

# UNITED WAY OF NEW YORK CITY



**United Way  
of New York City**

**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended June 30, 2019 and 2018**

**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, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 2S to the financial statements, during the year ended June 30, 2019, United Way adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 985) – *Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows* (Topic 230) – *Restricted Cash*. Our opinion is not modified with respect to these matters.

  
New York, NY  
December 20, 2019

**UNITED WAY OF NEW YORK CITY  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2D and 15)	\$ 1,051,538	\$ 484,190
Restricted cash (Notes 2D and 15)	959,956	2,025,442
Investments (Notes 2E, 2F, 4, 5 and 13)	5,952,683	6,555,085
Campaign receivables, net (Notes 2G, 2I and 6)	3,483,532	3,012,239
Government grants/contracts receivable (Note 2I)	10,128,649	9,397,012
Private grants and contributions receivable, net (Notes 2H, 2I and 7)	1,411,870	2,343,338
Prepaid expenses and other assets (Notes 5 and 8)	1,217,590	1,216,705
Beneficial interest in perpetual trust (Notes 2Q, 5 and 13)	530,116	526,098
Capital lease assets and improvements, net (Note 9)	7,103,146	7,471,965
Property and equipment, net (Notes 2J and 10)	<u>176,535</u>	<u>307,922</u>
<b>TOTAL ASSETS</b>	<u>\$ 32,015,615</u>	<u>\$ 33,339,996</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,241,726	\$ 1,525,895
Community investment grants and awards payable (Note 2K)	-	115,859
Campaign donor designations payable (Note 2G)	315,820	174,281
Government contract awards payable (Note 2L)	9,330,065	9,428,676
Deferred rent liability (Notes 2M and 14B)	651,898	679,061
Unfunded pension liability (Notes 2N and 11)	426,027	23,541
Post-retirement life insurance liability (Notes 2N and 12)	2,453,755	2,568,405
Capital lease obligations (Note 9)	7,934,850	7,677,542
Capital lease improvements loan payable (Note 9)	<u>2,241,359</u>	<u>2,283,060</u>
<b>TOTAL LIABILITIES</b>	<u>25,595,500</u>	<u>24,476,320</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>		
<b>NET ASSETS (Note 2B)</b>		
Without Donor Restrictions (Note 13):		
Operations	6,836,895	5,844,050
Board designated	489,473	489,473
Net investment in property and equipment	176,535	307,922
Unfunded pension liability	(426,027)	(23,541)
Post-retirement life insurance liability	(2,453,755)	(2,568,405)
Net investment in capital lease obligation	<u>(3,073,063)</u>	<u>(2,488,637)</u>
Total net assets without donor restriction	1,550,058	1,560,862
Net assets with donor restrictions (Note 13)	<u>4,870,057</u>	<u>7,302,814</u>
<b>TOTAL NET ASSETS</b>	<u>6,420,115</u>	<u>8,863,676</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 32,015,615</u>	<u>\$ 33,339,996</u>

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, 2019**  
(With Comparative Totals for the Year Ended June 30, 2018)

