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

UNITED WAY OF METROPOLITAN CHICAGO, INC.
AND MEMBER UNITED WAYS
June 30, 2016 and 2015

C O N T E N T S

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 combined financial statements of United Way of Metropolitan Chicago, Inc. and Member United Ways (the Organization), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, cash flows, and functional expenses 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 combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of United Way of Metropolitan Chicago, Inc. and Member United Ways as of June 30, 2016 and 2015, and the changes in their net assets and their 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 combined financial statements as a whole. The combining statement of activities for the year ended June 30, 2016, is presented for purposes of additional analysis, rather than to present the change in net assets of the individual organizations, and is not a required part of the combined financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined 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 combined financial statements or to the combined 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 combined 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, 2016, 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 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 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, 2016

United Way of Metropolitan Chicago, Inc. and Member United Ways
COMBINED STATEMENTS OF FINANCIAL POSITION
(dollars in thousands)
June 30

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$11,137.1	$14,095.4
Short-term investments		26.7
Pledges receivable, net	12,548.3	13,318.4
Other receivables and prepaid expenses	503.4	1,237.4
Total current assets	24,188.8	28,677.9
LONG-TERM PLEDGES RECEIVABLE, NET	359.9	
INVESTMENTS	5,378.9	5,587.3
PROPERTY AND EQUIPMENT, NET	2,109.8	2,453.6
TOTAL ASSETS	$32,037.4	$36,718.8

LIABILITIES AND NET ASSETS	2016	2015
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$1,898.1	$1,420.9
Designation and pledge processing payables	1,948.9	3,102.4
Deferred rent	805.4	791.4
Total current liabilities	4,652.4	5,314.7
Non-current liabilities		
Other long-term liabilities, net of current portion		81.8
Loan payable	5,600.0	
Deferred rent, net of current portion	2,026.1	2,188.5
Asset retirement obligation	217.4	212.1
Obligations for retirement benefits	1,431.9	5,455.3
Total non-current liabilities	9,275.4	7,937.7
Total liabilities	13,927.8	13,252.4
NET ASSETS		
Unrestricted	(41.5)	2,988.7
Temporarily restricted	14,917.1	17,243.7
Permanently restricted	3,234.0	3,234.0
Total net assets	18,109.6	23,466.4
TOTAL LIABILITIES AND NET ASSETS	$32,037.4	$36,718.8

The accompanying notes are an integral part of these statements.

United Way of Metropolitan Chicago, Inc. and Member United Ways
COMBINED STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Public support and other revenue				
Current year campaign	$34,215.8	$12,367.6		$46,583.4
Amounts designated to other organizations	(16,922.1)			(16,922.1)
Provision for uncollectible pledges		(1,200.0)		(1,200.0)
Net from current campaign	17,293.7	11,167.6		28,461.3
Contributions received for future campaigns	317.2	752.9		1,070.1
Collections from, and adjustments to, prior years' campaigns	275.8			275.8
Net assets released from time restrictions	13,579.0	(13,579.0)		-
Net campaign revenue	31,465.7	(1,658.5)		29,807.2
Other public support and revenue				
Grants and other contributions	3,704.5	1,023.5		4,728.0
Gifts in-kind and contributed services	3,519.6			3,519.6
Net assets released from purpose restrictions	1,816.6	(1,816.6)		-
Pledges and designations processing fees and other revenue	688.0			688.0
Total other public support and revenue	9,728.7	(793.1)		8,935.6
Total public support and other revenue	41,194.4	(2,451.6)		38,742.8
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	40,322.1			40,322.1
Less amounts designated to other organizations	(16,922.1)			(16,922.1)
Other program expenses	8,668.4			8,668.4
Total programs	32,068.4			32,068.4
Management and general	4,349.2			4,349.2
Fundraising	5,480.4			5,480.4
Total grantmaking and other expenses	41,898.0			41,898.0
Changes in operating net assets	(703.6)	(2,451.6)		(3,155.2)
Non-operating				
Investment return, net	11.8	(50.0)		(38.2)
Endowment contributions	21.7	175.0		196.7
Changes in non-operating net assets	33.5	125.0		158.5
Changes in net assets before pension-related change	(670.1)	(2,326.6)		(2,996.7)
Pension-related change other than net periodic pension cost	(2,360.1)			(2,360.1)
Changes in net assets	(3,030.2)	(2,326.6)		(5,356.8)
Net assets, beginning of year	2,988.7	17,243.7	$3,234.0	23,466.4
Net assets, end of year	$(41.5)	$14,917.1	$3,234.0	$18,109.6

The accompanying notes are an integral part of these statements.

