Pension and Post-Retirement Life Insurance Liability** – UWNYPC: (a) recognizes in its statement of financial position an asset for a plan’s overfunded status or a liability for a plan’s underfunded status; (b) measures a plan’s assets and its obligations that determine its funded status as of the end of the fiscal year; and (c) recognizes changes in the funded status in the year in which the changes occur.
- O. **In-kind Contributions** – Donated goods are recorded at their fair value on the date of receipt. Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. For the years ended June 30, 2018 and 2017, UWNYPC recorded income and expense for contributed goods and services of \$64,060 and \$96,425, respectively. Such contributed goods and services are reflected in the financial statements as follows:

	2018	2017
Special event direct expenses	\$ 45,000	\$ 53,000
Professional fees	19,060	43,245
	\$ 64,060	\$ 96,245

- P. **Bequests and Legacies** - UWNYPC recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.
- Q. **Functional Allocation of Expenses** - The costs of providing program and supporting services have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- R. **Reclassifications** – Certain items in the June 30, 2017 financial statements have been reclassified to conform with the June 30, 2018 presentation. These reclassifications had no impact on the changes in net assets for the year ended June 30, 2018.

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 484,190
Campaign receivable	3,012,239
Government grants/contracts receivable	9,397,012
Investments	4,515,381
Private grants and contributions receivable due in one year	1,361,800
Distributions from beneficial interests in assets held by others	17,000
Endowment spending – rate distributions and appropriations	<u>97,675</u>
	<u>\$ 18,885,297</u>

Amounts available include those that will be used to carry out the mission of UWNYC, including programmatic activities associated with government grants.

UWNYC's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

UWNYC's donor-restricted endowment of \$2,039,704 is subject to an annual spending rate of 5 percent as described in Note 13. Although UWNYC does not intend to spend from this donor-restricted endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 1,122,481	\$ 168,331
Fixed income	2,190,108	2,769,168
Equities	<u>3,242,496</u>	<u>4,699,027</u>
	<u>\$ 6,555,085</u>	<u>\$ 7,636,526</u>

The components of investment return for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 98,700	\$ 168,241
Realized and unrealized	<u>320,634</u>	<u>662,485</u>
Total return on investments	<u>\$ 419,334</u>	<u>\$ 830,726</u>
Investment return used for current operations	\$ 441,228	\$ 437,549
Investment return (under) over spending rate	<u>(21,894)</u>	<u>393,177</u>
	<u>\$ 419,334</u>	<u>\$ 830,726</u>

Investment revenues are reported net of related investment advisory fees in the statement of activities. The amount of expenses netted with revenues amounted to \$49,435 and \$75,507 for the years ended June 30, 2018 and 2017, respectively.

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement that is determined based on one or more inputs using assumptions that market participants would use in pricing the asset or liability. In determining fair value, UWNYC utilizes a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs, to the extent possible in its assessment of fair value. These inputs also form the basis of the fair value hierarchy which is used to categorize a fair value measurement into one of three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in money market funds and equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in fixed income are valued using quoted prices in inactive markets (Level 2).

Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2018 and 2017 there were no transfers in or out of levels 1 or 2.

Financial assets carried at fair value as of June 30, 2018 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
FINANCIAL ASSETS AT FAIR VALUE			
Money market funds	\$ 1,122,481	\$ -	\$ 1,122,481
Fixed income	-	2,190,108	2,190,108
Equity	<u>3,242,496</u>	<u>-</u>	<u>3,242,496</u>
	4,364,977	2,190,108	6,555,085
Cash surrender value - Insurance contract (See Note 8)	<u>-</u>	<u>839,109</u>	<u>839,109</u>
TOTAL FINANCIAL ASSETS AT FAIR VALUE	<u><u>\$ 4,364,977</u></u>	<u><u>\$ 3,029,217</u></u>	<u><u>\$ 7,394,194</u></u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – FAIR VALUE MEASUREMENTS - (Continued)

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
FINANCIAL ASSETS AT FAIR VALUE			
Money market funds	\$ 168,331	\$ -	\$ 168,331
Fixed income	-	2,769,168	2,769,168
Equity	<u>4,699,027</u>	<u>-</u>	<u>4,699,027</u>
	4,867,358	2,769,168	7,636,526
Cash surrender value - Insurance contract (See Note 8)	<u>-</u>	<u>812,849</u>	<u>812,849</u>
TOTAL FINANCIAL ASSETS AT FAIR VALUE	<u>\$ 4,867,358</u>	<u>\$ 3,582,017</u>	<u>\$ 8,449,375</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UWNYPC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 – CAMPAIGN RESULTS, NET

Campaign receivables consist of local campaign and regional campaign.