	Year Ended June 30, 2019			Total 2018
	Without Donor Restrictions	With Donor Restrictions	Total 2019	
<b>OPERATING REVENUE AND SUPPORT:</b>				
Campaigns	\$ 21,605,819	\$ -	\$ 21,605,819	\$ 24,748,181
Less: Donor designations	(14,946,452)	-	(14,946,452)	(17,070,736)
Less: Provision for uncollectible receivables	(498,410)	-	(498,410)	(380,102)
Campaign results, net (Notes 2G and 6)	<u>6,160,957</u>	<u>-</u>	<u>6,160,957</u>	<u>7,297,343</u>
Special events revenue	3,639,648	-	3,639,648	3,921,591
Less: direct expenses	(572,047)	-	(572,047)	(502,839)
Special events, net (Note 2O)	<u>3,067,601</u>	<u>-</u>	<u>3,067,601</u>	<u>3,418,752</u>
Government grants/contracts	26,255,834	-	26,255,834	27,733,434
Individual contributions	634,622	17,411	652,033	1,672,370
Private grants and foundation giving	-	996,343	996,343	1,479,136
Fiscally sponsored funds	-	931,718	931,718	840,000
In-kind contributions (Note 2O)	42,000	-	42,000	19,060
Campaign administrative fees	104,476	-	104,476	107,359
Investment return used for operations (Note 4)	277,291	121,607	398,898	441,228
Other income	219,085	-	219,085	49,284
Net assets released from restrictions (Note 13)	<u>4,527,730</u>	<u>(4,527,730)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>41,289,596</u>	<u>(2,460,651)</u>	<u>38,828,945</u>	<u>43,057,966</u>
<b>OPERATING EXPENSES:</b>				
<b>Program Services:</b>				
Community investment grants and awards (Note 2K)	2,048,606	-	2,048,606	2,734,722
Contract services and other grants	24,589,672	-	24,589,672	26,535,729
Community investment services	4,983,876	-	4,983,876	3,280,828
<b>Total Program Services</b>	<u>31,622,154</u>	<u>-</u>	<u>31,622,154</u>	<u>32,551,279</u>
<b>Supporting Services:</b>				
Management and general	5,148,697	-	5,148,697	6,776,293
Fundraising	4,408,704	-	4,408,704	5,309,906
<b>Total Supporting Services</b>	<u>9,557,401</u>	<u>-</u>	<u>9,557,401</u>	<u>12,086,199</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>41,179,555</u>	<u>-</u>	<u>41,179,555</u>	<u>44,637,478</u>
<b>SURPLUS (DEFICIT) OF OPERATING REVENUE AND SUPPORT OVER (UNDER) OPERATING EXPENSES</b>	<u>110,041</u>	<u>(2,460,651)</u>	<u>(2,350,610)</u>	<u>(1,579,512)</u>
<b>NON-OPERATING ACTIVITIES</b>				
Investment return over (under) amounts appropriated for operations (Note 4)	(22,124)	23,876	1,752	(21,894)
Change in value of beneficial interest in perpetual trust (Note 13)	-	4,018	4,018	19,598
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>(22,124)</u>	<u>27,894</u>	<u>5,770</u>	<u>(2,296)</u>
<b>CHANGE IN NET ASSETS BEFORE PENSION AND POST-RETIREMENT RELATED CHANGES</b>				
	87,917	(2,432,757)	(2,344,840)	(1,581,808)
Pension plan related changes other than net periodic pension cost (Note 11)	(265,336)	-	(265,336)	746,950
Post-retirement life insurance plan related changes (Note 12)	<u>166,615</u>	<u>-</u>	<u>166,615</u>	<u>79,400</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>(10,804)</u>	<u>(2,432,757)</u>	<u>(2,443,561)</u>	<u>(755,458)</u>
Net assets, beginning of year	<u>1,560,862</u>	<u>7,302,814</u>	<u>8,863,676</u>	<u>9,619,134</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,550,058</u>	<u>\$ 4,870,057</u>	<u>\$ 6,420,115</u>	<u>\$ 8,863,676</u>

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**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2018</b>
<b>OPERATING REVENUE AND SUPPORT:</b>			
Campaigns	\$ 24,746,219	\$ 1,962	\$ 24,748,181
Less: Donor designations	(17,070,736)	-	(17,070,736)
Less: Provision for uncollectible receivables	(380,102)	-	(380,102)
Campaign results, net (Notes 2G and 6)	<u>7,295,381</u>	<u>1,962</u>	<u>7,297,343</u>
Special events revenue	3,921,591	-	3,921,591
Less: direct expenses	(502,839)	-	(502,839)
Special events, net (Note 2O)	<u>3,418,752</u>	<u>-</u>	<u>3,418,752</u>
Government grants/contracts	27,733,434	-	27,733,434
Individual contributions	1,229,923	442,447	1,672,370
Private grants and foundation giving	-	1,479,136	1,479,136
Fiscally sponsored funds	-	840,000	840,000
In-kind contributions (Note 2O)	19,060	-	19,060
Campaign administrative fees	107,359	-	107,359
Investment return used for operations (Note 4)	349,760	91,468	441,228
Other income	49,284	-	49,284
Net assets released from restrictions (Note 13)	4,732,283	(4,732,283)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>44,935,236</u>	<u>(1,877,270)</u>	<u>43,057,966</u>
<b>OPERATING EXPENSES:</b>			
<b>Program Services:</b>			
Community investment grants and awards (Note 2K)	2,734,722	-	2,734,722
Contract services and other grants	26,535,729	-	26,535,729
Community investment services	3,280,828	-	3,280,828
<b>Total Program Services</b>	<u>32,551,279</u>	<u>-</u>	<u>32,551,279</u>
<b>Supporting Services:</b>			
Management and general	6,776,293	-	6,776,293
Fundraising	5,309,906	-	5,309,906
<b>Total Supporting Services</b>	<u>12,086,199</u>	<u>-</u>	<u>12,086,199</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>44,637,478</u>	<u>-</u>	<u>44,637,478</u>
<b>(DEFICIT) SURPLUS OF OPERATING REVENUE AND SUPPORT OVER (UNDER) OPERATING EXPENSES</b>	297,758	(1,877,270)	(1,579,512)
<b>NON-OPERATING ACTIVITIES</b>			
Investment return under amounts appropriated for operations (Note 4)	(66,773)	44,879	(21,894)
Change in value of beneficial interest in perpetual trust (Note 13)	-	19,598	19,598
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>(66,773)</u>	<u>64,477</u>	<u>(2,296)</u>
<b>CHANGE IN NET ASSETS BEFORE PENSION AND POST-RETIREMENT RELATED CHANGES</b>	230,985	(1,812,793)	(1,581,808)
Pension plan related changes other than net periodic pension cost (Note 11)	746,950	-	746,950
Post-retirement life insurance plan related changes (Note 12)	79,400	-	79,400
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>1,057,335</u>	<u>(1,812,793)</u>	<u>(755,458)</u>
Net assets, beginning of year	503,527	9,115,607	9,619,134
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,560,862</u>	<u>\$ 7,302,814</u>	<u>\$ 8,863,676</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, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