United Way of Metropolitan Chicago, Inc. and Member United Ways
COMBINED STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Public support and other revenue				
Current year campaign	$33,044.1	$14,550.6		$47,594.7
Amounts designated to other organizations	(16,573.3)			(16,573.3)
Provision for uncollectible pledges		(1,313.0)		(1,313.0)
Net from current campaign	16,470.8	13,237.6		29,708.4
Contributions received for future campaigns	334.1	80.1		414.2
Collections from, and adjustments to, prior years' campaigns	861.9			861.9
Net assets released from time restrictions	13,927.8	(13,927.8)		-
Net campaign revenue	31,594.6	(610.1)		30,984.5
Other public support and revenue				
Grants and other contributions	3,346.7	1,714.3		5,061.0
Gifts in-kind and contributed services	3,558.2			3,558.2
Net assets released from purpose restrictions	1,523.3	(1,523.3)		-
Pledges and designations processing fees and other revenue	847.5			847.5
Total other public support and revenue	9,275.7	191.0		9,466.7
Total public support and other revenue	40,870.3	(419.1)		40,451.2
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	40,402.8			40,402.8
Less amounts designated to other organizations	(16,573.3)			(16,573.3)
Other program expenses	8,200.1			8,200.1
Total programs	32,029.6			32,029.6
Management and general	4,144.0			4,144.0
Fundraising	5,330.7			5,330.7
Total grantmaking and other expenses	41,504.3			41,504.3
Changes in operating net assets	(634.0)	(419.1)		(1,053.1)
Non-operating				
Investment return, net	15.5	(29.9)		(14.4)
Endowment contributions	110.0			110.0
Changes in non-operating net assets	125.5	(29.9)		95.6
Changes in net assets before pension-related change and transfer	(508.5)	(449.0)		(957.5)
Pension-related change other than net periodic pension cost	(2,000.2)			(2,000.2)
Transfer of net assets	197.7	(61.4)	$(136.3)	-
Changes in net assets	(2,311.0)	(510.4)	(136.3)	(2,957.7)
Net assets, beginning of year	5,299.7	17,754.1	3,370.3	26,424.1
Net assets, end of year	$2,988.7	$17,243.7	$3,234.0	$23,466.4

The accompanying notes are an integral part of these statements.

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

	2016	2015
Cash flows from operating activities		
Change in net assets	$(5,356.8)	$(2,957.7)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	395.9	389.0
Realized and unrealized investment loss	154.5	135.1
Contributions restricted for long-term purposes	(104.6)	(113.6)
Changes in operating assets and liabilities		
Pledges receivable	410.2	248.1
Other receivables and prepaid expenses	734.0	670.5
Deferred rent	(148.4)	123.6
Deferred revenue		(250.0)
Designation and pledge processing payables	(1,153.5)	(481.8)
Accounts payable and accrued expenses	405.0	(158.2)
Obligations for retirement benefits	(4,023.4)	924.2
Other long-term liabilities	5.3	(37.4)
Net cash used in operating activities	(8,681.8)	(1,508.2)
Cash flows from investing activities		
Redemptions of short-term investments	26.7	621.8
Purchases of property and equipment	(52.1)	(27.5)
Sales of investments	299.9	372.4
Purchases of investments	(246.0)	(812.9)
Net cash provided by investing activities	28.5	153.8
Cash flows from financing activities		
Contributions restricted for long-term purposes	104.6	113.6
Proceeds from loan payable	5,600.0	
Principal payments under capital lease obligation	(9.6)	(8.6)
Net cash provided by financing activities	5,695.0	105.0
Net change in cash and cash equivalents	(2,958.3)	(1,249.4)
Cash and cash equivalents, beginning of year	14,095.4	15,344.8
Cash and cash equivalents, end of year	$11,137.1	$14,095.4
Supplemental data: interest paid	$10.5	$6.0

The accompanying notes are an integral part of these statements.