Local Campaign - Local campaign includes various workplace campaigns in the New York City service area. Local campaign funds include both undesignated and designated campaign funds. Undesignated funds are those funds designated to UWNYPC and not to another specific charity by the donor. Designated funds are those funds designated to a specific charity by the donor. For such designated funds received, UWNYPC pays out to the specified beneficiary as intended by the donor. The processing of designated funds are considered agency transactions and recorded as an increase in campaign revenue and a corresponding increase in donor designations.

For the years ended June 30, 2018 and 2017, such donor-designated funds amounted to \$17,070,736 and \$15,401,258, respectively, and are included as campaign revenue and donor designations in the statement of activities. The provision for uncollectible receivable related to the local campaign for the years ended June 30, 2018 and 2017 amounted to \$380,102 and \$777,307, respectively.

Regional Campaign - UWNYPC and 21 other United Way organizations work in collaboration with a regional office of United Way Worldwide (“UWW”) to raise funds from a select group of companies located throughout the region. The regional office ceased its operations on December 31, 2013. For all regional area campaigns beginning in 2013 and thereafter, fund distribution to local United Ways in the region will be based on the methodology used for local campaigns.

Campaign receivables consists of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Local campaign	\$ 3,464,787	\$ 3,591,445
Regional campaign	<u>-</u>	<u>172,880</u>
	3,464,787	3,764,325
Less: allowance for doubtful accounts	<u>(452,548)</u>	<u>(452,412)</u>
	<u>\$ 3,012,239</u>	<u>\$ 3,311,913</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 – PRIVATE GRANTS AND CONTRIBUTIONS RECEIVABLE

Private grants and contributions receivable are recorded net of a discount (at a risk-adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of June 30:

	<u>2018</u>	<u>2017</u>
One year or less	\$ 1,361,800	\$ 1,142,500
One year to five years	<u>1,075,000</u>	<u>1,540,000</u>
	2,436,800	2,682,500
Less: allowance for doubtful accounts	(67,000)	(72,520)
Less: Present value discount, rates ranging from 1.01% to 1.02%	<u>(26,462)</u>	<u>(43,407)</u>
	<u>\$ 2,343,338</u>	<u>\$ 2,566,573</u>

NOTE 8 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Cash surrender value - insurance	\$ 839,109	\$ 812,849
Deferred charges	371,892	88,050
Prepaid postage	<u>3,882</u>	<u>4,909</u>
	<u>\$ 1,214,883</u>	<u>\$ 905,808</u>

UWNYC is the beneficiary of an insurance contract from a donor with a face amount of \$800,000. As of June 30, 2018 and 2017, the cash surrender value of the insurance contract amounted to \$839,109 and \$812,849, respectively, and is included under prepaid expenses and other assets in the statements of financial position.

NOTE 9 – CAPITAL LEASES ASSETS AND IMPROVEMENTS

UWNYC entered into a condominium agreement in a building located at 205 East 42nd Street. UWNYC entered into a 30-year “leasehold condominium” ownership structure with the Durst Organization for two units in the building. The leasehold condominium ownership structure provides UWNYC with an ownership interest in its units for the 30-year term of the transaction. The purchase of the leasehold condominium was classified as a capital lease. As of June 30, 2018 and 2017, the present value of the minimum lease payments at the beginning of the leasehold condominium purchase and sale agreement (discounted at an estimated incremental borrowing rate of 6%) amounted to \$7,610,411 and \$8,073,867, respectively, and is reflected as a capital lease asset and obligation in the statement of financial position. During 2018, the present value of the minimum lease payments for the condominium was recalculated using 6% interest rate based on a revised agreement from the landlord which lowered the lease payments. The capitalized leasehold condominium asset amounted to \$6,062,867 and \$8,843,731 as of June 30, 2018 and 2017, respectively. In addition, capital lease asset improvements amounted to \$2,441,800 and now are being amortized over thirty years. The Agreement includes a ground rent charge at \$18.81 per square foot to be paid annually over the life of the Agreement. The ground rent is accounted for as an operating lease (See Note 14B).