Year Ended June 30, 2019

Supporting Services

	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
<b>Grants, contracts and awards</b>						
Community investment grants and awards	\$ 2,048,606	\$ -	\$ -	\$ -	\$ 2,048,606	\$ 2,734,722
Contract services and other grants	24,589,672	-	-	-	24,589,672	26,535,729
	<u>26,638,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,638,278</u>	<u>29,270,451</u>
<b>Personnel</b>						
Salaries	2,101,458	2,204,974	1,910,450	4,115,424	6,216,882	6,970,954
Payroll taxes and benefits (Notes 11 and 12)	571,451	563,308	474,347	1,037,655	1,609,106	2,011,969
	<u>2,672,909</u>	<u>2,768,282</u>	<u>2,384,797</u>	<u>5,153,079</u>	<u>7,825,988</u>	<u>8,982,923</u>
<b>Office, occupancy and professional fees</b>						
Office maintenance and general supplies	15,774	102,204	9,040	111,244	127,018	210,434
Expensed equipment and rentals	36,014	195,753	62,137	257,890	293,904	348,515
Dues and subscriptions	5,667	33,848	35,840	69,688	75,355	102,657
Travel and transportation	9,700	29,644	15,173	44,817	54,517	46,299
Telephone	11,235	7,843	10,305	18,148	29,383	43,868
Insurance	98,333	47,715	52,846	100,561	198,894	198,241
Occupancy (Note 9)	772,783	375,980	415,308	791,288	1,564,071	1,791,136
Professional fees (Note 20)	199,520	889,267	166,876	1,056,143	1,255,663	984,481
	<u>1,149,026</u>	<u>1,682,254</u>	<u>767,525</u>	<u>2,449,779</u>	<u>3,598,805</u>	<u>3,725,631</u>
<b>Events and promotion</b>						
Special events marketing and communication	-	800	660,013	660,813	660,813	592,476
Catering and entertainment	-	-	572,047	572,047	572,047	502,839
General promotion	-	-	18,203	18,203	18,203	31,070
Meetings, seminars and training	22,432	173,011	17,753	190,764	213,196	134,840
Postage and shipping	1,099	13,230	5,755	18,985	20,084	47,696
Printing and distribution	-	-	2,127	2,127	2,127	32,682
	<u>23,531</u>	<u>187,041</u>	<u>1,275,898</u>	<u>1,462,939</u>	<u>1,486,470</u>	<u>1,341,603</u>
<b>Other expenses</b>						
Depreciation and amortization (Note 10)	152,835	24,100	22,865	46,965	199,800	220,627
Amortization of capital lease assets (Note 9)	182,344	88,480	97,995	186,475	368,819	368,820
Interest expense	297,876	153,324	160,084	313,408	611,284	594,747
Bad debt expense	-	498,410	-	498,410	498,410	380,102
Dues paid to national and state organizations	505,355	245,216	271,587	516,803	1,022,158	635,515
	<u>1,138,410</u>	<u>1,009,530</u>	<u>552,531</u>	<u>1,562,061</u>	<u>2,700,471</u>	<u>2,199,811</u>
Less: Provision for uncollectible receivables	-	498,410	-	498,410	498,410	380,102
Less: Cost of direct benefits to donors	-	-	572,047	572,047	572,047	502,839
<b>TOTAL EXPENSES</b>	<u>\$ 31,622,154</u>	<u>\$ 5,148,697</u>	<u>\$ 4,408,704</u>	<u>\$ 9,557,401</u>	<u>\$ 41,179,555</u>	<u>\$ 44,637,478</u>