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

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Grantmaking and other funding	$40,322.1			$40,322.1	$40,402.8			$40,402.8
Less amounts designated to other organizations	(16,922.1)			(16,922.1)	(16,573.3)			(16,573.3)
Net grantmaking and other funding	23,400.0			23,400.0	23,829.5			23,829.5
Salaries	3,009.0	$2,017.9	$3,232.2	8,259.1	2,803.5	$1,949.6	$3,193.5	7,946.6
Defined benefit plan (frozen)		279.3		279.3		133.1		133.1
Benefits and payroll taxes	627.2	458.6	669.4	1,755.2	572.5	414.0	658.5	1,645.0
Total salaries and related expenses	3,636.2	2,755.8	3,901.6	10,293.6	3,376.0	2,496.7	3,852.0	9,724.7
Professional fees	853.1	889.8	338.2	2,081.1	1,197.2	926.1	358.7	2,482.0
Office supplies and expenses	25.0	13.8	19.5	58.3	35.9	22.3	16.1	74.3
Telephone	14.8	56.3	16.1	87.2	23.8	33.4	25.9	83.1
Postage and related expenses	13.4	16.3	43.1	72.8	16.0	16.7	40.5	73.2
Occupancy	303.5	215.4	329.7	848.6	301.2	221.4	339.3	861.9
Equipment rental and maintenance	39.2	69.3	33.9	142.4	25.7	70.8	23.9	120.4
Printing, publications and advertising	3,270.4	11.0	195.7	3,477.1	2,671.4	12.9	111.4	2,795.7
Employee business expenses	100.7	30.1	86.0	216.8	98.7	23.1	64.9	186.7
Meetings and events	23.9	6.4	130.1	160.4	74.1	17.5	86.4	178.0
Dues - United Way Worldwide	174.0	146.8	184.0	504.8	158.6	138.5	178.8	475.9
Insurance and miscellaneous	78.6	27.3	53.1	159.0	92.0	54.1	83.8	229.9
Total expenses before provision for depreciation and amortization	31,932.8	4,238.3	5,331.0	41,502.1	31,900.1	4,033.5	5,181.7	41,115.3
Depreciation and amortization	135.6	110.9	149.4	395.9	129.5	110.5	149.0	389.0
Total functional expenses	$32,068.4	$4,349.2	$5,480.4	$41,898.0	$32,029.6	$4,144.0	$5,330.7	$41,504.3

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. UWMC and the following three Member United Ways ("MUWs") are collectively referred to as the "Organization":

- South-Southwest Suburban United Way ("South-Southwest")
- United Way North-Northwest ("North-Northwest")
- United Way of DuPage/West Cook ("DuPage/West Cook")

Effective at the close of business on June 30, 2015, DuPage/West Cook and South-Southwest retired their respective 501(c)(3) status and merged with UWMC. Effective at the close of business on June 30, 2016, North-Northwest retired its 501(c)(3) status and merged with UWMC. These combinations are treated as mergers, and additional disclosures are included in Note J.

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 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 combined 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 UWMC Board of Directors as well as directors of the MUWs. Such amounts, received from the directors, totaled \$2,267.7 and \$1,134.9 for the years ended June 30, 2016 and 2015, respectively.

NOTE A - NATURE OF ORGANIZATION AND RELATED-PARTY TRANSACTIONS - Continued

Principles of Combination

The combined financial statements include the accounts of UWMC and the MUWs. UWMC had $0 and $343.4 receivable from North-Northwest at June 30, 2016 and 2015, respectively. All intercompany transactions have been eliminated in the combined financial statements.

UWMC provides community building, fundraising, marketing, finance, accounting, information systems and human resources support to the MUWs. UWMC acts as an agent for the MUWs in processing pledges, receiving cash on pledges, and paying MUW agency allocations and expenses. In exchange for this support, UWMC receives reimbursement from each MUW. UWMC received $182.0 and $387.0 from the MUWs to reimburse UWMC for its support during fiscal years 2016 and 2015, respectively. Cash receipt and payment activities and the support reimbursement arrangement together result in intercompany receivables and payables throughout each fiscal year.

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, South-Southwest, North-Northwest and DuPage/West Cook have 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. 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. The tax years ended 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes.

