

UNFCU FOUNDATION INC.

Financial Statements

December 31, 2021

(With Summarized Comparative Totals for 2020)



NISIVOCCIA
ASSURANCE · TAX · ADVISORY

UNFCU Foundation Inc.
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December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
UNFCU Foundation Inc.
Court Square Place
Long Island City, NY, 11101

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UNFCU Foundation Inc., which comprise the statements of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year 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 UNFCU Foundation Inc. as of December 31, 2021 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.

Basis for Opinion

We conducted our audit 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 UNFCU Foundation Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 UNFCU Foundation Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

To the Board of Directors
UNFCU Foundation Inc.

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 UNFCU Foundation Inc.'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 UNFCU Foundation Inc.'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.

Report on Summarized Comparative Information

We have previously audited UNFCU Foundation Inc.'s December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP
Mt. Arlington, New Jersey
March 29, 2022

UNFCU Foundation Inc.
Statement of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 654,021	\$ 516,868
Pledges receivable	4,500	10,000
Prepaid expenses	11,652	7,152
Total current assets	<u>670,173</u>	<u>534,020</u>
Intangible assets, net	<u>3,531</u>	<u>12,006</u>
Total assets	<u>\$ 673,704</u>	<u>\$ 546,026</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accrued expenses	\$ 61,940	\$ 59,010
Total liabilities	<u>61,940</u>	<u>59,010</u>
Net assets:		
Without donor restrictions	<u>611,764</u>	<u>487,016</u>
Total net assets	<u>611,764</u>	<u>487,016</u>
Total liabilities and net assets	<u>\$ 673,704</u>	<u>\$ 546,026</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Activities
Years Ended December 31, 2021 and 2020

	Without Donor Restrictions	
	2021	2020
Revenue and other support:		
Contributions	\$ 1,045,764	\$ 649,275
Fundraising and special events, net	162,250	42,006
In-kind revenue	158,694	138,151
Other Income	796	743
Total revenue and other support	<u>1,367,504</u>	<u>830,175</u>
Expenses:		
Program services:		
Grants and other assistance	911,898	336,785
Relief effort support	157,993	119,399
Total program services	<u>1,069,891</u>	<u>456,184</u>
Supporting services:		
General and administration	86,547	164,577
Fundraising	86,318	18,503
Total supporting services	<u>172,865</u>	<u>183,080</u>
Total expenses	<u>1,242,756</u>	<u>639,264</u>
Change in net assets	124,748	190,911
Net assets, beginning of year	<u>487,016</u>	<u>296,105</u>
Net assets, end of year	<u>\$ 611,764</u>	<u>\$ 487,016</u>

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	Program Services			Supporting Services		2021	2020
	Grants and other assistance	Relief effort support	Total program services	General and administrative	Fundraising	Total	Total
Grants and assistance to other organizations	\$ 833,475	\$ 157,993	\$ 991,468			\$ 991,468	\$ 456,184
Professional fees				\$ 10,580		10,580	8,000
Insurance				3,120		3,120	3,187
Registration fees				1,913		1,913	1,025
Advertising and promotion				22,181	\$ 41,707	63,888	19,419
Office expenses				3,017		3,017	2,687
Permits							715
Bank fees				1,507		1,507	1,421
Travel and travel meals				94		94	
In-kind payroll	78,423		78,423	29,660	44,611	152,694	132,151
In-kind occupancy				6,000		6,000	6,000
Total expenses before amortization	911,898	157,993	1,069,891	78,072	86,318	1,234,281	630,789
Amortization				8,475		8,475	8,475
Total expenses	\$ 911,898	\$ 157,993	\$ 1,069,891	\$ 86,547	\$ 86,318	\$ 1,242,756	\$ 639,264

See Notes to Financial Statements

UNFCU Foundation Inc.
Statement of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 124,748	\$ 190,911
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	8,475	8,475
Changes in operating assets and liabilities:		
Pledges receivable	5,500	(6,000)
Prepaid expenses	(4,500)	(6,000)
Accrued expenses	2,930	51,040
Net cash provided by operating activities	<u>137,153</u>	<u>238,426</u>
 Net increase in cash and cash equivalents	 137,153	 238,426
 Cash and cash equivalents, beginning of year	 <u>516,868</u>	 <u>278,442</u>
 Cash and cash equivalents, end of year	 <u>\$ 654,021</u>	 <u>\$ 516,868</u>
 Supplemental disclosure of non-cash transactions:		
In-kind payroll and occupancy	<u>\$ 158,694</u>	<u>\$ 138,151</u>

See Notes to Financial Statements

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.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

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>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	<u>\$ 183,630</u>	<u>\$ 42,006</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 as of December 31, 2021 and 2020 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 at December 31, 2021 and 2020.

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 Allocation of 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 82% and 79% of contributions for the years ended December 31, 2021 and 2020, respectively.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by functional classifications. 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, 2020, 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, 2021 through the date of the independent auditors' report and the date the financial statements were available to be issued, March 29, 2022. 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.
Notes to Financial Statements
December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 654,021	\$ 516,868
Pledges receivable	4,500	10,000
Total financial assets	<u>658,521</u>	<u>526,868</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 658,521</u>	<u>\$ 526,868</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, 2021 and 2020 are comprised of:

	<u>Estimated Useful Lives (Years)</u>	<u>2021</u>	<u>2020</u>
Computer Software	3	\$ 25,425	\$ 25,425
Less: Accumulated Amortization		<u>(21,894)</u>	<u>(13,419)</u>
		<u>\$ 3,531</u>	<u>\$ 12,006</u>

For the years ended December 31, 2021 and 2020, UNFCU Foundation incurred amortization expense of \$8,475, and \$8,475 respectively. Amortization expense for the year ended December 31, 2022 will be \$3,531.

UNFCU Foundation Inc.
Notes to Financial Statements
December 31, 2021 and 2020

5. Special Events

During 2021 and 2020, UNFCU Foundation hosted various fundraising events and staff engagement activities. As of December 31, 2021 and 2020, special events income net of direct benefit expenses is summarized below:

	Virtual Event	Golf	2021 Total
Gross revenue	\$ 112,102	\$ 71,528	\$ 183,630
Less: Direct Fundraising expenses		(21,380)	(21,380)
Subtotal	112,102	50,148	162,250
Less: Indirect Fundraising expenses	¹ (22,305)	(22,305)	(44,610)
Net fundraising revenue	<u>\$ 89,797</u>	<u>\$ 27,843</u>	<u>\$ 117,640</u>
	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>	

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

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 three outside directors. UNFCU also provides staff support. The estimated value of in-kind payroll is \$152,694 and \$132,151 for the years ended December 31, 2021 and 2020, respectively. UNFCU Foundation occupies its office space rent free. The estimated value of in-kind occupancy amounted to \$6,000 for both the years ended December 31, 2021 and 2020.

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 \$916,626 and \$522,310 in donations made during the years ended December 31, 2021 and 2020, respectively.

8. Risks and Uncertainties

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.