CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND SINGLE AUDIT REPORTS

UNITED WAY OF METROPOLITAN CHICAGO, INC.
June 30, 2018 and 2017

C O N T E N T S

Grant Thornton

Grant Thornton LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

T +1 312 856 0200
F +1 312 565 4719
grantthornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
United Way of Metropolitan Chicago, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of United Way of Metropolitan Chicago, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

Grant Thornton

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Metropolitan Chicago, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for the purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual organizations, and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200,* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

Chicago, Illinois
October 31, 2018

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(dollars in thousands)
June 30

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$8,238.3	$7,300.6
Pledges receivable, net	10,015.3	10,926.7
Beneficial interest in split-interest agreements	310.3	813.9
Other receivables and prepaid expenses	237.8	414.6
Total current assets	18,801.7	19,455.8
LONG-TERM PLEDGES RECEIVABLE, NET	753.6	24.5
BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT, LONG TERM	956.3	1,000.9
INVESTMENTS	6,774.6	5,903.4
PROPERTY AND EQUIPMENT, NET	1,535.7	1,832.5
TOTAL ASSETS	$28,821.9	$28,217.1

LIABILITIES AND NET ASSETS	2018	2017
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$2,214.0	$1,714.8
Designation and pledge processing payables	3,370.9	2,036.0
Deferred rent	833.3	819.3
Refundable advance	250.0	-
Loan payable	800.0	800.0
Total current liabilities	7,468.2	5,370.1
Non-current liabilities		
Other long-term liabilities	43.2	70.8
Loan payable	4,000.0	4,800.0
Deferred rent	1,659.0	1,849.5
Asset retirement obligation	228.4	222.8
Obligations for retirement benefits	1,151.5	1,244.8
Total non-current liabilities	7,082.1	8,187.9
Total liabilities	14,550.3	13,558.0
NET ASSETS		
Unrestricted	(4,400.1)	(4,109.9)
Temporarily restricted	15,437.7	15,535.0
Permanently restricted	3,234.0	3,234.0
Total net assets	14,271.6	14,659.1
TOTAL LIABILITIES AND NET ASSETS	$28,821.9	$28,217.1

The accompanying notes are an integral part of these statements.

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Public support and other revenue				
Current year campaign	$35,131.3	$10,511.3	$ -	$45,642.6
Amounts designated to other organizations	(18,855.0)	-	-	(18,855.0)
Provision for uncollectible pledges	-	(1,265.0)	-	(1,265.0)
Net from current campaign	16,276.3	9,246.3	-	25,522.6
Contributions received for future campaigns	-	979.0	-	979.0
Collections from, and adjustments to, prior years' campaigns	(261.5)	-	-	(261.5)
Net assets released from time restrictions	10,926.6	(10,926.6)	-	-
Net campaign revenue	26,941.4	(701.3)	-	26,240.1
Other public support and revenue				
Grants and other contributions	2,716.3	434.3	-	3,150.6
Gifts in-kind and contributed services	3,388.4	-	-	3,388.4
Net assets released from purpose restrictions	1,058.6	(1,058.6)	-	-
Net assets restricted in consolidation	(1,087.4)	1,087.4	-	-
Pledges and designations processing fees and other revenue	825.1	-	-	825.1
Total other public support and revenue	6,901.0	463.1	-	7,364.1
Total public support and other revenue	33,842.4	(238.2)	-	33,604.2
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	38,328.6	-	-	38,328.6
Less amounts designated to other organizations	(18,855.0)	-	-	(18,855.0)
Other program expenses	7,419.4	-	-	7,419.4
Total programs	26,893.0	-	-	26,893.0
Management and general	3,278.7	-	-	3,278.7
Fundraising	4,597.8	-	-	4,597.8
Total grantmaking and other expenses	34,769.5	-	-	34,769.5
Changes in operating net assets	(927.1)	(238.2)	-	(1,165.3)
Non-operating				
Investment return, net	97.1	395.4	-	492.5
Interest expense	(124.1)	-	-	(124.1)
Endowment contributions	120.5	-	-	120.5
Non-operating net assets released from restriction	254.5	(254.5)	-	-
Change in value of split-interest agreements	62.9	-	-	62.9
Changes in non-operating net assets	410.9	140.9	-	551.8
Changes in net assets before pension-related change	(516.2)	(97.3)	-	(613.5)
Pension-related change other than net periodic pension cost	226.0	-	-	226.0
Changes in net assets	(290.2)	(97.3)	-	(387.5)
Net assets, beginning of year	(4,109.9)	15,535.0	3,234.0	14,659.1
Net assets, end of year	$(4,400.1)	$15,437.7	$3,234.0	$14,271.6

The accompanying notes are an integral part of this statement.

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Public support and other revenue				
Current year campaign	$33,851.1	$11,420.5	$ -	$45,271.6
Amounts designated to other organizations	(18,171.6)	-	-	(18,171.6)
Provision for uncollectible pledges	-	(1,260.0)	-	(1,260.0)
Net from current campaign	15,679.5	10,160.5	-	25,840.0
Contributions received for future campaigns	-	47.1	-	47.1
Collections from, and adjustments to, prior years' campaigns	17.4	-	-	17.4
Net assets released from time restrictions	11,527.4	(11,527.4)	-	-
Net campaign revenue	27,224.3	(1,319.8)	-	25,904.5
Other public support and revenue				
Grants and other contributions	2,756.2	1,133.5	-	3,889.7
Gifts in-kind and contributed services	2,304.1	-	-	2,304.1
Net assets released from purpose restrictions	1,219.5	(1,219.5)	-	-
Pledges and designations processing fees and other revenue	909.0	-	-	909.0
Total other public support and revenue	7,188.8	(86.0)	-	7,102.8
Total public support and other revenue	34,413.1	(1,405.8)	-	33,007.3
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	40,844.0	-	-	40,844.0
Less amounts designated to other organizations	(18,171.6)	-	-	(18,171.6)
Other program expenses	7,062.6	-	-	7,062.6
Total programs	29,735.0	-	-	29,735.0
Management and general	3,978.3	-	-	3,978.3
Fundraising	5,568.4	-	-	5,568.4
Total grantmaking and other expenses	39,281.7	-	-	39,281.7
Changes in operating net assets	(4,868.6)	(1,405.8)	-	(6,274.4)
Non-operating				
Investment return, net	98.1	622.8	-	720.9
Interest expense	(144.8)	-	-	(144.8)
Endowment contributions	71.0	1,814.8	-	1,885.8
Non-operating net assets released from restriction	413.9	(413.9)	-	-
Other non-operating income	5.0	-	-	5.0
Changes in non-operating net assets	443.2	2,023.7	-	2,466.9
Changes in net assets before pension-related change	(4,425.4)	617.9	-	(3,807.5)
Pension-related change other than net periodic pension cost	357.0	-	-	357.0
Changes in net assets	(4,068.4)	617.9	-	(3,450.5)
Net assets, beginning of year	(41.5)	14,917.1	3,234.0	18,109.6
Net assets, end of year	$(4,109.9)	$15,535.0	$3,234.0	$14,659.1

The accompanying notes are an integral part of this statement.

