

UNFCU FOUNDATION INC.

Financial Statements

December 31, 2020

(With Comparative totals for 2019)



NISIVOCCIA
ASSURANCE · TAX · ADVISORY

UNFCU Foundation Inc.
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December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors
UNFCU Foundation Inc.
Long Island City, NY

Report on the Financial Statements

We have audited the accompanying financial statements of UNFCU Foundation Inc. (a nonprofit organization) ("UNFCU Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

To the Board of Directors
UNFCU Foundation Inc.

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, 2020 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.

Other Matters

The financial statements of UNFCU Foundation for the year ended December 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on March 27, 2020.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

Mt. Arlington, New Jersey
March 25, 2021

UNFCU Foundation Inc.
Statement of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 516,868	\$ 278,442
Pledges receivable	10,000	4,000
Prepaid expenses	7,152	1,152
Total Current Assets	<u>534,020</u>	<u>283,594</u>
Intangible assets - net	<u>12,006</u>	<u>20,481</u>
Total assets	<u>\$ 546,026</u>	<u>\$ 304,075</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accrued expenses	<u>59,010</u>	<u>7,970</u>
Total Liabilities	<u>59,010</u>	<u>7,970</u>
Net Assets		
Without donor restrictions	<u>487,016</u>	<u>296,105</u>
Total net assets	<u>487,016</u>	<u>296,105</u>
Total liabilities and net assets	<u>\$ 546,026</u>	<u>\$ 304,075</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Activities
For the Years Ended December 31, 2020 and 2019

	Without Donor Restrictions	
	2020	2019
Revenue and other support:		
Contributions	\$ 649,275	\$ 713,387
Fundraising and special events	42,006	159,343
In-kind revenue	138,151	90,423
Other Income	743	1,998
Total revenue and other support	<u>830,175</u>	<u>965,151</u>
Expenses:		
Program services:		
Grants and other assistance	336,785	641,296
Relief effort support	119,399	61,196
Total program services	<u>456,184</u>	<u>702,492</u>
Supporting services:		
General and administration	164,577	88,277
Fundraising	18,503	70,618
Total supporting services	<u>183,080</u>	<u>158,895</u>
Total expenses	<u>639,264</u>	<u>861,387</u>
Change in net assets	190,911	103,764
Net assets, beginning of year	<u>296,105</u>	<u>192,341</u>
Net assets, end of year	<u>\$ 487,016</u>	<u>\$ 296,105</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Functional Expenses
Year Ended December 31, 2020
(With Summarized Comparative Totals for the Year Ended December 31, 2019)

	Program Services			Supporting Services		2020	2019
	Grants and other assistance	Relief effort support	Total program services	General and administrative	Fundraising	Total	Total
Grants and assistance to other organizations	\$ 336,785	\$ 119,399	\$ 456,184			\$ 456,184	\$ 702,492
Professional fees				\$ 8,000		8,000	7,000
Insurance				3,187		3,187	2,187
Registration fees				1,025		1,025	1,025
Advertising and promotion				9,158	\$ 10,261	19,419	45,649
Office expenses				2,687		2,687	3,326
Permits					715	715	1,246
Bank fees				1,421		1,421	1,603
Travel and travel meals							1,492
In-kind payroll				124,624	7,527	132,151	87,923
In-kind occupancy				6,000		6,000	2,500
Total expenses before amortization	336,785	119,399	456,184	156,102	18,503	630,789	856,443
Amortization				8,475		8,475	4,944
Total expenses	<u>\$ 336,785</u>	<u>\$ 119,399</u>	<u>\$ 456,184</u>	<u>\$ 164,577</u>	<u>\$ 18,503</u>	<u>\$ 639,264</u>	<u>\$ 861,387</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Cash Flows
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 190,911	\$ 103,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	8,475	4,944
Changes in operating assets and liabilities:		
Pledges receivable	(6,000)	(4,000)
Prepaid expenses	(6,000)	(1,152)
Accrued expenses	51,040	1,123
Net cash provided by operating activities	<u>238,426</u>	<u>104,679</u>
 Cash flows from investing activities:		
Purchase of intangible assets	<u> </u>	<u>(18,855)</u>
Net cash used in investing activities	<u> </u>	<u>(18,855)</u>
 Net increase in cash and cash equivalents	238,426	85,824
 Cash and cash equivalents, beginning of year	<u>278,442</u>	<u>192,618</u>
 Cash and cash equivalents, end of year	<u>\$ 516,868</u>	<u>\$ 278,442</u>
 Supplemental Disclosure of non-cash transactions		
In-kind payroll and occupancy	<u>\$ 138,151</u>	<u>\$ 90,423</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Cash Flows
December 31, 2020 and 2019

1. Nature of Activities

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by UNFCU Foundation in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation

UNFCU Foundation prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how UNFCU Foundation manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires UNFCU Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

UNFCU Foundation Inc.
Statement of Cash Flows
December 31, 2020 and 2019

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of UNFCU Foundation's programs and general operations. These resources are not subject to donor-imposed stipulations.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UNFCU Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. UNFCU Foundation had no net assets with donor restrictions as of December 31, 2020 and 2019.

Support and Revenue Recognition

UNFCU Foundation recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on when they depend have been substantially met.

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control at a specific point in time. UNFCU Foundation recognizes fundraising and special event revenue at the time the event occurs. There are no multi-year contracts and performance obligations are typically satisfied within one year or less.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	<u>\$ 42,006</u>	<u>\$ 159,343</u>

Revenue from performance obligations satisfied at a point in time consists of fundraising and special events.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and all highly liquid financial instruments that are readily convertible to cash with an original maturity of three months or less.

