

UNFCU FOUNDATION INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

**For the Years Ended
DECEMBER 31, 2019 and 2018**



UNFCU FOUNDATION INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
UNFCU Foundation Inc.

We have audited the accompanying financial statements of UNFCU Foundation Inc. ("UNFCU Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 UNFCU Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited UNFCU Foundation's 2018 financial statements, and we express an unmodified audit opinion on those audited financial statements in our report dated March 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Padilla and Company, LLP

Jamaica, New York

March 27, 2020

UNFCU FOUNDATION INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current Assets		
Cash and Cash Equivalents (Note 3)	\$ 278,442	\$ 192,618
Accounts Receivable	4,000	-
Prepaid Expenses	1,152	-
Subtotal	283,594	192,618
Fixed Assets - net (Note 4)	20,481	6,570
Total Assets	\$ 304,075	\$ 199,188

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued Expenses (Note 5)	\$ 7,970	\$ 6,847
Total Liabilities	7,970	6,847

NET ASSETS

Net Assets		
Without donor restrictions	296,105	192,341
With donor restrictions (Note 6)	-	-
Total Net Assets	296,105	192,341
Total Liabilities and Net Assets	\$ 304,075	\$ 199,188

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

UNFCU FOUNDATION INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues from Contributions and Other Support				
Contributions	\$ 648,387	\$ 65,000	\$ 713,387	\$ 637,667
Special events income, net of direct benefit expenses (Note 8)	159,343	-	159,343	128,360
In-kind revenue (Note 7)	90,423	-	90,423	89,962
Other Income	1,998	-	1,998	1,940
Total	<u>900,151</u>	<u>65,000</u>	<u>965,151</u>	<u>857,929</u>
Satisfaction of net asset restrictions (Note 6)	65,000	(65,000)	-	-
Total Revenues from Contributions and Other Support	<u>965,151</u>	<u>-</u>	<u>965,151</u>	<u>857,929</u>
Expenses				
Program services				
Grants	641,296	-	641,296	660,530
Relief effort support	61,196	-	61,196	25,921
	<u>702,492</u>	<u>-</u>	<u>702,492</u>	<u>686,451</u>
Support services				
General and administrative	88,277	-	88,277	82,399
Fundraising	70,618	-	70,618	66,284
	<u>158,895</u>	<u>-</u>	<u>158,895</u>	<u>148,683</u>
Total expenses	<u>861,387</u>	<u>-</u>	<u>861,387</u>	<u>835,134</u>
Change in net assets	103,764	-	103,764	22,795
Net assets, beginning of year	<u>192,341</u>	<u>-</u>	<u>192,341</u>	<u>169,546</u>
Net assets, end of the year	<u>\$ 296,105</u>	<u>\$ -</u>	<u>\$ 296,105</u>	<u>\$ 192,341</u>

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

**UNFCU FOUNDATION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 103,764	\$ 22,795
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	4,944	-
(Increase) Decrease in prepaid expenses	(1,152)	8,000
(Increase) Decrease in accounts receivable	(4,000)	-
Increase (Decrease) in accounts payable	1,123	6,847
Net cash provided by (used in) operating activities	104,679	37,642
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,855)	(6,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,824	31,072
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	192,618	161,546
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 3)	\$ 278,442	\$ 192,618

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

UNFCU FOUNDATION INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	Program			Support		Total	
	Grants	Relief Effort Support	Total Program Expenses	General and Administrative	Fundraising	2019	2018
Expenses							
Grants and assistance to other organization	\$ 641,296	\$ 61,196	\$ 702,492	\$ -	\$ -	\$ 702,492	\$ 686,451
Professional fees	-	-	-	7,000	-	7,000	10,500
Insurance	-	-	-	2,187	-	2,187	2,187
Registration fees	-	-	-	1,025	-	1,025	2,100
Advertising and promotion	-	-	-	13,717	31,932	45,649	38,586
Office expenses	-	-	-	3,326	-	3,326	3,070
Permits	-	-	-	-	1,246	1,246	1,724
Bank fees	-	-	-	1,603	-	1,603	311
Travel and travel meals	-	-	-	434	1,058	1,492	243
In-kind payroll	-	-	-	51,541	36,382	87,923	87,462
In-kind occupancy	-	-	-	2,500	-	2,500	2,500
Depreciation expense	-	-	-	4,944	-	4,944	-
Total Expenses	\$ 641,296	\$ 61,196	\$ 702,492	\$ 88,277	\$ 70,618	\$ 861,387	\$ 835,134