**UNITED WAY OF NEW YORK CITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Year Ended June 30, 2018

**Supporting Services**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total 2018</b>
<b>Grants, contracts and awards</b>					
Community investment grants and awards	\$ 2,734,722	\$ -	\$ -	\$ -	\$ 2,734,722
Contract services and other grants	<u>26,535,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,535,729</u>
	<u>29,270,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,270,451</u>
<b>Personnel</b>					
Salaries	1,477,501	3,278,207	2,215,246	5,493,453	6,970,954
Payroll taxes and benefits (Notes 11 and 12)	<u>482,342</u>	<u>905,362</u>	<u>624,265</u>	<u>1,529,627</u>	<u>2,011,969</u>
	<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>
<b>Office, occupancy and professional fees</b>					
Office maintenance and general supplies	25,240	39,745	145,449	185,194	210,434
Expensed equipment and rentals	43,432	227,507	77,576	305,083	348,515
Dues and subscriptions	10,142	55,411	37,104	92,515	102,657
Travel and transportation	3,029	25,255	18,015	43,270	46,299
Telephone	15,396	14,572	13,900	28,472	43,868
Insurance	53,232	76,528	68,481	145,009	198,241
Occupancy	484,323	684,035	622,778	1,306,813	1,791,136
Professional fees (Note 20)	<u>88,591</u>	<u>698,908</u>	<u>196,982</u>	<u>895,890</u>	<u>984,481</u>
	<u>723,385</u>	<u>1,821,961</u>	<u>1,180,285</u>	<u>3,002,246</u>	<u>3,725,631</u>
<b>Events and promotion</b>					
Special events marketing and communication	50	4,660	587,766	592,426	592,476
Catering and entertainment	-	-	502,839	502,839	502,839
General promotion	2,296	413	28,361	28,774	31,070
Meetings, seminars and training	5,006	105,574	24,260	129,834	134,840
Postage and shipping	1,619	19,340	26,737	46,077	47,696
Printing and distribution	<u>2,500</u>	<u>-</u>	<u>30,182</u>	<u>30,182</u>	<u>32,682</u>
	<u>11,471</u>	<u>129,987</u>	<u>1,200,145</u>	<u>1,330,132</u>	<u>1,341,603</u>
<b>Other expenses</b>					
Depreciation and amortization (Note 10)	94,871	63,981	61,775	125,756	220,627
Amortization of capital lease assets (Note 9)	158,592	106,959	103,269	210,228	368,820
Interest expense	160,820	227,134	206,793	433,927	594,747
Bad debt expense	-	380,102	-	380,102	380,102
Dues paid to national and state organizations	<u>171,846</u>	<u>242,702</u>	<u>220,967</u>	<u>463,669</u>	<u>635,515</u>
	<u>586,129</u>	<u>1,020,878</u>	<u>592,804</u>	<u>1,613,682</u>	<u>2,199,811</u>
Less: Provision for uncollectible receivables	-	380,102	-	380,102	380,102
Less: Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>502,839</u>	<u>502,839</u>	<u>502,839</u>
<b>TOTAL EXPENSES</b>	<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>

**UNITED WAY OF NEW YORK CITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,443,561)	\$ (755,458)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	199,800	220,627
Amortization of capital lease assets	368,819	368,820
Pension related changes other than net periodic pension cost	98,721	(826,350)
Change in value of beneficial interest in perpetual trust	(4,018)	(19,598)
Change in discount on private grants and contributions receivable	17,332	16,945
Change in value of capital lease obligation	366,140	356,686
Recovery of uncollectible campaign receivables, net of write-offs	(498,410)	(380,102)
Net realized and unrealized gain on investments	(284,742)	(320,634)
Sub-total	(2,179,919)	(1,339,064)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Campaign receivables	27,117	674,256
Government grants/contracts receivable	(731,637)	(4,024,165)
Private grants and contributions receivable	914,136	211,810
Prepaid expenses and other assets	(885)	(249,762)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	715,831	(1,399,620)
Community investment grants and awards payable	(115,859)	(283,455)
Campaign donor designations payable	141,539	83,264
Government contract awards payable	(98,611)	1,262,256
Deferred rent liability	(27,163)	(27,163)
Accrued pension and post-retirement life insurance liability	189,115	106,806
<b>Net Cash Used in Operating Activities</b>	<b>(1,166,336)</b>	<b>(4,984,837)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(1,237,152)	(2,876,618)
Proceeds from sales of investments	2,124,296	4,278,693
Purchases of property and equipment	(68,413)	(8,176)
<b>Net Cash Provided by Investing Activities</b>	<b>818,731</b>	<b>1,393,899</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of capital lease obligations	(108,832)	(232,818)
Payments of loan payable	(41,701)	(39,278)
<b>Net Cash Used in Financing Activities</b>	<b>(150,533)</b>	<b>(272,096)</b>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(498,138)</b>	<b>(3,863,034)</b>
Cash, cash equivalents and restricted cash - beginning of year	2,509,632	6,372,666
<b>CASH , CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 2,011,494</b>	<b>\$ 2,509,632</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 278,145	\$ 273,823

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

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 two classes:

Net assets without donor restrictions - 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 net assets without donor restrictions and whose use has been designated by the Board.