(dollars in thousands)

NOTE A - NATURE OF ORGANIZATION AND RELATED-PARTY TRANSACTIONS - Continued

Results of UWMC Campaign

For fiscal years 2016 and 2015, total contributions recorded in the accompanying combined statements of activities for the annual UWMC campaign were as follows:

	2016	2015
Prior campaign beginning in fiscal year 2014		$47,594.7
Current campaign beginning in fiscal year 2015	$46,583.4	414.2
Future campaigns beginning in subsequent fiscal years	1,070.1	
	$47,653.5	$48,008.9

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prior-Year Reclassifications

Certain amounts in the 2015 combined financial statements have been reclassified to conform to the 2016 presentation.

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.

Fair Value Disclosures

Cash and cash equivalents approximate fair value. The carrying amounts of short-term investments, pledges receivable, net, other receivables and prepaid expenses, accounts payable and accrued expenses, and designation and pledge processing payables approximate fair value due to their short-term nature.

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 and for the passage of time.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

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 $166.7 and $1,113.3 at June 30, 2016 and 2015, 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 combined 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.

"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.

(dollars in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts In-Kind and Contributed Services - Continued

The following table summarizes gifts in-kind and contributed services at June 30:

	2016	2015
Gifts in-kind		
Marketing and advertising	$2,881.7	$2,493.8
Other	106.2	61.2
Total gifts in-kind	2,987.9	2,555.0
Contributed services		
Consulting	483.1	844.5
Legal	48.6	158.7
Total contributed services	531.7	1,003.2
Total gifts in-kind and contributed services	$3,519.6	$3,558.2

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 combined financial statements because such services do not require specialized skills and there is no objective basis available to measure the value of such services.

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 combined 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 2016 and 2015, the Organization issued a grant to a local foundation for $2,326.7 and $2,280.0, respectively, which supports the Organization's education strategy. In fiscal years 2016 and 2015, UWMC supported government-funded grants to educate residents and assist them in enrolling in new health care coverage. These funds are reflected as "Grantmaking and other funding" on the combined statements of activities. In fiscal 2016, UWMC supported two grants of $2,116.8. In fiscal 2015, UWMC supported one grant of $1,831.2.

(dollars in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grantmaking and Other Funding - Continued

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

	2016	2015
Grantmaking and other funding		
Education	$8,589.4	$8,757.7
Income	5,017.0	5,517.5
Health	7,629.8	7,637.2
Safety Net	7,506.0	7,676.4
Neighborhood Networks	3,326.2	2,440.8
Total grantmaking and other funding	32,068.4	32,029.6
Amounts designated to other organizations	16,922.1	16,573.3
	$48,990.5	$48,602.9

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 a number of 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 combined statements of activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 combined 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, as well as contributions to the Organization's endowment.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Classification of Net Assets - Continued

Board-Designated net assets - 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 combined 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 of a donor-restricted endowment fund to fall below the level that 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 annual financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but, if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The Organization is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements.

(dollars in thousands)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements - Continued

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 annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the new guidance and has not determined the impact that this standard may have on the financial statements.

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 not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The adoption of ASU No. 2014-09 is not expected to have material impact on the Organization's financial statements.

NOTE C - PLEDGES RECEIVABLE, NET

The following table summarizes pledges receivable, net as of June 30:

	2016	2015
Campaign beginning in 2014		$14,551.3
Campaign beginning in 2015	$13,180.3	80.1
Campaign beginning in 2016	50.5	
Current portion of multi-year pledges	342.5	
Endowment receivable	175.0	
Total	13,748.3	14,631.4
Less allowance for uncollectible pledges	(1,200.0)	(1,313.0)
Pledges receivable, net	$12,548.3	$13,318.4

(dollars in thousands)

NOTE C - PLEDGES RECEIVABLE, NET - Continued

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 five-year treasury notes. The following table summarizes the balances as of June 30:

	2016	2015
Gross multi-year pledges receivable	$710.0	$ -
Less current portion	(342.5)	
Less unamortized discount	(7.6)	
Long-term pledges receivable, net	$359.9	$ -

NOTE D - 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 F 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 sufficient 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.

