



**UNITED HOSPITAL FUND OF NEW YORK**

Financial Statements

February 28, 2023 and 2022

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Directors  
United Hospital Fund of New York:

### *Opinion*

We have audited the financial statements of United Hospital Fund of New York (the Organization), which comprise the statements of financial position as of February 28, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of February 28, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As discussed in Note 2(p) to the financial statements, as of March 1, 2022, the Organization adopted new accounting guidance, Accounting Standards Codification (ASC) 842: *Leases*. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of



internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

*KPMG LLP*

New York, New York  
June 28, 2023

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Financial Position

February 28, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents (note 11)	\$ 2,842,074	3,303,196
Grants and other receivables (note 3)	335,291	732,283
Other assets	383,658	502,729
Investments (notes 4 and 8)	97,096,535	108,315,655
Operating right-of-use asset ((notes 2(p) and 8))	3,669,976	—
Property and equipment, net (note 5)	880,866	1,117,305
Beneficial interest in perpetual trusts (notes 6 and 10)	4,209,027	4,832,884
	\$ 109,417,427	118,804,052
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 592,383	724,398
Operating lease liability ((notes 2(p) and 8))	4,817,429	—
Deferred rent obligation (note 8)	—	1,452,247
Grant commitments (note 2(j))	415,000	369,232
Accrued postretirement benefits (note 7)	313,348	378,466
	6,138,160	2,924,343
Net assets:		
Without donor restrictions (note 9):		
Undesignated	981,218	1,767,906
Board-designated endowment	78,222,747	87,238,367
	79,203,965	89,006,273
With donor restrictions (notes 6, 9 and 10):		
Time or purpose	1,444,388	1,586,414
Endowment returns subject to future appropriation	15,993,036	18,025,286
Perpetual	6,637,878	7,261,736
	24,075,302	26,873,436
Total net assets	103,279,267	115,879,709
Total liabilities and net assets	\$ 109,417,427	118,804,052

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Activities

Years ended February 28, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues and support:						
Public support:						
Foundation grants	\$ —	1,590,798	1,590,798	—	2,104,086	2,104,086
Government contracts	515,690	—	515,690	598,147	—	598,147
Contributed services	560,000	—	560,000	500,000	—	500,000
Contributions	271,836	—	271,836	373,870	—	373,870
Special events (net of direct expenses of \$379,991 in 2023 and \$38,993 in 2022)	1,371,154	—	1,371,154	1,288,956	—	1,288,956
Total public support	<u>2,718,680</u>	<u>1,590,798</u>	<u>4,309,478</u>	<u>2,760,973</u>	<u>2,104,086</u>	<u>4,865,059</u>
Other revenues:						
Conferences and other	15,726	—	15,726	325,112	—	325,112
Investment return appropriated and designated for current operations (notes 4 and 9):						
Quasi-endowment	4,697,336	—	4,697,336	4,128,031	—	4,128,031
Donor-restricted endowment	1,019,783	—	1,019,783	967,868	—	967,868
Other income	214,422	—	214,422	219,947	—	219,947
Total other revenues	<u>5,947,267</u>	<u>—</u>	<u>5,947,267</u>	<u>5,640,958</u>	<u>—</u>	<u>5,640,958</u>
Net assets released from restrictions	<u>1,732,824</u>	<u>(1,732,824)</u>	<u>—</u>	<u>2,357,662</u>	<u>(2,357,662)</u>	<u>—</u>
Total operating revenues and support	<u>10,398,771</u>	<u>(142,026)</u>	<u>10,256,745</u>	<u>10,759,593</u>	<u>(253,576)</u>	<u>10,506,017</u>
Operating expenses:						
Program services:						
Grants	425,000	—	425,000	352,899	—	352,899
Health services research, policy analysis, and education	4,465,061	—	4,465,061	4,997,591	—	4,997,591
Publications and information services	1,464,436	—	1,464,436	1,340,144	—	1,340,144
Total program services	<u>6,354,497</u>	<u>—</u>	<u>6,354,497</u>	<u>6,690,634</u>	<u>—</u>	<u>6,690,634</u>
Supporting services:						
Administrative and general	3,854,298	—	3,854,298	3,188,105	—	3,188,105
Fundraising	1,005,191	—	1,005,191	811,143	—	811,143
Total supporting services	<u>4,859,489</u>	<u>—</u>	<u>4,859,489</u>	<u>3,999,248</u>	<u>—</u>	<u>3,999,248</u>
Total operating expenses	<u>11,213,986</u>	<u>—</u>	<u>11,213,986</u>	<u>10,689,882</u>	<u>—</u>	<u>10,689,882</u>
Change in net assets from operations	<u>(815,215)</u>	<u>(142,026)</u>	<u>(957,241)</u>	<u>69,711</u>	<u>(253,576)</u>	<u>(183,865)</u>
Nonoperating activities and support:						
Investment return net of amounts designated for current operations (notes 4 and 9)	(9,015,620)	(2,032,251)	(11,047,871)	(2,232,549)	(559,154)	(2,791,703)
Postretirement related changes (note 7)	28,527	—	28,527	32,869	—	32,869
Change in value of beneficial interest in perpetual trusts (note 10)	—	(623,857)	(623,857)	—	118,802	118,802
Forgiveness of payroll protection program loan	—	—	—	853,447	—	853,447
Change in net assets from nonoperating activities and support	<u>(8,987,093)</u>	<u>(2,656,108)</u>	<u>(11,643,201)</u>	<u>(1,346,233)</u>	<u>(440,352)</u>	<u>(1,786,585)</u>
Change in total net assets	<u>(9,802,308)</u>	<u>(2,798,134)</u>	<u>(12,600,442)</u>	<u>(1,276,522)</u>	<u>(693,928)</u>	<u>(1,970,450)</u>
Net assets at beginning of year	<u>89,006,273</u>	<u>26,873,436</u>	<u>115,879,709</u>	<u>90,282,795</u>	<u>27,567,364</u>	<u>117,850,159</u>
Net assets at end of year	<u>\$ 79,203,965</u>	<u>24,075,302</u>	<u>103,279,267</u>	<u>89,006,273</u>	<u>26,873,436</u>	<u>115,879,709</u>