Net assets with donor restrictions - This represents net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Generally, the donors of these assets permit UWNYC to use all or part of the income earned on related investments as net assets without restrictions or donor-specified purposes. Also included in net assets with donor restrictions 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 net assets without donor restrictions 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in net assets without donor restrictions. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with donor restrictions. When donor-imposed time restrictions expire, or as a donor-imposed purpose restriction is fulfilled, net assets with donor restrictions are released to net assets without donor restrictions.

Investment income and net realized and unrealized gains (losses) on investments of net assets with donor restrictions are reported as follows:

- As increases (decreases) in net assets with donor restrictions 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 net assets with donor restrictions if the terms of the gift require that they be added back to the principal.
- As increases (decreases) in net assets without donor restrictions in all other cases.

**UNITED WAY OF NEW YORK CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, cash, cash equivalents and restricted cash balance of \$2,011,494 and \$2,509,632, respectively, include restricted cash for the NYC Department of Education contracts that amounted to \$959,956 and \$2,025,442, respectively (see Note 15). UWNYC 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 statements 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 donor designations payable in the statements 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.
- I. **Allowance for Doubtful Accounts** – UWNYC 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, 2019 and 2018, UWNYC determined an allowance of \$379,599 and \$452,548, respectively, was necessary for campaign receivables and no allowance for government grants/contracts receivable. As of June 30, 2019 and 2018, UWNYC determined that an allowance of \$14,000 and \$67,000, 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.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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. UWNYP 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** – UWNYP administers a variety of government-funded programs. Through these programs, UWNYP 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 UWNYP.
- M. **Deferred Rent** – UWNYP 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** – UWNYP: (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, 2019 and 2018, UWNYP recorded income and expense for contributed goods and services of \$107,000 and \$64,060, respectively. Such contributed goods and services are reflected in the financial statements as follows:

	2019	2018
Special event direct expenses	\$ 65,000	\$ 45,000
Professional fees	42,000	19,060
	\$ 107,000	\$ 64,060

- P. **Bequests and Legacies** – UWNYP recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.
- Q. **Beneficial Interest in Trust** – UWNYP is one of the six equal beneficiaries in a trust in which investment assets are held in perpetuity by a third party trustee. UWNYP receives the annual income, which is recorded as net assets without donor restrictions. Realized and unrealized appreciation (depreciation) remains part of the trust principal. The change in value of beneficial interest in perpetual trust amounted to \$4,018 and \$19,598 for the years ended June 30, 2019 and 2018, respectively, and is included in the statements of activities. As of June 30, 2019 and 2018, beneficial interest in perpetual trust amounted to \$530,116 and \$526,098, respectively.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

R. **Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

S. **Recent Accounting Pronouncements** – Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash* were adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. ASU 2016-18 requires that restricted cash be included with cash and cash equivalents on the accompanying consolidated statement of cash flows. These changes had no impact on the change in net assets for the year ended June 30, 2018. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

T. **Reclassification** – Certain items in the June 30, 2018 financial statements have been reclassified to conform with the June 30, 2019 presentation. These reclassifications had no impact on the changes in net assets for the year ended June 30, 2018.

**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	\$ 2,011,494
Campaign receivables, net	3,483,532
Government grants/contracts receivable	10,128,649
Investments	5,952,683
Private grants and contributions receivable due in one year	<u>1,411,870</u>
 Total financial assets	 22,988,228
 Less: Cash held for NYC Department of Education	 959,956
Less: Investments held for endowments	2,213,378
Less: Private grants and contributions receivable due in more than one year	516,870
Add: Distributions from beneficial interests in assets held by others	22,000
Add: Endowment spending – rate distributions and appropriations	<u>121,607</u>
	<u>\$ 19,441,631</u>

As part of UWNYP’s liquidity management plan, UWNYP invests cash in excess of daily requirements in short-term investments and money market funds. In addition, UWNYP has a maximum line of credit totaling \$2,500,000 with a financial institution (Note 14C), which can be drawn upon if needed.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, UWNYC considers all expenditures related to its ongoing activities of UWNYC's programs as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs. 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 \$2,063,580 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>2019</u>	<u>2018</u>
Money market funds	\$ 172,251	\$ 1,122,481
Fixed income	2,281,480	2,190,108
Equities	<u>3,498,952</u>	<u>3,242,496</u>
	<u>\$ 5,952,683</u>	<u>\$ 6,555,085</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 115,908	\$ 98,700
Realized and unrealized	<u>284,742</u>	<u>320,634</u>
Total return on investments	<u>\$ 400,650</u>	<u>\$ 419,334</u>
Investment return used for current operations	\$ 398,898	\$ 441,228
Investment return over (under) spending rate	<u>1,752</u>	<u>(21,894)</u>
	<u>\$ 400,650</u>	<u>\$ 419,334</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 \$44,981 and \$49,435 for the years ended June 30, 2019 and 2018, respectively.

**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.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

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, 2019 and 2018 there were no transfers in or out of levels 1 or 2.