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

	2016	2015
Endowment	$4,729.5	$4,675.8
Non-endowment funds	367.9	659.8
Deferred compensation	281.5	251.7
Total investments	$5,378.9	$5,587.3

(dollars in thousands)

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

	2016	2015
Investment income	$116.3	$120.5
Unrealized losses	(234.7)	(238.6)
Realized gains	80.2	103.5
	($38.2)	($14.6)

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)

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

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

June 30, 2016	Level 1	Total
Investments		
Institutional equity mutual funds	$3,231.4	$3,231.4
Fixed income mutual funds	1,731.6	1,731.6
Commodity mutual funds	182.4	182.4
Real estate equity mutual funds	177.7	177.7
Money market mutual funds	55.8	55.8
Total	$5,378.9	$5,378.9
Cash and cash equivalents		
Money market mutual funds	$9,873.1	$9,873.1
Total	$9,873.1	$9,873.1

June 30, 2015	Level 1	Total
Investments		
Institutional equity mutual funds	$3,370.8	$3,370.8
Fixed income mutual funds	1,748.5	1,748.5
Commodity mutual funds	249.4	249.4
Real estate equity mutual funds	166.2	166.2
Money market mutual funds	52.4	52.4
Total	$5,587.3	$5,587.3
Cash and cash equivalents		
Money market mutual funds	$6,287.7	$6,287.7
Total	$6,287.7	$6,287.7

NOTE E - PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Leasehold improvements	$2,286.1	$2,286.1
Office equipment and software	3,245.7	3,193.6
Total property and equipment	5,531.8	5,479.7
Accumulated depreciation/amortization	(3,422.0)	(3,026.1)
Property and equipment, net	$2,109.8	$2,453.6

NOTE F - POSTRETIREMENT BENEFITS

UWMC sponsors a defined contribution retirement plan covering all of its eligible employees. 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 cost of this plan was $186.6 and $156.4 in fiscal years 2016 and 2015, respectively.

UWMC provides a deferred compensation plan that allows certain officers to defer portions of their compensation. The deferred income obligation was $281.5 and $251.7 at June 30, 2016 and 2015, respectively, and is included in "Obligations for retirement benefits," and the related plan assets are included in "Investments" on the combined statements of financial position.

UWMC also 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 2017.

In March 2015, 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 113 individuals, and 58 accepted. UWMC has no further obligations to the individuals who accepted the offer. Cash payouts of $3,831.5 were made. UWMC recognized $1,942.4 of actuarial losses related to this offer.

On June 28, 2016, the Plan purchased a group annuity contract that constituted an irrevocable commitment to fund the accrued benefit and all other benefits of all 186 annuitized participants. The notional amount paid to the insurance provider was $20,700.9. The insurance provider began making payments to the retired participants on August 1, 2016. UWMC has no further obligations to these participants. UWMC recognized $12,022.9 of actuarial losses related to this purchase.

Prior to June 29, 2016, the Plan was a multiple-employer plan that included United Way of Illinois, was subject to provisions of Section 413(c) of the IRC, and was maintained as a single plan. Due to the purchase of the group annuity contract, there are no further obligations to participants who are present or former employees of United Way of Illinois.

(dollars in thousands)

NOTE F - POSTRETIREMENT BENEFITS - Continued

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

	2016	2015
Interest cost	$959.4	$1,058.7
Expected return on plan assets	(1,351.6)	(1,553.4)
Administrative expenses	155.0	155.0
Amortization of actuarial loss	516.5	472.8
	$279.3	$133.1

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

	2016	2015
Actuarial loss arising during the year	$2,876.6	$2,473.0
Amortization of actuarial loss	(516.5)	(472.8)
	$2,360.1	$2,000.2

Amounts have not yet been recognized as a component of net periodic pension costs and consist of a net actuarial loss of $3,028.3 and $12,691.2 at June 30, 2016 and 2015, respectively.

The estimated actuarial loss that will be amortized from unrestricted net assets into net periodic pension cost through June 30, 2017, is $77.6.

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

	2016	2015
Discount rate	3.95%	3.91%
Expected return on plan assets	6.80	6.60

The weighted-average discount rate used in determining the benefit obligation was 3.50% at June 30, 2016, and 3.95% at June 30, 2015.

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

(dollars in thousands)

NOTE F - POSTRETIREMENT BENEFITS - Continued

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.