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statements of Cash Flows

Years ended February 28, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,600,442)	(1,970,450)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	274,922	275,109
Realized and unrealized losses (gains) on investments	5,316,592	(2,408,626)
Postretirement related changes	(28,527)	(32,869)
Change in value of beneficial interest in perpetual trusts	623,857	(118,801)
Amortization of right-of-use assets	1,003,191	—
Forgiveness of payroll protection program loan	—	(853,447)
Net change in assets and liabilities:		
Grants and other receivables	396,992	583,243
Other assets	119,071	(71,203)
Accounts payable and other liabilities	(132,015)	(109,879)
Deferred rent obligation	—	(212,501)
Operating lease payments	(1,307,985)	—
Grant commitments	45,768	(58,343)
Accrued postretirement benefits	(36,591)	(51,260)
Net cash used in operating activities	<u>(6,325,167)</u>	<u>(5,029,027)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(38,483)	(67,236)
Purchases of investments	(2,079,896)	(22,410,575)
Proceeds from sales of investments	8,176,479	27,175,800
Net cash provided by investing activities	<u>6,058,100</u>	<u>4,697,989</u>
Net decrease in cash, cash equivalents, and restricted cash	<u>(267,067)</u>	<u>(331,038)</u>
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,029,623</u>	<u>4,360,661</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u><u>3,762,556</u></u>	<u><u>4,029,623</u></u>
Reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 2,842,074	3,303,196
Cash included in investments	920,482	726,427
Total cash, cash equivalents, and restricted cash shown above	\$ <u><u>3,762,556</u></u>	<u><u>4,029,623</u></u>
Supplemental disclosures of noncash financing activities:		
Forgiveness of payroll protection program loan	\$ —	853,447
Cash paid for amounts included in the measurement of lease liabilities	1,307,985	—
Right-of-use assets obtained in exchange for lease obligations	4,657,086	—
Weighted average lease term	3.56 Years	—
Weighted average discount rate	1.56 %	—