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
Years Ended June 30

	2018	2017
Cash flows from operating activities		
Change in net assets	$(387.5)	$(3,450.5)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	296.8	378.1
Realized and unrealized investment gain	(305.8)	(553.1)
Contributions restricted for long-term purposes	-	(230.8)
Changes in operating assets and liabilities		
Pledges receivable	182.3	1,957.0
Beneficial interest in split-interest agreements	548.2	(1,814.8)
Other receivables and prepaid expenses	176.8	88.8
Refundable advance	250.0	-
Deferred rent	(176.5)	(162.7)
Designation and pledge processing payables	1,334.9	87.1
Accounts payable and accrued expenses	497.3	(173.6)
Obligations for retirement benefits	(93.3)	(187.1)
Asset retirement obligation	5.6	5.4
Net cash provided by (used in) operating activities	2,328.8	(4,056.2)
Cash flows from investing activities		
Purchases of property and equipment	-	(30.0)
Sales of investments	387.2	375.0
Purchases of investments	(952.6)	(346.4)
Net cash used in investing activities	(565.4)	(1.4)
Cash flows from financing activities		
Contributions restricted for long-term purposes	-	230.8
Principal payment on long-term debt	(800.0)	-
Principal payments under capital lease obligation	(25.7)	(9.7)
Net cash (used in) provided by financing activities	(825.7)	221.1
Net change in cash and cash equivalents	937.7	(3,836.5)
Cash and cash equivalents, beginning of year	7,300.6	11,137.1
Cash and cash equivalents, end of year	$8,238.3	$7,300.6

Supplemental data

Cash paid during the year for interest	$7.6	$2.3
Non-cash acquisition of equipment under capital leases	-	70.8

The accompanying notes are an integral part of these statements.

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
(dollars in thousands)
Years Ended June 30

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grantmaking and other funding	$38,328.6	$ -	$ -	$38,328.6	$40,844.0	$ -	$ -	$40,844.0
Less amounts designated to other organizations	(18,855.0)	-	-	(18,855.0)	(18,171.6)	-	-	(18,171.6)
Net grantmaking and other funding	19,473.6	-	-	19,473.6	22,672.4	-	-	22,672.4
Salaries	2,679.2	1,384.1	2,427.7	6,491.0	3,234.6	1,894.8	3,065.5	8,194.9
Defined benefit plan (frozen)	-	71.3	-	71.3	-	97.7	-	97.7
Benefits and payroll taxes	533.5	308.3	491.9	1,333.7	738.2	470.6	704.4	1,913.2
Total salaries and related expenses	3,212.7	1,763.7	2,919.6	7,896.0	3,972.8	2,463.1	3,769.9	10,205.8
Professional fees	1,183.7	801.7	667.2	2,652.6	471.8	861.3	561.1	1,894.2
Office supplies and expenses	24.8	12.3	8.4	45.5	14.1	14.7	13.6	42.4
Telephone	2.3	58.8	-	61.1	4.5	61.9	2.0	68.4
Postage and related expenses	6.7	12.3	37.9	56.9	14.2	12.5	55.3	82.0
Occupancy	247.7	263.7	301.9	813.3	266.1	191.1	390.2	847.4
Equipment rental and maintenance	60.1	77.8	12.8	150.7	30.0	65.9	29.9	125.8
Printing, publications and advertising	2,202.0	41.7	120.6	2,364.3	1,822.0	35.3	161.7	2,019.0
Employee business expenses	56.3	19.4	33.4	109.1	71.5	16.8	62.7	151.0
Meetings and events	21.6	4.5	4.8	30.9	28.2	(6.2)	5.5	27.5
Dues - United Way Worldwide	172.2	131.1	210.1	513.4	154.8	129.0	298.9	582.7
Insurance and miscellaneous	129.6	16.3	159.4	305.3	99.2	38.4	47.4	185.0
Total expenses before provision for depreciation and amortization	26,793.3	3,203.3	4,476.1	34,472.7	29,621.6	3,883.8	5,398.2	38,903.6
Depreciation and amortization	99.7	75.4	121.7	296.8	113.4	94.5	170.2	378.1
Total functional expenses	$26,893.0	$3,278.7	$4,597.8	$34,769.5	$29,735.0	$3,978.3	$5,568.4	$39,281.7

The accompanying notes are an integral part of these statements.

NOTE A - NATURE OF ORGANIZATION AND RELATED-PARTY TRANSACTIONS

United Way of Metropolitan Chicago, Inc. ("UWMC") is an Illinois non-profit philanthropic corporation whose mission is to improve lives in the metropolitan Chicago area by mobilizing caring people to invest in the community where their resources are needed the most. In April 2018, UWMC and Robert R. McCormick Foundation ("McCormick") established a new 501(c)(3) organization, the United Way – McCormick Partnership for Strong Neighborhoods, Inc. ("UWMP"). UWMC controls UWMP through its voting interests. UWMC and UWMP, collectively, are referred to as the "Organization."

The Organization serves as a critical community convener, generating and coordinating resources across individual donors, corporations, service providers, and government and civic leaders to improve lives and strengthen neighborhoods on a meaningful scale.

The vision of the Organization is that greater Chicago neighborhoods are all places where people want to live, and where individuals and families can readily access the tools, resources and systems they need to succeed. The Organization funds best-in-class human service agencies that provide education, financial stability, health and basic needs support in high-need communities; invests in and co-builds solutions on the ground to address specific neighborhood challenges; convenes community leaders to make systemic change and advocates on behalf of families and human services. To raise support for its work, the Organization conducts workplace giving campaigns each year, beginning in late summer and lasting approximately 18 months through the end of the subsequent calendar year. The Organization also receives individual and major gifts outside of the workplace, and grants and other contributions directly from private foundations and other organizations. These funds are reflected as "Grants and other contributions" on the statements of activities. The level of contributions to the Organization can be affected by economic conditions.