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

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

1. ORGANIZATION AND OPERATIONS

UNFCU Foundation Inc. ("UNFCU Foundation") is a not-for-profit organization established to support organizations and initiatives that work to eradicate extreme poverty and hunger, promote gender equality, empower girls and other youth by offering them opportunities for self-development, improve maternal health and reduce child mortality, combat AIDS/HIV, malaria and other diseases and promote environmental sustainability and provide disaster relief, especially in developing countries and New York City. UNFCU Foundation is exempt from income tax under section 501(c)(3) of the US Internal Revenue code and is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNFCU Foundation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit organizations. The significant accounting and reporting policies used by UNFCU Foundation are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) in its Statement No. 958-205, Financial Statements of Not-for-Profit Organizations, with Accounting Standards Update 2016-14. Under Accounting Standards Update 2016-14, UNFCU Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of UNFCU Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. UNFCU Foundation's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense Recognition and Allocation

The cost of providing UNFCU Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of UNFCU Foundation.

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. UNFCU Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, UNFCU Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. UNFCU Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Tax Status

UNFCU Foundation is incorporated exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to UNFCU Foundation are tax deductible to donors under Section 170 of the IRC.

UNFCU Foundation's federal and state income tax returns for the years after 2016 remains subject to examination by relevant taxing authorities.

Concentration of Credit Risk

UNFCU Foundation deposits its cash with high quality financial institutions, and management believes UNFCU Foundation is not exposed to significant credit risk on those amounts. The maximum National Credit Union Administration (NCUA) insurance is \$250,000 per insured credit union. As of the report date, UNFCU Foundation has not experienced any losses.

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and assets that are readily convertible into cash with maturities at date of purchase of three months or less. UNFCU Foundation's cash and cash equivalents balances for the year ending December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Checking account	\$ 218,629	\$ 133,462
Money market account	38,270	45,743
Savings account	19,480	10,535
Other	2,063	2,878
Total	<u>\$ 278,442</u>	<u>\$ 192,618</u>

4. FIXED ASSETS, NET

Fixed assets are related to computer software purchased by UNFCU Foundation. These are recorded at cost and depreciated using the straight-line method over the estimated useful life of three (3) years. As of December 31, 2019, and 2018, fixed assets consist of the following balances:

	<u>Computer Software</u>
Balance as of December 31, 2018	\$ 6,570
Movement during the year:	
Additions	18,855
Disposals	-
Balance as of December 31, 2019	<u>25,425</u>
Accumulated Depreciation as of December 31, 2018*	-
Movement during the year:	
Depreciation expense	4,944
Accumulated Depreciation as of December 31, 2019	<u>4,944</u>
Fixed Assets - net, ending	<u>\$ 20,481</u>

**The computer software was purchased close to the end of 2018 and had not started depreciation in prior year.*

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

5. ACCRUED EXPENSES

Accrued expenses for the year ending December 31, 2019 and 2018 are as follows:

	2019	2018
Professional fees	\$ 7,000	\$ 5,500
Other accrued expenses	970	1,347
Total	\$ 7,970	\$ 6,847

Accrued expenses were substantially liquidated within ninety days after the year end.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 consist of:

	2019	2018*
Computer Training Program Fund	\$ 65,000	\$ 49,000
Nairobi Golf event 2018	-	2,000
Less: Net assets released from restrictions	(65,000)	(51,000)
Total	\$ -	\$ -

** Reclassified - The Francine A. LeFrak Foundation Computer Training Program Fund*

In 2019, The Francine A. LeFrak Foundation granted \$65,000 to UNFCU Foundation Inc. restricted to expenses related to computer training program. The amount was used to fund the computer training program of Women in Need, Inc. in 2019.