Financial assets carried at fair value as of June 30, 2019 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
Money market funds	\$ 172,251	\$ -	\$ -	\$ 172,251
Fixed income	-	2,281,480	-	2,281,480
Equity	<u>3,498,952</u>	<u>-</u>	<u>-</u>	<u>3,498,952</u>
	3,671,203	2,281,480	-	5,952,683
Beneficial interest in trusts	-	-	536,116	536,116
Cash surrender value - Insurance contract (see Note 8)	<u>-</u>	<u>865,787</u>	<u>-</u>	<u>865,787</u>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE</b>	<u><b>\$ 3,671,203</b></u>	<u><b>\$ 3,147,267</b></u>	<u><b>\$ 536,116</b></u>	<u><b>\$ 7,354,586</b></u>

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>Level 3</u>	<u>Total</u>
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
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>-</u>	<u>3,242,496</u>
	4,364,977	2,190,108	-	6,555,085
Beneficial interest in trusts	-	-	526,098	526,098
Cash surrender value - Insurance contract (see Note 8)	<u>-</u>	<u>839,109</u>	<u>-</u>	<u>839,109</u>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE</b>	<u><b>\$ 4,364,977</b></u>	<u><b>\$ 3,029,217</b></u>	<u><b>\$ 526,098</b></u>	<u><b>\$ 7,920,292</b></u>

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

Fair value for the beneficial interest in trusts is measured using the fair value of the assets held in trusts as reported by the trustee as of June 30, 2019 and 2018. UWNYC considers the measurement of its beneficial interest in trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, UWNYC will have the ability to direct the trustee to redeem them.

The table below presents information about fair value measurements that use significant unobservable inputs (level 3):

Balance - July 1, 2017	\$ 506,500
Total gains or losses recognized in the change in net assets with donor restrictions – change in value of perpetual trusts	<u>19,598</u>
Balance – July 1, 2018	526,098
Total gains or losses recognized in the change in net assets with donor restrictions – change in value of perpetual trusts	<u>4,018</u>
Balance – June 30, 2019	<u>\$ 536,116</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 UWNYC 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 RECEIVABLES, 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 UWNYC 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, UWNYC 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, 2019 and 2018, such donor-designated funds amounted to \$14,946,452 and \$17,070,736, respectively, and are included as campaign revenue and donor designations in the statements of activities. The provision for uncollectible receivable related to the local campaign for the years ended June 30, 2019 and 2018 amounted to \$498,410 and \$380,102, respectively.

**Regional Campaign** - UWNYC 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>2019</u>	<u>2018</u>
Local campaign	\$ 3,863,131	\$ 3,464,787
Less: allowance for doubtful accounts	<u>(379,599)</u>	<u>(452,548)</u>
	<u>\$ 3,483,532</u>	<u>\$ 3,012,239</u>

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**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>2019</u>	<u>2018</u>
One year or less	\$ 895,000	\$ 1,361,800
One year to five years	<u>540,000</u>	<u>1,075,000</u>
	1,435,000	2,436,800
Less: allowance for doubtful accounts	(14,000)	(67,000)
Less: present value discount, rates ranging from 1.01% to 1.75%	<u>(9,130)</u>	<u>(26,462)</u>
	<u>\$ 1,411,870</u>	<u>\$ 2,343,338</u>

**NOTE 8 – PREPAID EXPENSES AND OTHER ASSETS**

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

	<u>2019</u>	<u>2018</u>
Cash surrender value - insurance	\$ 865,787	\$ 839,109
Prepaid and deferred charges	<u>351,803</u>	<u>377,596</u>
	<u>\$ 1,217,590</u>	<u>\$ 1,216,705</u>

UWNYC is the beneficiary of an insurance contract from a donor with a face amount of \$800,000. As of June 30, 2019 and 2018, the cash surrender value of the insurance contract amounted to \$865,787 and \$839,109, respectively, and is included with 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 42<sup>nd</sup> 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, 2019 and 2018, 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 \$7,934,850 and \$7,610,411, 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 as of both June 30, 2019 and 2018. In addition, capital lease assets and improvements amounted to \$2,441,800 and now are being amortized over 30 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 2019, UWNYC and Durst Organization have agreed in principal to the terms of an agreement that will release UWNYC of any obligation to pay the monthly lease payments and associated common charges for the March 2019 through June 2019 period. The parties are finalizing the formal agreement document and execution is imminent. Accordingly, UWNYC recorded \$314,685 of rent credits as reduction of occupancy expense for the year ended June 30, 2019. Upon execution of the agreement, the present value of the minimum lease payments for the condominium will be recalculated based on revised lease payments.