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2023

	Program services			Supporting services			Total
	Grants	Health services research, policy analysis, and education	Publications and information services	Total program services	Administrative and general	Fundraising	
Salaries and benefits:							
Salaries	\$ —	2,334,819	914,159	3,248,978	1,617,978	566,809	5,433,765
Benefits (note 7)	—	345,568	202,566	548,134	790,381	126,053	1,464,568
Total salaries and benefits	—	2,680,387	1,116,725	3,797,112	2,408,359	692,862	6,898,333
Grants	425,000	—	—	425,000	—	—	425,000
Other expenses:							
Contributed services	—	560,000	—	560,000	—	—	560,000
Consulting and professional fees	—	225,717	38,400	264,117	480,881	—	744,998
Occupancy costs (note 8)	—	572,855	241,346	814,201	769,738	178,201	1,762,140
Conference costs	—	107,355	787	108,142	8,358	91	116,591
Printing costs	—	250	27,526	27,776	—	58,587	86,363
Other	—	318,497	39,652	358,149	186,962	75,450	620,561
Total other expenses	—	1,784,674	347,711	2,132,385	1,445,939	312,329	3,890,653
Total operating expenses	\$ 425,000	4,465,061	1,464,436	6,354,497	3,854,298	1,005,191	11,213,986
Special events							379,991
Total expenses							11,593,977

See accompanying notes to financial statements.

**UNITED HOSPITAL FUND OF NEW YORK**

Statement of Functional Expenses

Year ended February 28, 2022

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

See accompanying notes to financial statements.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2023 and 2022

### (1) Organization

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

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

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

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

**Expanding comprehensive health insurance coverage and access to services:** Universal, affordable, and accessible health insurance, offering comprehensive coverage is a prerequisite for obtaining adequate care, and for an effective, equitable health care system. UHF works to improve access to health care, including in the Medicaid program; reduce the number of uninsured New Yorkers; identify and analyze best practices to advance health equity, and improve quality and cost outcomes.

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

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

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

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

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2023 and 2022

### **(b) Net Asset Classifications**

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

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

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of UHF and/or the passage of time; also included in this category are net assets subject to donor-imposed restrictions that they be maintained permanently by UHF, including beneficial interest in perpetual trusts. Generally, the donors of these assets permit UHF to use all or part of the income earned on related investments.

Revenues, gains, and other support are reported as increases in net assets without donor restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Revenues from donor-imposed restrictions are reported as increases in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-imposed stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

### **(c) Measure of Operations**

In the statements of activities, UHF includes in its definition of operations, all support, revenue, and expenses that are an integral part of its program and supporting activities. Investment income, including net realized and unrealized gains and losses, earned more than (less than) UHF's authorized spending policy, postretirement related changes other than net periodic postretirement cost, change in value of beneficial interest in perpetual trusts, and certain other nonrecurring activities are recognized as nonoperating activities and support.

### **(d) Fair Value**

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

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity could access at the measurement date.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2023 and 2022

- Level 2 inputs are inputs other than quoted or published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

### **(e) Contributions and Grants**

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

Grants and contributions that are non-exchange transactions, which include contributed services and unconditional promises to give, are recognized initially at fair value as revenues in the period received. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional contributions and promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. Contributions with a donor-designated recipient are treated as pass-through items and are recognized as an asset and liability, with no impact on the statements of activities. Donated securities are measured at fair value at the date of the contribution. Unless material, UHF does not discount to present value contributions to be received greater than one year.

### **(f) Legacies**

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

### **(g) Cash and Cash Equivalents**

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

### **(h) Investments**

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

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2023 and 2022

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

Purchases of more than \$1,000 are capitalized and are recorded at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which ranges from 3 to 5 years for equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease and range from 3 to 15 years.

### **(j) Grant Commitments**

Grant commitments consist of grants that UHF must pay to beneficiary hospitals or other organizations. Grant commitments are recorded as a liability and related expense when the Board approves them. Unless material, UHF does not discount to present value commitments to be paid later than one year. Grant commitments of \$415,000 and \$369,232 as of February 28, 2023 and 2022, respectively, are payable within one year.