Contributions are also received through the Organization and distributed to additional designated agencies at the specific request of its donors, thus acting as a fiscal agent on behalf of its donors. A decrease in undesignated contributions from corporate and individual donors may adversely affect the Organization's ability to execute its mission and achieve its vision for the metropolitan Chicago region.

Several companies managed by members of the Organization's Boards of Directors traditionally conduct campaigns in the ordinary course of business. In addition, the Organization receives contributions directly from members of the Organization's Boards of Directors. Such amounts, received from the directors, totaled $973.1 and $914.3 for the years ended June 30, 2018 and 2017, respectively.

Principles of Consolidation

The consolidated financial statements as of and for the year ended June 30, 2018 include the accounts and activities of UWMC and UWMP. As of June 30, 2018, UWMP's cash and net assets balance of $1,087.4 is reflected in the consolidated statements. A reclassification from unrestricted to temporarily restricted net assets of $1,087.4 is included in the 2018 consolidated statement of activities to reflect that UWMP's unrestricted net assets are for a purpose narrower than that of UWMC.

The UWMP income statement and balance sheet, including any eliminating entries, are reported in the Supplemental Information section of this report. All significant transactions have been eliminated in the 2018 consolidated financial statements.

UWMP was organized and operates exclusively for charitable and educational purposes. Specifically, the Partnership was established to make grants with the objective of creating positive change in the Chicago Metropolitan Area by supporting networks of community organizations that are actively focused on creating solutions for each community's most pressing problems.

UWMC and McCormick are Members, with UWMC having 4 voting interests and McCormick having 2 voting interests. Members have the right to approve acceptance of gifts, grants, and donations, appoint or remove Directors, and approve changes to the Articles of Incorporation. The bylaws of UWMP specify that any gift, grant, donation, bequest or devise for general purposes or for any special purpose and any distribution upon dissolution and any grants must be approved by McCormick.

UWMC is responsible for the operations and day-to-day functions of UWMP including but not limited to bookkeeping, record keeping, accounting, and the operations, communications, and involvement between UWMP and grantees in the communities served. UWMC and UWMP have entered into a Service Agreement. In 2018, UWMC received compensation for the services performed totaling $100.0. The Service Agreement terminates each December 31 and is extendable with 30 days' notice from UWMC.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

UWMC has received favorable determination letters from the Internal Revenue Service ("IRS") stating that they are exempt from federal income taxes under the provisions of 501(c)(3) of the Internal Revenue Code of 1986 ("IRC"), except for income taxes pertaining to unrelated business income. UWMP submitted its application for tax-exempt status from the IRS as an IRC Section 501(c)(3) organization on May 24, 2018. As of the date of these statements, its application status is currently pending. Accounting guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position was to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. There is no interest or penalties recognized in the financial statements.

(dollars in thousands)

Results of UWMC Campaign

For fiscal years 2018 and 2017, total contributions recorded in the accompanying statements of activities for the annual UWMC campaign were as follows:

	2018	2017
Prior campaign beginning in fiscal year 2016	$ -	$45,271.6
Current campaign beginning in fiscal year 2017	45,642.6	47.1
Future campaigns beginning in subsequent fiscal years	979.0	-
	$46,621.6	$45,318.7

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Credit Risk Concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and pledges receivable. The Organization's investment policy is intended to limit its exposure to credit risk. The Organization maintains cash in bank deposit accounts, which may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Revenue Recognition

Donors generally pledge or give a majority of their contributions during the first six to nine months of each annual campaign. The Organization recognizes revenue at fair value in the period the pledge is received or, in the absence of a pledge, when cash is received from the donor. The Organization considers all support as unrestricted unless specifically restricted by the donor as to purpose or for the passage of time.

UWMC receives conditional multi-year grants in support of neighborhood-specific solutions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The total amounts of conditional promises to give are $1,900.0 and $2,050.0 at June 30, 2018 and 2017, respectively.

UWMC performs support services for an adjacent United Way organization essentially under a cost-reimbursement contract. The cost reimbursement is recognized ratably as services are performed based on contractually agreed-upon fees. The cost reimbursement offsets the associated expenses of performing these services in the statements of activities.

Contributions Designated to Other Organizations

Donor organizations and individuals participating in such entities' campaigns may choose to designate all or part of their contributions to specific charitable organizations. These transactions are reported as part of the current year campaign and are deducted as "Amounts designated to other organizations" to arrive at net campaign revenue and deducted from grantmaking and other expenses to arrive at program expenses. Amounts designated where donation funds are received directly by UWMC are recorded as "Designations payable" until paid to the designated charitable organizations. Processing fees of up to 8% of amounts designated, subject to certain limitations, are recorded as administrative fee revenue and collected through receipt of the designated amounts.

(dollars in thousands)

"Amounts designated to other organizations" also include designations that are paid directly to designated charitable organizations by the donor organization, another United Way or a third-party processor.

Funds raised through the Combined Federal Campaign (a workplace campaign for federal civilian, postal and military donors) are assessed a 2% administrative fee. Amounts designated to other organizations are distributed based on a proportionate share of receipts.

Gifts In-Kind and Contributed Services

Gifts in-kind include print and broadcast marketing, office equipment, supplies, food or entertainment tickets that the Organization receives directly. Contributed services represent services requiring specialized skills that the Organization would typically purchase, such as legal and consulting services. Gifts in-kind and contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in unrestricted expenses in the statements of activities, resulting in no net impact on the change in net assets during the year.

The following table summarizes gifts in-kind and contributed services for the years ended June 30:

	2018	2017
Gifts in-kind		
Marketing and advertising	$2,036.1	$1,583.7
Other	6.8	66.0
Total gifts in-kind	2,042.9	1,649.7
Contributed services		
Consulting	1,293.2	624.3
Legal	52.3	30.1
Total contributed services	1,345.5	654.4
Total gifts in-kind and contributed services	$3,388.4	$2,304.1

The Organization receives services from a large number of volunteers who give significant amounts of their time to fundraising campaigns, various committees and programs. However, no amounts for these types of contributed services have been recognized in the financial statements because such services do not require specialized skills and there is no objective basis available to measure the value of such services.