In addition, the seller provided a loan of \$2,441,800 to UWNYC for renovations and buildouts of the leasehold condominium. The loan is payable over 30 years at an interest rate of 6% and principal payments commenced July 2014. The loan payable amounted to \$2,283,060 and \$2,322,338 as of June 30, 2018 and 2017, respectively.

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 – CAPITAL LEASES ASSETS AND IMPROVEMENTS (Continued)

Future minimum principal and interest payments on the loan payable are as follows for the years ending after June 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 41,701	\$ 135,849	\$ 177,550
2020	44,273	133,277	177,550
2021	47,003	130,547	177,550
2022	49,902	127,648	177,550
2023	52,980	124,570	177,550
2024-2043	<u>2,047,201</u>	<u>1,444,615</u>	<u>3,491,816</u>
	<u>\$ 2,283,060</u>	<u>\$ 2,096,506</u>	<u>\$ 4,379,566</u>

In connection with the Agreement, UWNYP delivered to the seller a clean irrevocable letter of credit for \$3 million drawn upon a commercial bank. UWNYP pledged a portion of its investments as collateral for the letter of credit. As of August 22, 2016, the letter of credit was terminated and the pledged assets were released.

During 2014, UWNYP purchased furniture through a capital lease arrangement from a leasing company. The present value of the future minimum lease payments (discounted at an estimated incremental borrowing rate of 6%) amounted to \$67,131 and \$260,671 as of June 30, 2018 and 2017, respectively.

Capital lease assets and improvements consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>	<u>Lease Term</u>
Leasehold condominium	\$ 6,062,867	\$ 6,843,731	30 years
Leasehold condominium improvements	2,441,800	2,441,800	30 years
Furniture	<u>883,367</u>	<u>883,367</u>	5 years
Total cost	9,388,034	10,168,898	
Less: accumulated amortization	<u>(1,916,069)</u>	<u>(1,547,249)</u>	
	<u>\$ 7,471,965</u>	<u>\$ 8,621,649</u>	

Future minimum cash payments (principle and interest) are as follows for the years ending after June 30, 2018:

	<u>Capital Lease</u>	<u>Furniture & Fixtures</u>	<u>Total</u>
2019	\$ 141,454	\$ 67,972	\$ 209,426
2020	320,520	-	320,520
2021	320,520	-	320,520
2022	320,520	-	320,520
2023	320,520	-	320,520
2024-2043	<u>16,618,396</u>	<u>-</u>	<u>16,618,396</u>
	<u>\$ 18,041,930</u>	<u>\$ 67,972</u>	<u>\$ 18,109,902</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of June 30:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Equipment, furniture and fixtures	\$ 674,281	\$ 779,623	3-10 years
Less: accumulated depreciation	<u>(366,359)</u>	<u>(259,250)</u>	
Net book value	<u>\$ 307,922</u>	<u>\$ 520,373</u>	

Depreciation expense amounted to \$220,627 and \$151,832 for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, UWNYP wrote off \$113,518 and \$31,003 respectively, of fully depreciated assets that are no longer in use.

NOTE 11 – PENSION PLANS

UWNYP sponsored a 403(b) thrift plan (“403(b) Plan”) for all employees. This Plan was terminated as of December 31, 2013 and a new 401(k) Plan was started effective January 1, 2014. Employer contributions to the Plan are discretionary. For the years ended June 30, 2018 and 2017, \$191,050 and \$142,841 was contributed to the 401(k) Plan.