The change in benefit obligations, fair value of plan assets and the funded status of the plan for the years ended June 30, 2016 and 2015, are as follows:

	2016	2015
Change in projected benefit obligation		
Beginning of year	$25,206.9	$27,970.4
Interest cost	959.4	1,058.7
Actuarial loss	1,191.6	1,514.9
Administrative expenses assumed	155.0	155.0
Benefits paid	(1,679.3)	(1,660.6)
Settlements	(20,700.9)	(3,831.5)
End of year	$5,132.7	$25,206.9
Change in fair value of plan assets		
Beginning of year	$20,003.3	$23,650.1
Actual return on plan assets	(333.3)	595.3
Organization contributions	6,692.6	1,250.0
Benefits paid	(1,679.3)	(1,660.6)
Settlements	(20,700.9)	(3,831.5)
End of year	$3,982.4	$20,003.3

	2016	2015
Funded status, end of year		
Fair value of plan assets	$3,982.4	$20,003.3
Less projected benefit obligation	(5,132.7)	(25,206.9)
Funded status	$(1,150.3)	$(5,203.6)

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

UWMC incorporated the RP2014/MP2015 mortality table and projection scale as of June 30, 2016.

(dollars in thousands)

NOTE F - POSTRETIREMENT BENEFITS - Continued

The Organization's overall investment strategy has historically been to achieve a mix of long-term growth and near-term benefit payments. With the June 2016 purchase of annuities for all retirees, combined with management's desire to reduce the size of the plan even further, the investment strategy was changing as of June 30, 2016, to reduce market exposure. In fiscal 2016, global balanced funds were liquidated. Real estate funds were in the process of being liquidated as of June 30, 2016, resulting in a temporary overweighting in this asset class. Excluding the real estate investment, the portfolio is 40.7% in equities and 59.3% in fixed income and cash.

The following table summarizes the asset allocations at June 30 by asset category:

	2016	2015
Fixed income and cash securities	43.1%	40.7%
Domestic equity securities	25.2	29.7
Global balanced funds	0.0	14.5
Real estate securities	27.2	10.7
International equity securities	4.5	4.4
	100.0%	100.0%

The objective within each asset class is to be fully diversified, benchmarking performance to indices such as the Barclays Aggregate Bond Index, the MSCI US Broad Market Index and the MSCI ACWI ex USA. Asset allocations are rebalanced whenever total equity or total fixed income falls outside of their target allocations by more than 2.5% - 5.0%, dependent upon asset class. Cash and equivalents are held at minimum levels, with typically less than three months of expected benefit payments maintained.

The plan's assets are maintained in a separate master trust created for the benefit of the Organization and other participating agencies, and represent the Organization's share of the net assets of the master trust. The assets of the master trust consist primarily of money market funds, and equity and fixed income mutual funds.

The Organization uses a third-party provider to determine the fair values of the master trust assets. The third-party provider receives market prices from a variety of industry standard data providers with reasonable levels of price transparency. Automated transmissions of prices are received on a daily basis to facilitate current pricing. When automated pricing is not available for a particular fund, alternate pricing sources are utilized. Equity, fixed income, global balanced and real estate mutual funds, as well as money market fund holdings, are valued based on quoted market prices in active markets.

(dollars in thousands)

NOTE F - POSTRETIREMENT BENEFITS - Continued

The fair value of the Organization's investment in the master trust recorded at NAV as of June 30, by asset category, is as follows:

	2016	2015
Investment in the master trust	$3,982.4	$20,003.3
Total pension investments	$3,982.4	$20,003.3

As of June 30, 2016, the Organization has an unfunded commitment to the master trust of $1,150.3 as its pension liability is not fully funded. The Organization, as sponsor of the pension plan, may terminate the pension plan or the master trust at any time. The Organization may not redeem its investment in the master trust unless it terminates its participation in the plan by transferring its share of the assets to another qualified pension plan. Such a transfer requires no less than six months' notice.

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, 2016:

2017	$102.8
2018	105.0
2019	109.6
2020	115.8
2021	135.0
2022-2026	885.4

NOTE G - 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, 2016 and 2015, the Board had designated $2,178.8 and $2,557.4, 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)

NOTE G - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS - Continued

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

	2016	2015
Pledges receivable, time restricted for use in future periods	$12,169.7	$13,657.4
Endowment net investment return	1,465.8	1,517.4
Purpose-restricted contributions		
United Way Neighborhood Networks	376.5	829.7
Domestic violence prevention programs	500.0	500.0
Bronzeville violence prevention program	127.0	308.7
Various other specific programs	278.1	430.5
Total purpose restricted	1,281.6	2,068.9
Total temporarily restricted net assets	$14,917.1	$17,243.7

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

	2016	2015
Endowment funds	$3,234.0	$3,151.1
Restricted cash to be invested in endowments		82.9
Total permanently restricted net assets	$3,234.0	$3,234.0

The Organization's endowment consists of Board-designated and donor-restricted funds maintained by UWMC and North-Northwest. 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.