(dollars in thousands)

Grantmaking and Other Funding

The Board of Directors approves grants on a quarterly basis to agencies for each fiscal year period extending from July 1 to June 30. Since campaigns are conducted for a calendar year, the Organization funds a portion of the current year and subsequent year grants utilizing funds available from the current year campaign. The Board of Directors approves the grants based on an impact area funding strategy, which is contingent upon actual and estimated future cash availability, agency financial stability, agency compliance with contractual terms and program execution. Accordingly, grants are recorded in the financial statements when the grant is deemed unconditional as of the financial statement date.

The Organization distributes additional grants to various foundations and organizations that support the Organization's mission. In fiscal years 2018 and 2017, the Organization issued a grant to a local foundation for $2,330.8 and $2,326.7, respectively, which supports the Organization's education strategy. In fiscal year 2018, UWMC and McCormick entered into an agreement wherein UWMC issued a $1,000.0 grant to a separate fund of McCormick, which McCormick matched with $500.0. McCormick granted $1,500.0 to UWMP to support UWMP's charitable and educational purposes.

In fiscal years 2018 and 2017, UWMC supported multiple government-funded grants whose purposes are to educate residents and assist them in enrolling in new health care coverage, to plan for a 211-support system, to provide volunteers to work in Chicagoland area communities, and to provide access to emergency food and shelter. These funds are reflected as "Grantmaking and other funding" on the statements of activities. In fiscal years 2018 and 2017, UWMC these grants totaled $1,131.8 and $849.8, respectively.

The following summarizes the Organization's community investment for fiscal years ended June 30:

	2018	2017
Grantmaking and other funding		
Education	$5,208.9	$8,287.6
Income	4,133.9	5,258.0
Health	5,723.7	5,783.3
Safety Net	6,713.4	6,858.8
Neighborhood Networks	5,113.1	3,547.3
Total grantmaking and other funding	26,893.0	29,735.0
Amounts designated to other organizations	18,855.0	18,171.6
	$45,748.0	$47,906.6

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and other highly liquid short-term investments with original maturities of three months or fewer and are carried at either cost-plus accrued interest or fair value. The Organization's cash reserve policy is to maintain three months' cash reserves in the form of cash and cash equivalents and short-term investments.

Pledges Receivable

Pledges receivable, recorded at net realizable value, consist principally of uncollected campaign pledges received from companies and their employees. The Organization determines an allowance for uncollectible pledges by considering several factors, including length of time a pledge is past due, previous loss history and the consideration of the general economy for the geographic region as a whole. Allowances are provided for pledge amounts estimated by management to be uncollectible. As of June 30, of each fiscal year, a final accounting is made of the prior year's campaign. Pledges receivable related to the prior campaign that have not been collected are generally considered uncollectible and are written off. Subsequent collections of amounts written off are recorded when received, in "Collections from, and adjustments to, prior years' campaigns" on the statements of activities.

Investments

Investments consist of institutional equity, fixed income, real estate, money market and commodity-linked mutual funds. Some publicly traded money market mutual funds with original maturities of greater than three months and less than 18 months are classified as "Short-term investments." Investments are carried at the quoted market value of the securities. Realized gains and losses are based on specific identification of the security sold. Interest, dividends, gains and losses related to these funds are recorded as "Investment return, net" on the statements of activities.

Property and Equipment

Buildings are carried at cost and depreciated using the straight-line method over 40 years. Furniture, equipment and software are carried at cost and depreciated using the straight-line method, between three and five years. Equipment is capitalized if it has a cost of five hundred dollars ($500) or more and a useful life when acquired of more than one year.

Amortization of leasehold improvements is computed using the straight-line method over the lesser of an asset's estimated useful life or the remaining lease term.

Pledge Processing

Certain major corporations (clients) have contracts with UWMC to process their regional and national pledge processing activities, including processing of amounts that are not part of the local campaign

Clients remit employee contributions and the corresponding distribution information to UWMC. UWMC consolidates and reconciles the information for a given client and distributes funds according to the clients' instructions. Funds received in this manner are recorded as pledge processing payables until such distributions are completed. In return for these services, UWMC receives contractually agreed-upon pledge processing fees.

Classification of Net Assets

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions. Within unrestricted assets are:

> Operating unrestricted net assets: include all unrestricted operating revenue and expenses that are an integral part of the Organization's programs and supporting activities.
>
> Non-operating unrestricted net assets: include all investment income, realized and unrealized gains and losses and related investment expenses, contributions to and releases from the Organization's endowment, and gains and losses on disposition of assets.
>
> Board-designated net assets: include all net assets that have been set aside by the Board of Directors for future use.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions as to purpose that may or will be met by actions of the Organization, or that expire by the passage of time. A time restriction is implied in an unconditional promise to give when it is scheduled to be paid in future periods, as with payroll deductions.

Permanently restricted net assets - Net assets that are subject to donor-imposed restrictions requiring the assets, or corpus, to be maintained permanently by the Organization.

When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from time restrictions and net assets released from purpose restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

The net appreciation of interest, dividends, and realized and unrealized gains and losses recognized on donor-restricted endowment funds is classified as temporarily restricted net assets to be spent as directed by the Boards of Directors. Unrealized losses that cause the fair value to fall below the level the donor requires the Organization to maintain are classified within unrestricted net assets. Net earnings and appreciation that restore these losses are also reflected within unrestricted net assets.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization for fiscal year 2019. Early adoption is permitted, and entities are required to adopt the guidance retrospectively.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for fiscal year 2021. Early adoption is permitted.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the Organization for fiscal year 2020. Early adoption is permitted. The guidance permits the use of either a retrospective or cumulative effect transition method.

(dollars in thousands)

NOTE C - PLEDGES RECEIVABLE, NET

The following table summarizes pledges receivable, net as of June 30:	2018	2017
Campaign beginning in 2016	$45.0	$11,736.9
Campaign beginning in 2017	10,785.3	-
Current portion of multi-year pledges	450.0	449.8
Total	11,280.3	12,186.7
Less allowance for uncollectible pledges	(1,265.0)	(1,260.0)
Pledges receivable, net	$10,015.3	$10,926.7

Long-term pledges, net, represent multi-year unconditional promises to give that are due in more than one year. The pledges are recorded at their net realizable present value using a discount rate equal to the most commensurate treasury notes. The following table summarizes the balances as of June 30:

	2018	2017
Gross multi-year pledges receivable	$1,250.0	$474.8
Less current portion	(450.0)	(449.8)
Less unamortized discount	(46.4)	(0.5)
Long-term pledges receivable, net	$753.6	$ 24.5

NOTE D - BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

The UWMC Board of Directors' policy is to invest proceeds from bequests in the UWMC Endowment ("Endowment"), unless directed otherwise by the donor.