UWNYP has a Defined Benefit Pension Plan (the “Pension Plan”) with the benefits based on years of service and the employee’s annual average of the highest 60 consecutive months’ compensation. UWNYP’s funding policy is to contribute annually at least the minimum amount under Section 412 of the Internal Revenue Code. The Pension Plan was frozen effective June 30, 2009. Benefit accruals are not credited for any service or employment for any participant after June 30, 2009, however, vesting rights continue after June 30, 2009.

The funded status of the Pension Plan as of June 30:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 19,267,895	\$ 25,146,556
Interest costs	727,411	918,695
Actual gain	(419,045)	(1,437,764)
Expense charges	(170,185)	(86,286)
Benefits paid	<u>(1,125,252)</u>	<u>(5,273,306)</u>
Benefit obligation at end of year	18,280,824	19,267,895
Fair value of plan assets	<u>18,257,283</u>	<u>18,550,640</u>
Unfunded liability	<u>\$ (23,541)</u>	<u>\$ (717,255)</u>

The components of net periodic cost for the years ended June 30, 2018 and 2017, included in operating results on the Statement of Functional Expenses in payroll taxes and benefits, are as follows:

	<u>2018</u>	<u>2017</u>
Interest costs	\$ 727,411	\$ 918,695
Expected return on plan assets	(901,593)	(1,067,545)
Amortization of actuarial loss	<u>137,918</u>	<u>324,701</u>
Net periodic (credit) cost	<u>\$ (36,264)</u>	<u>\$ 175,851</u>

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 – PENSION PLANS (Continued)

Net periodic (credit) cost is an actuarial estimate made at the beginning of the fiscal year, and includes interest cost and an estimated long-term rate of return on Plan assets of 5% as of June 30, 2018 and 2017. The net periodic (credit) cost is recorded in payroll taxes and benefits as a (credit) charge to operating expenses. The (credit) cost was \$(36,264) and \$175,851 for the years ended June 30, 2018 and 2017, respectively. At the end of the fiscal year it is adjusted based on the actual rate of return, with the difference recorded as a non-operating adjustment. For the years ended June 30, 2018 and 2017, the amounts recognized were \$746,950 and \$2,293,197, respectively.

The amounts recognized in unrestricted net assets as of June 30:

	<u>2018</u>	<u>2017</u>
Actuarial loss	\$ <u>(2,528,529)</u>	\$ <u>(3,185,979)</u>

Other changes in unrestricted assets and benefit obligation recognized in unrestricted net assets for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Net actuarial gain	\$ <u>657,450</u>	\$ <u>2,293,197</u>

The weighted assumptions used as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Discount rate	4.21%	3.88%
Expected return of plan assets*	5.00%	5.00%
Rate of compensation increase	N/A	N/A

*A rate of 5.0% was used as the investment manager's long-term expected rate of return, and is subject to change.

Pension Plan assets as of June 30:

	<u>2018</u>	<u>2017</u>
<u>AXA Equitable Life Insurance Company</u>		
Guarantee Account	\$ 18,581	\$ 29,746
<u>Wells Fargo</u>		
Cash and cash equivalents	94,384	164,784
Mutual Funds:		
Fixed Income Funds	16,372,169	12,824,227
Equity Funds	<u>1,772,149</u>	<u>5,531,883</u>
	<u>\$ 18,257,283</u>	<u>\$ 18,550,640</u>

As of June 30, 2018 and 2017, all pension plan assets are carried at fair value and are classified under Level 2 of the fair value hierarchy except for cash and cash equivalents which are classified as Level 1. See Note 5 for definitions of the fair value hierarchy. UWNYP made contributions of \$250,000 for the fiscal year ending June 30, 2017. UWNYP made no contributions for the fiscal year ended June 30, 2018 and does not expect to make contributions for the fiscal year ended June 30, 2019.

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 – PENSION PLANS (Continued)

The projected benefit payments are as follows:

Year Ending June 30,		
2019	\$	1,068,427
2020		893,083
2021		968,285
2022		940,429
2023		963,149
2024-2028		5,355,668
	<u>\$</u>	<u>10,189,041</u>

NOTE 12 – POST-RETIREMENT LIFE INSURANCE PLAN

UWNYC offered a Post-Retirement Life Insurance Plan (“Life Insurance Plan”) for retired employees. Effective January 1, 2010, the life insurance plan benefits ceased for all covered active employees whose retirement date is on or after January 1, 2010. Substantially all of UWNYC’s employees may have become eligible for those benefits if they reached normal retirement age while working for UWNYC.