7. IN-KIND REVENUE

The UNFCU Foundation's Board of Directors is comprised of five volunteers from UNFCU's senior management team and board of directors, and two outside directors. UNFCU also provides staff support. The estimated value of in-kind payroll is \$87,923 and \$87,462 as of December 31, 2019 and 2018, respectively. UNFCU Foundation occupies its office space rent free. The estimated value of in-kind occupancy is \$2,500 and \$2,500 as of December 31, 2019 and 2018, respectively.

UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
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8. SPECIAL EVENTS

During 2019, UNFCU Foundation hosted various fundraising events and staff engagements activities. As of December 31, 2019 and 2018, special events income net of direct benefit expenses is summarized below:

	<u>Golf</u>	<u>Annual Gala</u>	<u>Summer Event</u>	<u>Other Events</u>	<u>2019 Total</u>
Gross revenue	\$ 75,199	\$ 111,034	\$ 40,705	\$ 9,073	\$ 236,011
Less: Direct fundraising expenses	<u>(26,149)</u>	<u>(37,648)</u>	<u>(9,900)</u>	<u>(2,971)</u>	<u>(76,668)</u>
Subtotal	49,050	73,386	30,805	6,102	159,343
Less: Indirect fundraising expenses ¹	<u>(12,753)</u>	<u>(9,472)</u>	<u>(11,503)</u>	<u>(297)</u>	<u>(34,025)</u>
Net fundraising revenue	<u>\$ 36,297</u>	<u>\$ 63,914</u>	<u>\$ 19,302</u>	<u>\$ 5,805</u>	<u>\$ 125,318</u>
	<u>Golf</u>	<u>Annual Gala</u>	<u>Summer Event</u>	<u>Other Events</u>	<u>2018 Total</u>
Gross revenue	\$ 80,658	\$ 95,235	\$ -	\$ 24,822	\$ 200,715
Less: Direct fundraising expenses	<u>(32,785)</u>	<u>(29,726)</u>	<u>-</u>	<u>(9,844)</u>	<u>(72,355)</u>
Subtotal	47,873	65,509	-	14,978	128,360
Less: Indirect fundraising expenses ²	<u>(11,456)</u>	<u>(11,069)</u>	<u>-</u>	<u>(4,852)</u>	<u>(27,377)</u>
Net fundraising revenue	<u>\$ 36,417</u>	<u>\$ 54,440</u>	<u>\$ -</u>	<u>\$ 10,126</u>	<u>\$ 100,983</u>

¹In-kind payroll and in-kind occupancy expenses are netted against in-kind revenue received, both amounts excluded for presentation purposes.

²Regrouped

9. RELATED PARTY TRANSACTIONS

The UNFCU Foundation's mission is to eliminate poverty among women and children by providing grants which support healthcare and education initiatives and livelihoods training. The Foundation works with certain United Nations (UN) agencies as well as other charitable organizations and Non-governmental organizations (NGOs) that specialize in efforts to improve the lives of women and children both in the United States and in developing countries.

United Nations Federal Credit Union (UNFCU) is the largest donor of UNFCU Foundation, with \$644,554 and \$552,976 in donations made during the year ended December 31, 2019 and 2018, respectively.

**UNFCU FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

UNFCU Foundation has regular cash receipts attributable to monthly support received from UNFCU and online donations from various donors. Those funds could be used for general expenditures. The following reflects UNFCU Foundation's financial assets as of year-end, reduced by amounts not available for general use within one year from year-end.

	2019	2018
Current assets, excluding non-financial assets	\$283,594	\$192,618
Less: Current liabilities	7,970	6,847
Financial assets available to meet cash needs for general expenditures within one year	\$275,624	\$185,771

11. METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of UNFCU Foundation. Those expenses include grants and other assistance, advertising and promotion, and in-kind payroll. Grants and other assistance are directly allocated to each related program. Advertising are directly allocated to general and administrative while promotion is directly allocated to fundraising. In-kind payroll is allocated based on the time and cost study of where efforts were made.

12. SUBSEQUENT EVENTS

UNFCU Foundation has evaluated subsequent events through March 27, 2020, the date the financial statements were available for issuance. UNFCU Foundation concluded that there are no subsequent events for disclosure.