In 2017, UWMC was named the beneficiary of split-interest agreements established by two individuals. UWMC recognized a short-term beneficial interest in the trust assets of $813.9. One of the two trusts has a long-term component, payable over 10 years. UWMC recognized a long-term beneficial interest in this trust of $1,000.9.

(dollars in thousands)

In 2018, UWMC received $100.0 in additional contributions and $711.1 in collections related to the split-interest agreements, all of which was invested in the Endowment. These additions, changes in valuation and collections resulted in the following changes to the short-term and long-term beneficial interests in the trust assets for the years ended June 30:

	2018	2017
Short-Term		
Beginning balance	$813.9	$ -
Additions	100.0	813.9
Changes in valuation	6.3	-
Collections	(711.1)	-
Transfer from long-term	101.2	-
Ending Balance	$310.3	$813.9
Long-Term		
Beginning balance	$1,000.9	$ -
Additions	-	1,000.9
Changes in valuation	56.6	-
Collections	-	-
Transfer to short-term	(101.2)	-
Ending balance	$956.3	$1,000.9

NOTE E - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Long-term investments include donor-restricted, unrestricted endowment, non-endowment funds and deferred compensation funds for the benefit of UWMC. Refer to Note G for additional information regarding deferred compensation.

UWMC's long-term investments are composed of institutional equity mutual funds, fixed income mutual funds, commodity-linked mutual funds, real estate equity mutual funds and money market mutual funds. Commodity-linked mutual funds are mutual funds having futures contracts or options and can participate in price moves of underlying commodities. Real estate equity mutual funds are mutual funds that invest in the equity of real estate companies.

The Organization's endowment investment strategy is to preserve, protect and grow the endowment assets to generate enough earnings to be used to meet obligations arising from planned activities. These goals are to be accomplished by achieving a long-term rate of return on the investments that ensures growth of the assets and by diversifying a portfolio among various asset classes with the goal of reducing return volatility among various securities issuers. The allowable asset classes include domestic and international equity, fixed income securities and bonds, and alternative investments such as commodities and real estate.

(dollars in thousands)

Total investments at June 30 and net investment return are summarized as follows:

	2018	2017
Endowment	$6,269.3	$5,368.5
Non-endowment funds	90.1	181.1
Deferred compensation	415.2	353.8
Total investments	$6,774.6	$5,903.4

	2018	2017
Investment income	$186.7	$167.8
Unrealized gains	144.1	445.3
Realized gains	161.7	107.8
	$492.5	$720.9

The fair value of investments, as well as some cash equivalents, is based on observable inputs, such as quoted prices in active markets or other than quoted prices in active markets, that are observable either directly or indirectly. Fair value is measured as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tiered fair value hierarchy has been established that prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs, such as quoted prices in active markets;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which requires the Organization to develop its own assumptions

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Organization uses third-party providers to determine the fair values of its investments. The third-party providers receive market prices from a variety of industry standard data providers with reasonable levels of price transparency.

Investments with values based on quoted market prices in active markets are classified by the Organization as Level 1 and include publicly traded mutual funds. The mutual funds legally and contractually redeem their outstanding shares at net asset value (“NAV”).

(dollars in thousands)

The valuation of the beneficial interest in split-interest agreements falls under Level 3, as there are no significant observable inputs. The inputs used by UWMC in estimating the Level 3 beneficial interest in split-interest agreements include future asset growth. Due to lack of observable inputs, the assumptions used by UWMC may significantly impact the resulting fair value of the beneficial interest in split-interest agreements.

The following tables summarize assets measured at fair value as of June 30:

2018	Level 1	Level 3	Total
Investments			
Institutional equity mutual funds	$4,239.9	$ -	$4,239.9
Fixed income mutual funds	2,010.8	-	2,010.8
Commodity mutual funds	342.5	-	342.5
Real estate equity mutual funds	110.3	-	110.3
Money market mutual funds	71.1	-	71.1
Total	$6,774.6	$ -	$6,774.6
Beneficial interest in split-interest agreement	$ -	$1,266.6	$1,266.6
Total	$ -	$1,266.6	$1,266.6
Cash and cash equivalents			
Money market mutual funds	$3,274.3	$ -	$3,274.3
Total	$3,274.3	$ -	$3,274.3

2017	Level 1	Level 3	Total
Investments			
Institutional equity mutual funds	$3,777.2	$ -	$3,777.2
Fixed income mutual funds	1,682.3	-	1,682.3
Commodity mutual funds	280.3	-	280.3
Real estate equity mutual funds	98.1	-	98.1
Money market mutual funds	65.5	-	65.5
Total	$5,903.4	$ -	$5,903.4
Beneficial interest in split-interest agreement	$ -	$1,814.8	$1,814.8
Total	$ -	$1,814.8	$1,814.8
Cash and cash equivalents			
Money market mutual funds	$4,195.1	$ -	$4,195.1
Total	$4,195.1	$ -	$4,195.1

(dollars in thousands)

Changes in level 3 assets for the year ended June 30, 2018, are as follows:

	Beneficial interest in split-interest agreements
Balance, June 30, 2017	$1,814.8
Additions	100.0
Collections	(711.1)
Change in value	62.9
Balance, June 30, 2018	$1,266.6

Changes in level 3 assets for the year ended June 30, 2017, are as follows:

	Beneficial interest in split-interest agreements
Balance, June 30, 2016	$ -
Additions	$1,814.8
Balance, June 30, 2017	$1,814.8

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30 are summarized as follows:

	2018	2017
Leasehold improvements	$2,265.6	$2,286.1
Office equipment and software	1,617.5	1,654.8
Total property and equipment	3,883.1	3,940.9
Accumulated depreciation/amortization	(2,347.4)	(2,108.4)
Property and equipment, net	$1,535.7	$1,832.5

(dollars in thousands)

NOTE G - POSTRETIREMENT BENEFITS

UWMC sponsors a defined contribution retirement plan covering all its eligible employees. During 2018, UWMC terminated its 403(b) defined contribution plan and, effective January 1, 2018, established a new 401(k) defined contribution plan which covers all its employees. During the year, all employees were given the opportunity to roll their 403(b) Plan investments to the new 401(k) Plan and to reestablish any loans undertaken as part of the 403(b) plan. UWMC matches, subject to IRS limitations, 50% of the first 6% that an employee contributes, up to a maximum match amount equivalent to 3% of an employee's gross pay. The Organization's defined contribution plan matching provisions did not change as a result of the 403(b) Plan termination and 401(k) establishment. The cost of these plans was $163.8 and $186.9 in fiscal years 2018 and 2017, respectively.