### **(k) Beneficial Interest in Perpetual Trusts**

UHF receives periodic income from certain trusts that require part or all of the income to be paid to UHF in perpetuity. Title to the principal interests in the assets of these trusts is held by outside trustees not affiliated with UHF, who retain control over the investment decisions regarding these assets. GAAP requires, however, that these trusts be recorded as net assets with donor restrictions in UHF's financial statements. As a result, UHF has recorded the trusts based upon UHF's ownership percentage of the fair value of the underlying assets. The estimated fair value, however, may include unobservable inputs considered to be Level 3 in the fair value hierarchy. Changes in the value of the investments are recognized as gains or losses in net assets with donor restrictions in the accompanying statements of activities on an annual basis.

### **(l) Board Spending Policy**

UHF maintains an investment pool for certain investments. The Board has authorized a policy to provide a predictable flow of funds to support operations. The policy permits allocation based on a trailing moving average of the pool calculated as of the calendar year-end, as operating income in the following fiscal year, even if the actual return achieved is inadequate to meet the allocation. The allocation authorized for the years ended February 28, 2023 and 2022 was 5.5% of a 36-month trailing average. In February 2019, the Board authorized an additional draw of \$1.2 million to be spent during the fiscal year ended February 29, 2020 for operations. In February 2021, 2022, and 2023, the Board authorized any unused funds from the amount authorized in February 2019 to be made available for operations in the respective subsequent year. No funds from the additional appropriations were used for the years ended February 28, 2023 or 2022. There remains \$815,000 available for use in the year ending February 29, 2024. Certain endowment gifts are restricted for specific purposes, the income from which, included in the spending rate, is spent in accordance with those restrictions.

### **(m) Functional Allocation of Expenses**

The costs of providing the various program and other activities of UHF have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated directly among the programs and supporting services benefited. Costs, such as operation and maintenance of plant, are allocated based on square footage. Information technology costs are allocated based on usage in each department.

## UNITED HOSPITAL FUND OF NEW YORK

Notes to Financial Statements

February 28, 2023 and 2022

### **(n) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **(o) Tax**

UHF recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to UHF's exempt purpose is subject to tax under Internal Revenue Code Section 511. UHF did not recognize any unrelated business income tax liability at February 28, 2023 or 2022.

### **(p) Recently Adopted Accounting Guidance**

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

UHF adopted the standard effective March 1, 2022, and recognized and measured leases existing at March 1, 2022 (the beginning of the adoption period). UHF leases office space and copier equipment. UHF determines if an arrangement is a lease at inception.

ROU assets represent UHF's right to use an underlying asset for the lease term, and lease liabilities represent UHF's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of UHF's leases do not provide an implicit rate, UHF used the risk-free U.S. Treasury rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

UHF's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a result of the adoption of the new lease accounting guidance, UHF recognized on March 1, 2022, a lease liability of approximately \$6,125,414, which represents the present value of the remaining operating lease payments of \$6,349,912, discounted using a risk free rate of 1.56%, and a right-of-use asset of \$4,657,085, which represents the operating lease liability of \$6,125,414 adjusted for deferred rent of \$1,452,247 and unamortized initial direct costs of \$16,082.

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**(3) Grants and Other Receivables**

Grants and other receivables balances at February 28, 2023 and 2022 were \$335,291 and \$732,283, respectively, which are expected to be collected within one year.

**(4) Investments**

Investments consisted of the following as of February 28, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:					
Cash and short-term investments	\$ 934,604	—	—	934,604	
Fixed income	349,870	—	—	349,870	A
Hedge fund – nondirectional	—	—	92,990,401	92,990,401	B
Private real assets	—	—	53,969	53,969	C
Private debt	—	—	2,767,691	2,767,691	D
	<u>\$ 1,284,474</u>	<u>—</u>	<u>95,812,061</u>	<u>97,096,535</u>	

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Investments measured at NAV</u>	<u>Total</u>	
Held at financial institutions:					
Cash and short-term investments	\$ 819,893	—	—	819,893	
Fixed income	488,909	—	—	488,909	A
Hedge fund – nondirectional	—	—	103,820,531	103,820,531	B
Private real assets	—	—	986,246	986,246	C
Private debt	—	—	2,200,076	2,200,076	D
	<u>\$ 1,308,802</u>	<u>—</u>	<u>107,006,853</u>	<u>108,315,655</u>	