Pledges Receivable and Provision for Uncollectible Accounts

Pledges receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Accounts written off are determined on a case-by-case basis. There was no allowance for uncollectible accounts for the years ended December 31, 2020 and 2019 since management believes all pledge receivables are collectible.

Intangible Assets

In accordance with FASB ASC, *Intangibles – Goodwill and Other*, UNFCU Foundation capitalizes software costs incurred and amortizes these costs on a straight-line basis over the estimated useful life of the software.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that UNFCU Foundation's estimates may change in the near term.

Income Tax Status

UNFCU Foundation is a not-for-profit Foundation that is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Internal Revenue Code). UNFCU Foundation is also exempt under Article 7-A of the Executive Law (Article 7-A) of the State of New York. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

UNFCU Foundation files informational returns with the federal and New York state government on an annual basis – Form 990 with the Internal Revenue Service, and the applicable form with the state. These returns are subject to examinations at any time within statutorily defined periods from the latest filing date for federal and for each state jurisdiction.

Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of December 31, 2020 and 2019.

Cash and cash equivalents, pledges receivable, prepaid expenses, and accrued expenses: the carrying amounts approximate fair value due to the short-term maturity of these instruments.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service and support costs are allocated to programs based on time spent. Program expenses are those related to grants and relief effort support. Management and general expenses relate to administrative costs associated with the administration of those programs. Fundraising expenses include the direct costs of special events and the allocation of employees' salaries and other costs involved in fundraising and special events based on estimates of time and effort considered by management to be reasonable.

Credit Risk and Concentrations

Financial instruments, which potentially subject UNFCU Foundation to concentrations of credit risk, consist primarily of cash and cash equivalents. At times, amounts invested with financial institutions may be in excess of federally insured limits. UNFCU Foundation invests with reputable financial institutions to limit their exposure and has not experienced any losses in such accounts. As a result, management believes it is not exposed to any significant risk related to cash and cash equivalents. Contributions include support from one major donor representing approximately 79% and 81% of contributions for the years ended December 31, 2020 and 2019, respectively.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with UNFCU Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

New Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line items in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2020 through the date of the independent auditors' report and the date the financial statements were available to be issued, March 25, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

UNFCU Foundation Inc.
Statement of Cash Flows
December 31, 2020 and 2019

3. Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 516,868	\$ 278,442
Pledges receivable	<u>10,000</u>	<u>4,000</u>
Total financial assets	526,868	282,442
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 526,868</u>	<u>\$ 282,442</u>

UNFCU Foundation strives to maintain liquid financial assets sufficient to meet 60 days of normal operating expenses. In addition to these financial assets, a significant portion of UNFCU Foundation's annual expenditures will be funded by current year operating revenues including contributions and fundraising and special event revenue. As part of UNFCU Foundation's liquidity plan, cash in excess of daily requirement is invested in money market accounts. UNFCU Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Intangible Assets

During 2018, UNFCU Foundation purchased computer software which is being amortized using the straight line method over the estimated life of three years. Intangible assets at December 31, 2020 and 2019 are comprised of:

	<u>Estimated Useful Lives (Years)</u>	<u>2020</u>	<u>2019</u>
Computer Software	3	\$ 25,425	\$ 25,425
Less: Accumulated Amortization		<u>(13,419)</u>	<u>(4,944)</u>
		<u>\$ 12,006</u>	<u>\$ 20,481</u>

For the years ended December 31, 2020 and 2019, UNFCU Foundation incurred amortization expense of \$8,475, and \$4,944 respectively.

UNFCU Foundation Inc.
Statement of Cash Flows
December 31, 2020 and 2019

5. Special Events

During 2020 and 2019, UNFCU Foundation hosted various fundraising events and staff engagement activities. As of December 31, 2020 and 2019, special events income net of direct benefit expenses is summarized below:

	Virtual Event	2020 Total
Gross revenue	\$ 42,006	\$ 42,006
Less: Direct Fundraising expenses		
Subtotal	42,006	42,006
Less: Indirect Fundraising expenses ¹	(10,976)	(10,976)
Net fundraising revenue	<u>\$ 31,030</u>	<u>\$ 31,030</u>

	Golf	Annual Gala	Summer Event	Other Events	2019 Total
Gross revenue	\$ 75,199	\$ 111,034	\$ 40,705	\$ 9,073	\$ 236,011
Less: Direct Fundraising expenses	(26,149)	(37,648)	(9,900)	(2,971)	(76,668)
Subtotal	49,050	73,386	30,805	6,102	159,343
Less: Indirect Fundraising expenses ¹	(12,753)	(9,472)	(11,503)	(297)	(34,025)
Net fundraising revenue	<u>\$ 36,297</u>	<u>\$ 63,914</u>	<u>\$ 19,302</u>	<u>\$ 5,805</u>	<u>\$ 125,318</u>

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

6. In-Kind Revenue

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 \$132,151 and \$87,923 for the years ended December 31, 2020 and 2019, respectively. UNFCU Foundation occupies its office space rent free. The estimated value of in-kind occupancy is \$6,000 and \$2,500 for the years ended December 31, 2020 and 2019, respectively.

7. Related Party Transactions

UNFCU Foundation's mission is to eliminate poverty among women and children by providing grants which support healthcare and education initiatives and livelihoods training. UNFCU 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 \$522,310 and \$644,554 in donations made during the years ended December 31, 2020 and 2019, respectively.

8. Risks and Uncertainties

The COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, UNFCU Foundation expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.