The funded status of the Life Insurance Plan as of June 30:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,594,235	\$ 2,777,212
Interest costs	90,490	84,381
Actuarial gain	(88,188)	(238,515)
Benefits paid	<u>(28,132)</u>	<u>(28,843)</u>
Benefit obligation at end of year	2,568,405	2,594,235
Fair value of plan assets	-	-
Unfunded liability	<u>\$ (2,568,405)</u>	<u>\$ (2,594,235)</u>

The components of net periodic benefit cost for the years ended June 30, 2018 and 2017 include interest costs of \$90,490 and \$84,381, respectively, and is recorded in payroll taxes and benefits as an operating expense. At the end of the fiscal year it is adjusted based on the funded status of the Life Insurance Plan, with the difference recorded as a non-operating adjustment. The non-operating adjustment for the years ended June 30, 2018 and 2017 were actuarial gains of \$(88,188) and \$(238,515), respectively. For the years ended June 30, 2018 and 2017, the net Life Insurance Plan related change were \$79,400 and \$239,722, respectively.

The amounts recognized in unrestricted net assets as of June 30:

	<u>2018</u>	<u>2017</u>
Actuarial gain	<u>\$ (201,471)</u>	<u>\$ (113,283)</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 12 – POSTRETIREMENT LIFE INSURANCE PLAN (Continued)

The weighted assumptions used as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Discount rate	4.16%	3.71%
Rate of compensation increase	N/A	N/A

The projected benefit payments are as follows:

Year Ending June 30,	
2019	\$ 167,203
2020	164,789
2021	162,728
2022	161,347
2023	160,529
2024-2028	<u>160,255</u>
	<u>\$ 976,851</u>

NOTE 13 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Various community impact programs	\$ 2,341,508	\$ 3,854,218
Change Capital Fund	1,046,968	1,393,471
Unappropriated endowment earnings	168,070	123,191
Other time and purpose restricted	<u>1,348,536</u>	<u>1,366,593</u>
	<u>\$ 4,905,082</u>	<u>\$ 6,737,473</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or passage of time.

Permanently restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Donor restricted endowments:		
Carp Endowment	\$ 1,176,426	\$ 1,176,426
Human Care Endowment	150,617	150,617
Louis and Mary Horowitz Endowment	<u>544,591</u>	<u>544,591</u>
	1,871,634	1,871,634
Beneficial interest in perpetual trust	<u>526,098</u>	<u>506,500</u>
	<u>\$ 2,397,732</u>	<u>\$ 2,378,134</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 13 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

UWNYC is one of the six equal beneficiaries in a trust in which investment assets are held in perpetuity by a third party trustee. UWNYC receives the annual income, which is unrestricted. Realized and unrealized appreciation (depreciation) remains part of the trust principal. The change in value of beneficial interest in perpetual trust amounted to \$19,598 and \$51,191 for the years ended June 30, 2018 and 2017, respectively, and is included in the statement of activities. As of June 30, 2018 and 2017, beneficial interest in perpetual trust amounted to \$526,098 and \$506,500, respectively.

Donor restricted endowment funds consist of the Carp Endowment, Human Care Endowment, and Louis and Mary Horowitz Endowment with donor stipulations that they be invested in perpetuity to provide a permanent source of income. The income from these funds is classified as temporarily restricted until appropriated for operations.

UWNYC recognizes that New York Prudent Management of Institutional Funds Act (“NYPMIFA”) created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. In addition, and in accordance with NYPMIFA, earnings on endowments that are considered unrestricted by the donor are reflected as temporarily restricted until appropriated by the Board of Directors. As of June 30, 2018 and 2017, UWNYC reported all earnings on endowment funds as temporarily restricted net assets until appropriated by the Board for operations.