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

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- B Hedge Fund – Nondirectional – This asset class invests primarily in investment funds focused on higher hedge long/short equity, higher hedge long/short credit, fundamental and quantitative global macro, arbitrage, and relative value hedge fund strategies.
- C Private Real Assets Funds – Includes private fund of funds that invests in investment funds, which hold real assets, and may include commodities, real estate, agricultural land, and natural resource investments. This fund may have up to 20% invested internationally.
- D Private Debt – This asset class is designed to deliver equity-like returns with less equity risk primarily through income generation. Strategies could include direct lending, specialty finance, commercial real estate first mortgage loans, and equipment leasing (aircraft, marine, rail etc.).

As of February 28, 2023, the following table summarizes the composition of investments measured at NAV of \$95,812,061 by the various redemption provisions and lock-up periods:

	<u>Amount</u>
Redemption period:	
Quarterly up to 90 days' notice	\$ 92,990,401
Lock-up	<u>2,821,660</u>
Total	<u>\$ 95,812,061</u>

The lock-up total of \$2,821,660 is nonredeemable until the end of the life of the funds, which is approximately 3 years.

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

	February 28, 2023			February 28, 2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Dividends and interest (net of investment and advisory fees of \$90,348 in 2023 and \$105,218 in 2022)	\$ (11,477)	(2,683)	(14,160)	(84,595)	(19,835)	(104,430)
Net realized and unrealized (losses) gains on investments	(4,306,807)	(1,009,785)	(5,316,592)	1,980,077	428,549	2,408,626
	(4,318,284)	(1,012,468)	(5,330,752)	1,895,482	408,714	2,304,196
Spending rate allocated for current operations	1,019,783	(1,019,783)	—	967,868	(967,868)	—
	(3,298,501)	(2,032,251)	(5,330,752)	2,863,350	(559,154)	2,304,196
Investment return appropriated and designated for current operations	(5,717,119)	—	(5,717,119)	(5,095,899)	—	(5,095,899)
Investment return less than amounts appropriated and designated for current operations	\$ (9,015,620)	(2,032,251)	(11,047,871)	(2,232,549)	(559,154)	(2,791,703)

**(5) Property and Equipment**

Property and equipment consisted of the following as of February 28, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ 2,986,134	2,955,852
Furniture and office equipment	805,370	926,519
	3,791,504	3,882,371
Accumulated depreciation and amortization	(2,910,638)	(2,765,066)
Total	\$ 880,866	1,117,305

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

Net assets with donor restrictions were restricted for the following purposes as of February 28, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Donor restricted net assets to support program initiatives:		
Beneficiary hospitals	\$ 15,993,035	18,025,286
Other	1,444,388	1,586,414
	\$ 17,437,423	19,611,700
	<b>2023</b>	<b>2022</b>
Donor restricted net assets to be held in perpetuity:		
Investments to be held in perpetuity, the income from which supports distribution to beneficiary hospitals	\$ 1,210,869	1,210,869
Investments to be held in perpetuity, the income from which is without donor restrictions	1,217,983	1,217,983
Beneficial interest in perpetual trusts, the income from which is without donor restrictions	4,209,027	4,832,884
	\$ 6,637,879	7,261,736

**(7) Postretirement Benefit Plans**

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

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

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

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The accumulated postretirement benefit obligations and the funded status of the plan as of February 28, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 378,466	462,595
Interest cost	10,508	10,055
Actuarial gain	(50,170)	(68,536)
Benefits paid	<u>(25,456)</u>	<u>(25,648)</u>
Benefit obligation, end of year	<u>313,348</u>	<u>378,466</u>
Funded status	\$ <u>(313,348)</u>	<u>(378,466)</u>
Accumulated benefit obligation	\$ 313,348	378,466
Employer contributions	(25,456)	(25,648)