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 \$2,241,359 and \$2,283,060 as of June 30, 2019 and 2018, respectively.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	56,248	121,302	177,550
2025-2043	<u>1,990,953</u>	<u>1,323,313</u>	<u>3,314,266</u>
	<u>\$ 2,241,359</u>	<u>\$ 1,960,657</u>	<u>\$ 4,202,016</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.

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 as of June 30, 2018. In 2019, the balance was paid-in full.

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

	<u>2019</u>	<u>2018</u>	<u>Lease Term</u>
Leasehold condominium	\$ 6,062,867	\$ 6,062,867	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	9,388,034	
Less: accumulated depreciation and amortization	<u>(2,284,888)</u>	<u>(1,916,069)</u>	
	<u>\$ 7,103,146</u>	<u>\$ 7,471,965</u>	

Future minimum cash payments (principal and interest) are as follows for the years ending after June 30, 2019:

	<u>Capital Lease</u>
2020	\$ 320,520
2021	320,520
2022	320,520
2023	20,520
2024	336,798
2025-2043	<u>16,281,598</u>
Total minimum lease payments	17,900,476
Less amount representing interest	<u>9,965,626</u>
Present value of minimum lease payments	<u>\$ 7,934,850</u>

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 – PROPERTY AND EQUIPMENT, NET**

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

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Equipment, furniture and fixtures	\$ 604,752	\$ 674,281	3-10 years
Less: accumulated depreciation	<u>(428,217)</u>	<u>(366,359)</u>	
Net book value	<u>\$ 176,535</u>	<u>\$ 307,922</u>	

Depreciation expense amounted to \$199,800 and \$220,627 for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, UWNYC wrote off \$137,942 and \$113,518 respectively, of fully depreciated assets that are no longer in use.

**NOTE 11 – PENSION PLANS**

UWNYC 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, 2019 and 2018, \$167,573 and \$191,050 was contributed to the 401(k) Plan.

UWNYC 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. UWNYC’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>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 18,280,824	\$ 19,267,895
Interest costs	747,364	727,411
Actual loss (gain)	1,748,802	(419,045)
Expense paid	(136,276)	(170,185)
Benefits paid	<u>(1,186,140)</u>	<u>(1,125,252)</u>
Benefit obligation at end of year	19,454,574	18,280,824
Fair value of plan assets	<u>19,028,547</u>	<u>18,257,283</u>
Unfunded liability	<u>\$ (426,027)</u>	<u>\$ (23,541)</u>

The components of net periodic cost for the years ended June 30, 2019 and 2018, included in operating results on the statements of functional expenses in payroll taxes and benefits, are as follows:

	<u>2019</u>	<u>2018</u>
Interest costs	\$ 747,364	\$ 727,411
Expected return on plan assets	(753,467)	(901,593)
Amortization of actuarial loss	<u>76,719</u>	<u>137,918</u>
Net periodic cost (credit)	<u>\$ 70,616</u>	<u>\$ (36,264)</u>

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2019 and 2018. The net periodic (credit) cost is recorded in payroll taxes and benefits as a (credit) charge to operating expenses. The (credit) cost was \$70,616 and \$(36,264) for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the amounts recognized were \$(265,336) and \$746,950, respectively.

The amounts recognized in the plan as calculated by the actuary as of June 30:

	<u>2019</u>	<u>2018</u>
Actuarial loss	\$ (2,860,399)	\$ (2,528,529)

Other changes in assets and benefit obligation recognized in net assets without donor restrictions for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Net actuarial (loss) gain	\$ (331,870)	\$ 657,450

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.43%	4.21%
Expected return of plan assets*	4.25%	5.00%
Rate of compensation increase	N/A	N/A

\*A rate of 4.25% 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>2019</u>	<u>2018</u>
<u>AXA Equitable Life Insurance Company</u>		
Guarantee Account	\$ 15,761	\$ 18,581
<u>Wells Fargo</u>		
Cash and cash equivalents	153,715	94,384
Mutual Funds:		
Fixed Income Funds	16,980,391	16,372,169
Equity Funds	<u>1,878,680</u>	<u>1,772,149</u>
	<u>\$ 19,028,547</u>	<u>\$ 18,257,283</u>

As of June 30, 2019 and 2018, 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 no contributions for the fiscal years ended June 30, 2019 and 2018 and does not expect to make contributions for the fiscal year ended June 30, 2020.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – PENSION PLANS (Continued)**

The projected benefit payments are as follows:

Years Ending June 30,		
2020	\$	1,039,216
2021		955,156
2022		938,629
2023		961,308
2024		1,039,325
2025-2029		5,427,017
	<u>\$</u>	<u>10,360,651</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>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,568,405	\$ 2,594,235
Interest costs	99,890	90,490
Actuarial gain	(166,615)	(88,188)
Benefits paid	<u>(47,925)</u>	<u>(28,132)</u>
Benefit obligation at end of year	2,453,755	2,568,405
Fair value of plan assets	-	-
Unfunded liability	<u>\$ (2,453,755)</u>	<u>\$ (2,568,405)</u>

The components of net periodic benefit cost for the years ended June 30, 2019 and 2018 include interest costs of \$99,890 and \$90,490, 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, 2019 and 2018 were actuarial gain of \$(166,615) and \$(88,188), respectively. For the years ended June 30, 2019 and 2018, the net Life Insurance Plan related change were \$166,615 and \$79,400, respectively.