UWMC also provides a deferred compensation plan that allows certain officers to defer portions of their compensation. The deferred income obligation was $415.2 and $353.8 at June 30, 2018 and 2017, respectively, and is included in "Obligations for retirement benefits," and the related plan assets are included in "Investments" on the statements of financial position.

In addition, UWMC maintains a non-contributory, single-employer defined benefit pension plan, which was frozen effective December 31, 2003, and covers eligible employees up to that date. Payments are made to eligible retired employees based on earnings, age and years of service.

The plan's funding policy is to contribute amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as UWMC may determine to be appropriate. UWMC does not expect to make a contribution to the defined benefit pension plan in fiscal year 2019.

In September 2016, UWMC offered the opportunity for terminated vested participants to receive a one-time, lump-sum payment of their accrued benefits. This offer was made available to 49 individuals, and 15 accepted. UWMC has no further obligations to the individuals who accepted the offer. Cash payouts of $585.6 were made, and UWMC recognized $522.3 of actuarial losses related to this offer during fiscal year 2017.

The components of net periodic pension cost for the fiscal years ended June 30 are summarized as follows:

	2018	2017
Interest cost	$139.6	$177.9
Expected return on plan assets	(175.3)	(247.7)
Administrative expenses	50.0	90.0
Amortization of actuarial loss	57.0	77.6
	$71.3	$97.8

(dollars in thousands)

The components of the pension-related change other than net periodic pension cost for the fiscal years ended June 30 are summarized as follows:

	2018	2017
Actuarial gain arising during the year	($169.0)	($279.4)
Amortization of actuarial loss	(57.0)	(77.6)
	($226.0)	($357.0)

Amounts have not yet been recognized as a component of net periodic pension costs and consist of a net actuarial loss of $1,922.7 and $2,148.7 at June 30, 2018 and 2017, respectively.

The estimated actuarial loss that will be amortized from unrestricted net assets into net periodic pension cost through June 30, 2019, is $7.6.

The following table summarizes the weighted-average assumptions used in determining pension costs for the fiscal years ended June 30:

	2018	2017
Discount rate	3.80%	3.50%
Expected return on plan assets	6.30%	6.30%

The weighted-average discount rate used in determining the benefit obligation was 4.1% at June 30, 2018, and 3.80% at June 30, 2017.

The discount rate is determined as of the measurement date based on the discounting of future expected cash flows using the FTSE Pension Discount Curve, a high-quality corporate bond interest rate.

The expected long-term rate of return on plan assets assumption is based on a building block approach. The expected long-term rate of inflation and risk premiums for the various asset categories are based on the current investment environment. General historical market returns, and inflation rates are used in the development of the long-term expected inflation rates and risk premiums. The target allocation of assets is used to develop a composite rate of return assumption.

(dollars in thousands)

The change in benefit obligations, fair value of plan assets and the funded status of the plan for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Change in projected benefit obligation		
Beginning of year	$3,700.8	$5,132.7
Interest cost	139.6	177.9
Actuarial gain	(413.8)	(646.4)
Administrative expenses assumed	50.0	90.0
Benefits paid	(147.5)	(153.3)
Settlements	-	(900.1)
End of year	$3,329.1	$3,700.8

	2018	2017
Change in fair value of plan assets		
Beginning of year	$2,809.8	$3,982.4
Actual return on plan assets	(69.5)	(119.2)
Benefits paid	(147.5)	(153.3)
Settlements	-	(900.1)
End of year	$2,592.8	$2,809.8

	2018	2017
Funded status, end of year		
Fair value of plan assets	$2,592.8	$2,809.8
Less projected benefit obligation	(3,329.1)	(3,700.8)
Funded status	($736.3)	($891.0)

The funded status obligation is included in “Obligations for retirement benefits.”

UWMC incorporated the RP2014/MP2017 mortality table and projection scale as of June 30, 2018.

The Organization’s overall investment strategy has historically been to achieve a mix of long-term growth and near-term benefit payments. As a result of a June 2016 purchase of annuities for all retirees and the September 2016 lump sum window, combined with management’s desire to reduce the size of the plan even further, the investment strategy was changed as of June 30, 2017, to reduce market exposure. As of June 30, 2017, the plan assets were 100% invested in money market securities.

In February 2018, due to lack of availability of affordable annuities to further reduce the size of the plan, the Organization revised the investment strategy. Defined benefit plan assets were invested in a balanced fund composed of 60% equity and 40% fixed income. As of June 30, 2018, the plan assets were invested in the balanced fund.

(dollars in thousands)

The plan's assets have historically been invested in a master trust created for the benefit of the Organization and other participating agencies. In fiscal 2017, the assets of the master trust were segregated into separate accounts for each of the participating agencies.

The fair value of the Organization's segregated assets, invested in the balanced fund and valued at NAV, as of June 30, 2018 totaled $2,592.8. The fair value of the Organization's investment in the segregated assets invested in money market securities and valued at NAV as of June 30, 2017 was $2,809.8.

As of June 30, 2018 and 2017, the Organization had an unfunded commitments to the plan as of $736.3 and $891.0, respectively, as its pension liability is not fully funded. The Organization, as sponsor of the pension plan, may terminate the pension plan at any time.

The following table presents the benefits expected to be paid under UWMC's defined benefit plan in each of the next five fiscal years, and in the aggregate for the five years thereafter, as of June 30, 2018:

2019	$63.7
2020	70.6
2021	85.0
2022	95.1
2023	97.9
2024-2028	676.7

NOTE H - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS

Unrestricted net assets, which are not subject to donor-imposed restrictions, may be designated and set aside by the Organization's Board of Directors at their discretion. The Board may elect to release these net assets from designation at any time. As of June 30, 2018 and 2017, the Board had designated $3,139.1 and $2,463.0, respectively, of net assets for future operations.