	<u>2023</u>	<u>2022</u>
Items not yet recognized as component of net periodic benefit cost:		
Net actuarial gain	\$ 176,188	133,542
Prior service credits	<u>137,376</u>	<u>151,495</u>
	\$ <u>313,564</u>	<u>285,037</u>

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

	<u>2023</u>	<u>2022</u>
Net actuarial gain	\$ (50,170)	(68,536)
Amortization of prior service cost	14,119	14,119
Amortization of net gain	<u>7,524</u>	<u>21,548</u>
Total recognized in change in net assets without donor restrictions (nonoperating)	\$ <u>(28,527)</u>	<u>(32,869)</u>

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	<u>2023</u>	<u>2022</u>
Components of net periodic benefit costs:		
Interest cost	\$ 10,508	10,055
Amortization of prior service credits	(14,119)	(14,119)
Amortization of net gain	<u>(7,524)</u>	<u>(21,548)</u>
	\$ <u>(11,135)</u>	<u>(25,612)</u>

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

2024	\$ 34,253
2025	33,392
2026	32,215
2027	30,810
2028	30,375
2029–2033	<u>123,276</u>
	\$ <u>284,321</u>

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

	<u>2023</u>	<u>2022</u>
Weighted average assumptions used to determine benefit obligation discount rate	4.95 %	2.91 %
Weighted average assumptions used to determine net periodic benefit cost	2.91	2.27

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

UHF maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the purchase of retirement annuities. UHF is obligated to match annual employee contributions, measured as of December 31 of each year, up to a maximum of \$2,000 for each eligible employee, as defined in this plan and allows for a discretionary employer contribution of 4% to 8% based on years of service. For the years ended February 28, 2023 and 2022, UHF contributed \$377,290 and \$388,645, respectively, to the defined contribution plan. All contributions vest immediately. This plan's assets consist primarily of equity holdings and fixed-income securities.

In December 2002, UHF implemented a 457(b) defined contribution retirement plan, in which only certain highly compensated employees are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. UHF may contribute to

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the plan on behalf of certain participants as defined in the plan to receive a UHF contribution. For the years ended February 28, 2023 and 2022, UHF contributed \$57,695 and \$32,785, respectively, to this plan.

### (8) Commitments

In September 2010, UHF entered into a lease for office facilities at 1411 Broadway, New York, New York, expiring in September 2026. The lease terms provided for a free rent period through October 2011 and tenant improvement allowances (TI allowance) in the amount of \$2,045,228. Free rent period, TI allowance, and charges are accounted for on a straight-line basis over the life of the lease. Beginning in March 2019, UHF began renting office space in Albany on a month-to-month basis. Beginning in December 2020, UHF entered into a lease for office copier equipment, expiring in March 2025.

The components of lease expense are as follows:

Operating lease cost	\$	1,089,360
Short-term lease cost		<u>7,200</u>
	\$	<u><u>1,096,560</u></u>

Rent expense for the years ended February 28, 2023 and 2022 amounted to \$1,096,560 and \$1,101,396, respectively.

Future minimum lease payments as of February 28, 2023 are as follows:

2024	\$	1,394,154
2025		1,394,154
2026		1,369,734
2027		<u>797,717</u>
Lease payments		4,955,759
Less discount to net present value		<u>(138,330)</u>
	\$	<u><u>4,817,429</u></u>

UHF has unfunded commitments in investments of approximately \$19 million as of February 28, 2023.

UHF has a \$1,000,000 line of credit, which was renewed effective January 31, 2023 and expires on March 31, 2024. Borrowings are unsecured, and interest is charged based on the LIBOR, CB Floating rate or another negotiated rate with the bank. No amounts were outstanding or drawn under this agreement during the years ended February 28, 2023 and 2022.

### (9) Endowment Net Assets

UHF classifies net assets with donor restrictions – perpetual as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of a donor-restricted

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endowment fund that is not classified as with donor restrictions – perpetual is classified as net assets with donor restrictions until appropriated for expenditure.

The policy for valuing UHF’s investments is described in note 2(h). Any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires UHF to retain in perpetuity is to be reported in net assets with donor restrictions. UHF has not incurred such deficiencies in its endowment funds as of February 28, 2023 and 2022.