The amounts recognized in the plan as calculated by the actuary as of June 30:

	<u>2019</u>	<u>2018</u>
Actuarial gain	<u>\$ (368,086)</u>	<u>\$ (201,471)</u>

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.35%	4.16%
Rate of compensation increase	N/A	N/A

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 12 – POST-RETIREMENT LIFE INSURANCE PLAN (Continued)**

The projected benefit payments are as follows:

Years Ending June 30,		\$
2020		131,730
2021		136,028
2022		139,840
2023		143,354
2024		146,473
2025-2029		770,007
		<u>1,467,432</u>
		<u>\$ 1,467,432</u>

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Subject to expenditures for specified purpose or passage of time:		
Various community impact programs	\$ 495,109	\$ 2,341,508
Change Capital Fund	1,070,389	1,046,968
Unappropriated endowment earnings	191,946	168,070
Other time and purpose restricted	710,863	1,348,536
Subtotal	2,468,307	4,905,082
Endowment principal held in perpetuity:		
Carp Endowment	1,176,426	1,176,426
Human Care Endowment	150,617	150,617
Louis and Mary Horowitz Endowment	544,591	544,591
	1,871,634	1,871,634
Beneficial interest in perpetual trust	530,116	526,098
	<u>\$ 4,870,057</u>	<u>\$ 7,302,814</u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or passage of time.

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 net assets with donor restrictions 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 without donor restrictions are reflected as net assets with donor restrictions until appropriated by the Board of Directors. As of June 30, 2019 and 2018, UWNYC reported all earnings on endowment funds as net assets with donor restrictions until appropriated by the Board for operations.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

As a result of this interpretation, UWNYC has not changed the way net assets restricted in perpetuity are classified. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions (purpose and time-restricted for future periods), until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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 endowments will follow the terms of the net assets restricted in perpetuity. 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 endowment net assets for year ended June 30, 2019:

	Unappropriated Earnings	Endowment Corpus	Total
Endowment net assets, beginning of year	<u>168,070</u>	<u>1,871,634</u>	<u>2,039,704</u>
Investment Activity:			
Interest and dividends	49,006	-	49,006
Unrealized and realized gain on investments	<u>96,477</u>	-	<u>96,477</u>
Total investment activity	145,483	-	145,483
Amount appropriated	<u>(121,607)</u>	-	<u>(121,607)</u>
Endowment net assets, end of year	<u>\$ 191,946</u>	<u>\$ 1,871,634</u>	<u>\$ 2,063,580</u>

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

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

Endowment net assets of \$2,063,580 and \$2,039,704 are included with investments on the statements of financial position as of June 30, 2019 and 2018, respectively. Endowment net assets do not include the beneficial interest in the perpetual trust, however, it is included in net assets with donor restrictions.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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 U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires UWNYC to retain in perpetuity is to be reported in net assets with donor restrictions. 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, 2019 and 2018, 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, 2019:

	<u>Equipment</u>
2020	\$ 92,000
2021	59,000
2022	41,000
2023	38,000
2024	<u>6,000</u>
	<u>\$ 236,000</u>

Rent expense amounted to \$100,279 and \$119,923, respectively, for the years ended June 30, 2019 and 2018.

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 \$651,898 is included in the statements 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 October 23, 2019, UWNYC is in negotiations with a potential tenant.

Minimum annual payments for the year ended after June 30, 2019, are as follows:

	<u>Ground Rent</u>
2020	\$ 918,605
2021	918,605
2022	918,605
2023	918,605
2024	918,605
2025-2043	<u>17,453,495</u>
	<u>\$ 22,046,520</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%.

On July 9, 2019, UWNYC opened a line of credit with a financial services company with a maximum borrowing of up to \$2.5 million. The borrowings are secured by marketable securities and there is no maturity date. The interest rate is LIBOR plus 2.5%. As of June 30, 2019 and December 20, 2019, borrowings from the line amounted to \$0 and \$1,500,000, respectively.

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.

**UNITED WAY OF NEW YORK CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

E. UWNYPC believes it has no uncertain tax positions as of June 30, 2019 and 2018 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 UWNYPC to a concentration of credit risk include cash accounts with a financial institution that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits \$250,000 by approximately \$1,773,000 and \$2,243,000 at one bank as of June 30, 2019 and 2018, 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 20, 2019, the date the financial statements were available to be issued.