The investment policy at UWNYC is intended to provide a strong base to support the operations and mission of UWNYC. The two major investment objectives for the total portfolio are preservation of purchasing power and growth of capital. In line with these objectives, UWNYC ensures the preservation and growth of principal in a reasonable and prudent manner. The goal for equity and fixed income investments is to have a total return that exceeds an appropriate market index rate of return, net of costs and fees over a three to five-year period. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.

According to UWNYC’s spending policy, earnings on permanently restricted net assets will follow the terms of the permanent restrictions. Spending of all other long-term investment assets will be limited to 5% of the average portfolio balance for the previous 60 months. The calculation will be made at the beginning of each fiscal year in order to determine the amount available to spend during that year. Any spending beyond the 5% will require prior Board approval.

Changes in permanently restricted endowment net assets for year ended June 30, 2018:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 123,191	\$ 1,871,634	\$ 1,994,825
Investment Activity:			
Interest and dividends	31,965	-	31,965
Unrealized and realized gain on investments	104,382	-	104,382
Total investment activity	136,347	-	136,347
Amount appropriated	(91,468)	-	(91,468)
Endowment net assets, end of year	<u>\$ 168,070</u>	<u>\$ 1,871,634</u>	<u>\$ 2,039,704</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 13 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in permanently restricted endowment net assets for year ended June 30, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 33,724	\$ 1,871,634	\$ 1,905,358
Investment activity:			
Interest and dividends	39,515	-	39,515
Unrealized and realized gain on investments	152,563	-	152,563
Total investment activity	192,078	-	192,078
Amount appropriated to operations	(102,611)	-	(102,611)
Endowment net assets, end of year	<u>\$ 123,191</u>	<u>\$ 1,871,634</u>	<u>\$ 1,994,825</u>

Endowment net assets of \$2,039,704 and \$1,994,825 are included with investments on the statements of financial position as of June 30, 2018 and 2017, respectively. Endowment net assets do not include the beneficial interest in the perpetual trust, however it is included in permanently restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires UWNYC to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. This deficiency can result from unfavorable market fluctuations that may occur that affect donor restricted endowment funds. There were no such deficiencies for the years ended June 30, 2018 and 2017, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. The minimum annual rentals for equipment under non-cancelable leases are as follows for the years ended after June 30, 2018:

	<u>Equipment</u>
2019	\$ 153,000
2020	92,000
2021	59,000
2022	41,000
2023	38,000
Thereafter	<u>6,000</u>
	<u>\$ 389,000</u>

Rent expense amounted to \$119,923 and \$122,043, respectively, for the years ended June 30, 2018 and 2017.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 – COMMITMENTS AND CONTINGENCIES

B. UWNYC entered into a ground lease agreement as part of the capital lease transaction as discussed in Note 9. The total minimum rental payments from inception through 2043 amount to approximately \$27 million. The deferred rent liability of \$679,061 is included in the statement of financial position related to the straight-lining of the ground lease. UWNYC is actively seeking tenants to sublease a portion of their office space. As of December 17, 2018, no tenant has been identified.

Minimum annual payments for the year ended after June 30, 2018, are as follows:

	<u>Ground Rent</u>
2019	\$ 918,605
2020	918,605
2021	918,605
2022	918,605
2023	918,605
2024-2043	<u>18,372,100</u>
	<u>\$ 22,965,125</u>

C. UWNYC has a line of credit with a bank with a maximum borrowing of up to \$2.5 million. The borrowings are secured by certain accounts receivable and the maturity date is January 15, 2019. The interest rate is prime rate plus 0.5%. As of June 30, 2018 and June 30, 2017, there were no borrowings. As of December 17, 2018, there was no borrowing from the line.

D. UWNYC may be subject to legal proceedings and claims which may arise in the ordinary course of its business. Management is not aware of any such matters at this time.

E. UWNYC believes it has no uncertain tax positions as of June 30, 2018 and 2017 in accordance with Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – CONCENTRATION

Cash and cash equivalents that potentially subject UWNYC to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits \$250,000 by approximately \$2,243,000 and \$6,129,000 at one bank as of June 30, 2018 and 2017, respectively.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 17, 2018, the date the financial statements were available to be issued.