Temporarily restricted net assets include contributions or grants subject to donor-imposed restrictions as to purpose that may or will be met by actions of the Organization, or that expire by the passage of time.

(dollars in thousands)

The following table summarizes temporarily restricted net assets as of June 30:

	2018	2017
Pledges receivable, time restricted for use in future periods	$10,201.9	$12,474.6
Endowment net investment return	1,990.7	1,849.7
Purpose-restricted contributions		
United Way - McCormick Partnership	1,087.4	-
United Way Neighborhood Networks	895.6	148.3
Domestic violence prevention programs	500.0	500.0
Barrier Reduction Fund	240.6	-
Bronzeville violence prevention program	104.3	224.8
Various other specific programs	417.2	337.6
Total purpose restricted	$3,245.1	1,210.7
Total temporarily restricted net assets	$15,437.7	$15,535.0

Permanently restricted net assets include contributions to endowment funds that are subject to donor-imposed restrictions that cannot be released from restriction by expiration of time or fulfillment of purpose. Permanently restricted net assets at June 30, 2018 and 2017 consist solely of donor endowment funds.

The Organization's endowment consists of Board-designated and donor-restricted funds maintained by UWMC. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization accounts for donor-restricted endowment net assets by preserving the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

The Organization's Board of Directors may designate unrestricted net assets to the endowment fund at its discretion.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds.
2. The purposes of the Organization and the donor-restricted endowment funds.

(dollars in thousands)

3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

The following table summarizes the endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$1,990.7	$3,234.0	$5,224.7
Board-designated endowment funds	1,046.2	-	-	1,046.2
Endowment net assets	$1,046.2	$1,990.7	$3,234.0	$6,270.9

During the year ended June 30, 2018, the Organization had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	$284.8	$1,849.7	$3,234.0	$5,368.5
Contributions	731.7	-	-	731.7
Appropriations	-	(254.5)	-	(254.5)
Investment return				
Investment income	9.7	105.1	-	114.8
Net appreciation	20.0	290.4	-	310.4
Endowment, end of year	$1,046.2	$1,990.7	$3,234.0	$6,270.9

The following table summarizes the endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$1,849.7	$3,234.0	$5,083.7
Board-designated endowment funds	284.8	-	-	284.8
Endowment net assets	$284.8	$1,849.7	$3,234.0	$5,368.5

(dollars in thousands)

During the year ended June 30, 2017, the Organization had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	$31.1	$1,465.8	$3,234.0	$4,730.9
Contributions	230.8	-	-	230.8
Appropriations	-	(238.9)	-	(238.9)
Investment return				
Investment income	2.2	105.7	-	107.9
Net appreciation	20.7	517.1	-	537.8
Endowment, end of year	$284.8	$1,849.7	$3,324.0	$5,368.5

NOTE I - LOAN PAYABLE

On June 28, 2016, the Organization entered into a loan agreement for $5,600.0 with a commercial bank for the purpose of purchasing annuities for the retirees of the frozen defined benefit plan. Interest is fixed at a rate of 2.55% and is payable monthly. Principal payments are due annually from July 1, 2017 through June 28, 2023. The Organization has agreed to certain financial covenants. As of June 30, 2018, the Organization was in compliance with these covenants.

Since the second loan payment is due on July 1, 2018, $800.0 of the principal amount is included in current liabilities. The remaining $4,000.0 is included in loan payable in non-current liabilities.

Principal maturities are as follows:

July 1, 2018	$800.0
July 1, 2019	800.0
July 1, 2020	800.0
July 1, 2021	800.0
July 1, 2022	800.0
Thereafter	800.0
Total	$4,800.0

NOTE J - FUTURE COMMITMENTS

UWMC entered into an operating lease agreement for office and storage space at 333 South Wabash Avenue, Chicago, IL, that expires in 2028. The monthly base rent over the 15-year lease ranges from $63.4 to $79.7; however, the agreement provides rent abatement for the first 18 months. Rent expense is recognized on a straight-line basis over the life of the lease. The agreement also provided for tenant improvement and space planning allowances of $2,097.7. Lease incentives are recognized on a straight-line basis over the life of the lease as reductions to rent expense. Deferred rent was $2,492.3 and $2,668.8 at June 30, 2018 and 2017, respectively.

(dollars in thousands)

UWMC has recorded an asset and a corresponding liability for the present value of the estimated cost to return the leased office space to its original condition at the end of the lease. The asset is depreciated over the life of the corresponding lease while the liability accretes to the amount of the estimated retirement obligation. The present value of the estimated asset retirement obligation was $228.4 and $222.8 at June 30, 2018 and 2017, respectively.

UWMC had lease agreements for office space in Oak Brook, IL; Matteson, IL; and Mt. Prospect IL. The lease agreement for the office space in Oak Brook, IL expired on June 30, 2017 and was not renewed. The lease agreement for the office space in Matteson, IL expired on January 31, 2018 and was not renewed. The lease agreement for the office space in Mt. Prospect, IL was terminated on June 30, 2018.

The following table represents the rent expected to be paid under the lease agreement at 333 South Wabash Avenue in each of the next five fiscal years and thereafter:

	Total
2019	$834.5
2020	848.4
2021	862.4
2022	876.4
2023	890.3
Thereafter	4,431.6
	$8,743.6

Rent expense was $770.0 and $815.0 in fiscal years 2018 and 2017, respectively.

In 2017, UWMC acquired office equipment under two capital lease arrangements (one a replacement for a copier with an expired lease and one a new lease for several pieces of office equipment which replaced an annual service agreement). The leases require monthly payments of $2.7 and have lease terms of 3 years. UWMC has recorded the equipment and a capital lease obligation liability in amounts equivalent to the equipment's fair value. The liability totaled $69.9 and $95.6 as of June 30, 2018 and 2017, respectively. The equipment was originally capitalized at $97.9. Accumulated depreciation as of June 30, 2018 and 2017, was $26.7 and $7.0, respectively.