UHF’s endowment investment policy states UHF is to invest primarily in a mix of equities, alternative investments, private investments, and fixed-income securities based on a prescribed asset allocation strategy designed to achieve UHF’s investment objectives. These objectives are to preserve the long-term real purchasing power of UHF’s invested assets, prudently invest assets in high-quality, diversified vehicles, and achieve the optimal return possible within specified risk parameters. UHF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from income (interest and dividends). The objective of UHF’s annual spending rate from endowment, described in note 2(l), is to invest primarily in equities and fixed income based on an asset allocation to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns, and preserve the long-term real purchasing power of the endowment while providing a relatively predictable and stable stream of annual distributions in support of UHF’s spending requirements.

The composition of the endowment net assets at February 28, 2023 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated quasi-endowment	\$ 78,222,747	—	78,222,747
Donor-restricted endowment:			
Historical gift value	—	2,428,851	2,428,851
Accumulated gains	—	15,993,036	15,993,036
Total endowment	\$ <u>78,222,747</u>	<u>18,421,887</u>	<u>96,644,634</u>

The composition of the endowment net assets at February 28, 2022 is as follows:

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

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Changes in endowment net assets for the year ended February 28, 2023 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 87,238,367	20,454,137	107,692,504
Investment activity:			
Interest and dividends, net	(11,477)	(2,683)	(14,160)
Net realized and unrealized losses on investments	(4,306,807)	(1,009,785)	(5,316,592)
Spending rate applied to operations	<u>(4,697,336)</u>	<u>(1,019,783)</u>	<u>(5,717,119)</u>
Endowment net assets, end of year	\$ <u>78,222,747</u>	<u>18,421,886</u>	<u>96,644,633</u>

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

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

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

UHF has recorded a change of (\$623,857) and \$118,801 in net assets with donor restrictions for the years ended February 28, 2023 and 2022, respectively, relating to the change in the value of its beneficial interest in perpetual trusts, net of distributions. For the years ended February 28, 2023 and 2022, UHF received distributions from these trusts of \$207,409 and \$220,035, respectively. An outside custodian holds these trusts on behalf of UHF, the perpetual beneficiary. Certain income from the trusts is paid to UHF and the balance, if any, is retained in the trusts.

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

	<u>2023</u>	<u>2022</u>
Cash and short-term investments	2 %	2 %
Equities	70	78
Fixed income	26	18
Alternative investments	<u>2</u>	<u>2</u>
	<u>100 %</u>	<u>100 %</u>

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### (11) Concentration of Credit Risk

Financial instruments that potentially subject UHF to a concentration of credit risk include cash accounts and other cash equivalents that may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits of \$250,000 per financial institution. As of February 28, 2023 and 2022, UHF's cash and cash equivalents included cash and money market funds of approximately \$2,592,074 and \$3,053,206, respectively, which are not covered by FDIC insurance.

As of February 28, 2023, approximately 96% of UHF's investment holdings were maintained in one investment fund.

### (12) Liquidity and Availability of Resources

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

As of February 28, 2023 and 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2023</u>	<u>2022</u>
At February 28, financial assets consist of:		
Cash and cash equivalents	\$ 2,842,074	3,303,206
Grants and other receivables, net	335,291	732,283
Investments not subject to donor restrictions or board designations	50,337	623,149
Payout on donor-restricted endowments	500,000	500,000
Payout on board-designated endowments	<u>5,198,000</u>	<u>5,091,000</u>
Total financial assets available within one year	<u>\$ 8,925,702</u>	<u>10,249,638</u>

At February 28, 2023, UHF had approximately \$78.2 million of board-designated endowments that, with the board's approval, could be made available for operations, which includes the draw for the year ending February 28, 2024 of approximately \$5.2 million. In addition, UHF has a bank line of credit of \$1,000,000 for additional liquidity resources.

### (13) Subsequent Events

In connection with the preparation of the financial statements, UHF evaluated subsequent events after the balance sheet date of February 28, 2023 through June 28, 2023, which was the date the financial statements were available to be issued, and determined that, except as otherwise disclosed in these financial statements, there were no additional matters requiring disclosure.