Future annual minimum lease payments under the capital lease obligations and the present value of the minimum lease payments at June 30, 2018, were as follows for the years ending June 30:

2019	$31.8
2020	46.0
Total minimum lease payments	77.8
Less amounts representing interest	(7.9)
Present value of minimum lease payments	$69.9

NOTE K - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2018, financial statements for subsequent events through October 31, 2018, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

United Way of Metropolitan Chicago, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
(dollars in thousands)
June 30, 2018

ASSETS	UWMC	UWMP	Total
CURRENT ASSETS			
Cash and cash equivalents	$7,150.9	$1,087.4	$8,238.3
Pledges receivable, net	10,015.3	-	10,015.3
Beneficial interest in split-interest agreements	310.3	-	310.3
Other receivables and prepaid expenses	237.8	-	237.8
Total current assets	17,714.3	1,087.4	18,801.7
LONG-TERM PLEDGES RECEIVABLE, NET	753.6	-	753.6
BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT, LONG TERM	956.3	-	956.3
INVESTMENTS	6,774.6	-	6,774.6
PROPERTY AND EQUIPMENT, NET	1,535.7	-	1,535.7
TOTAL ASSETS	$27,734.5	$1,087.4	$28,821.9

LIABILITIES AND NET ASSETS	UWMC	UWMP	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	$2,214.0	$ -	$2,214.0
Designation and pledge processing payables	3,370.9	-	3,370.9
Deferred rent	833.3	-	833.3
Refundable advance	250.0	-	250.0
Loan payable	800.0	-	800.0
Total current liabilities	7,468.2	-	7,468.2
Non-current liabilities			
Other long-term liabilities	43.2	-	43.2
Loan payable	4,000.0	-	4,000.0
Deferred rent	1,659.0	-	1,659.0
Asset retirement obligation	228.4	-	228.4
Obligations for retirement benefits	1,151.5	-	1,151.5
Total non-current liabilities	7,082.1	-	7,082.1
Total liabilities	14,550.3	-	14,550.3
NET ASSETS	13,184.2	1,087.4	14,271.6
TOTAL LIABILITIES AND NET ASSETS	$27,734.5	$1,087.4	$28,821.9

United Way of Metropolitan Chicago, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2018

	UWMC	UWMP	Elimination Entries	Total
Operating				
Public support and other revenue				
Current year campaign	$45,642.6	$ -	$ -	$45,642.6
Amounts designated to other organizations	(18,855.0)	-	-	(18,855.0)
Provision for uncollectible pledges	(1,265.0)	-	-	(1,265.0)
Net from current campaign	25,522.6	-	-	25,522.6
Contributions received for future campaigns	979.0	-	-	979.0
Collections from, and adjustments to, prior years' campaigns	(261.5)	-	-	(261.5)
Net campaign revenue	26,240.1	-	-	26,240.1
Other public support and revenue				
Grants and other contributions	2,650.6	1,500.0	(1,000.0)	3,150.6
Gifts in-kind and contributed services	3,388.4	-	-	3,388.4
Pledges and designations processing fees and other revenue	825.1	-	-	825.1
Total other public support and revenue	6,864.1	1,500.0	(1,000.0)	7,364.1
Total public support and other revenue	33,104.2	1,500.0	(1,000.0)	33,604.2
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	39,016.0	312.6	(1,000.0)	38,328.6
Less amounts designated to other organizations	(18,855.0)	-	-	(18,855.0)
Other program expenses	7,369.4	50.0	-	7,419.4
Total programs	27,530.4	362.6	(1,000.0)	26,893.0
Management and general	3,228.7	50.0	-	3,278.7
Fundraising	4,597.8	-	-	4,597.8
Total grantmaking and other expenses	35,356.9	412.6	(1,000.0)	34,769.5
Changes in operating net assets	(2,252.7)	1,087.4	-	(1,165.3)
Non-operating				
Investment return, net	492.5	-	-	492.5
Interest expense	(124.1)	-	-	(124.1)
Endowment contributions	120.5	-	-	120.5
Change in value of split-interest agreements	62.9	-	-	62.9
Changes in non-operating net assets	551.8	-	-	551.8
Changes in net assets before pension-related change	(1,700.9)	1,087.4	-	(613.5)
Pension-related change other than net periodic pension cost	226.0	-	-	226.0
Changes in net assets	(1,474.9)	1,087.4	-	(387.5)
Net assets, beginning of year	14,659.1	-	-	14,659.1
Net assets, end of year	$13,184.2	$1,087.4	$ -	$14,271.6

SINGLE AUDIT REPORTS

Grant Thornton LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

T +1 312 856 0200
F +1 312 565 4719
grantthornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
United Way of Metropolitan Chicago, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Metropolitan Inc. (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Grant Thornton

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois
October 31, 2018

Grant Thornton LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

T +1 312 856 0200
F +1 312 565 4719
grantthornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
United Way of Metropolitan Chicago, Inc.

Report on compliance for each major federal program

We have audited the compliance of United Way of Metropolitan Chicago, Inc. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on each major federal program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on internal control over compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois
October 31, 2018

United Way of Metropolitan Chicago, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(dollars in thousands)
Year ended June 30, 2018

Federal grantor / pass-through grantor / program title	Federal CFDA number	Pass-through entity or contract identifying number	Amount provided to sub-recipients	Federal expenditures
U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services				
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	5 NAVCA150288-03-00	$461.6	$566.9
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	1 NAVCA150288-02-00	103.6	145.9
Total U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services			565.2	712.8
U.S. Department of Health and Human Services				
Passed through Illinois Department of Public Health – Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	82180164F	210.0	249.1
Total U.S. Department of Health and Human Services Total			210.0	249.1
Corporation for National and Community Service				
Passed through Illinois Department of Public Health				
AmeriCorps	94.006	87380034F	-	100.7
AmeriCorps	94.006	77380034E	-	44.2
Total Corporation for National and Community Service			-	144.9
U.S. Department of Homeland Security Federal Emergency Management Agency				
Emergency Food and Shelter National Board Program - Cook County	97.024	33-2374-00	-	15.0
Emergency Food and Shelter National Board Program - Chicago	97.024	33-2378-00	-	10.0
Total U.S. Department of Homeland Security			-	25.0
Total Expenditures of Federal Awards			$775.2	$1,131.8

The accompanying notes are an integral part of this schedule.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the United Way of Metropolitan Chicago, Inc. (the Organization) for the year ended June 30, 2018, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited to reimbursement.

NOTE C - INDIRECT COST RATE

The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes	_X_ None reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes	_X_ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No

Identification of major programs:

CFDA number	Name of federal program or cluster
93.332	U.S. Department of Health and Human Services - Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_X_ Yes	__ No

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.