(dollars in thousands)

NOTE G - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS - Continued

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.
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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$1,465.8	$3,234.0	$4,699.8
Board-designated endowment funds	$31.1			31.1
Endowment net assets	$31.1	$1,465.8	$3,234.0	$4,730.9

During the year ended June 30, 2016, the Organization had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	$9.8	$1,517.4	$3,151.1	$4,678.3
Contributions	21.7		82.9	104.6
Investment return				
Investment income	0.6	96.0		96.6
Net depreciation	(1.0)	(147.6)		(148.6)
Endowment, end of year	$31.1	$1,465.8	$3,234.0	$4,730.9

The following table summarizes the endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$1,517.4	$3,151.1	$4,668.5
Board-designated endowment funds	$9.8			9.8
Endowment net assets	$9.8	$1,517.4	$3,151.1	$4,678.3

(dollars in thousands)

NOTE G - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS - Continued

During the year ended June 30, 2015, the Organization had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year		$1,608.9	$3,276.6	$4,885.5
Contributions	$10.0			10.0
Investment return				
Investment income		99.6		99.6
Net depreciation	(0.2)	(129.7)		(129.9)
Reclassification		(61.4)	(125.5)	(186.9)
Endowment, end of year	$9.8	$1,517.4	$3,151.1	$4,678.3

During the year ended June 30, 2015, the Organization received further information surrounding gifts previously recorded as permanently restricted. Based on this information, the corpus of the gifts in the amount of $125.5, un-invested cash of $10.8, and accumulated earnings of $61.4 have been reclassified as unrestricted and are included in Board-designated net assets.

NOTE H - 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, 2016, the Organization was in compliance with these covenants.

Principal maturities are as follows:

July 1, 2017	$800.0
July 1, 2018	800.0
July 1, 2019	800.0
July 1, 2020	800.0
July 1, 2021	800.0
Thereafter	1,600.0
Total	$5,600.0

(dollars in thousands)

NOTE I - LEASE COMMITMENTS AND ASSET RETIREMENT OBLIGATION

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 $2,831.5 and $2,979.9 at June 30, 2016 and 2015, respectively.

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 $217.4 and $212.1 at June 30, 2016 and 2015, respectively.

In addition, UWMC has lease agreements for office space in Oak Brook, IL; Matteson, IL; and Mt Prospect, IL, expiring in 2017, 2018, and 2019, respectively. The following table represents the rent expected to be paid under the lease agreements in each of the next five fiscal years and thereafter:

	Total
2017	$882.7
2018	855.1
2019	852.3
2020	848.4
2021	862.4
Thereafter	6,198.3
	$10,499.2

Rent expense was $798.2 and $791.0 in fiscal years 2016 and 2015, respectively.

(dollars in thousands)

NOTE J - MERGERS AMONG MEMBER UNITED WAYS

Effective at close of business June 30, 2016, North-Northwest retired its 501(c)(3) status and merged with UWMC. The following summarizes the major classes of assets and liabilities at June 30, 2016:

Assets	
Cash and short-term investments	$1,525.7
Pledges receivable, net	477.8
Investments	367.9
Other receivables and prepaid expenses	3.7
Property and equipment, net	15.4
Total assets	$2,390.5

Liabilities	
Accounts payable and accrued expenses	$16.0
Intercompany due to UWMC	1,625.2
Total liabilities	1,641.2
Net assets	
Unrestricted	93.4
Temporarily restricted	654.6
Permanently restricted	1.3
Total net assets	749.3
Total liabilities and net assets	$2,390.5

(dollars in thousands)

NOTE J - MERGERS AMONG MEMBER UNITED WAYS - Continued

Effective at the close of business June 30, 2015, DuPage/West Cook and South-Southwest retired their 501(c)(3) status and merged with UWMC. The following summarizes the major classes of assets and liabilities as of June 30, 2015:

	DuPage/ West Cook	South- Southwest	Total
Assets			
Cash and short-term investments	$717.2	$671.4	$1,388.6
Pledges receivable, net	787.0	87.0	874.0
Investments	1,261.6		1,261.6
Total assets	$2,765.8	$758.4	$3,524.2
Liabilities			
Accounts payable and accrued expenses	$13.4	$10.3	$23.7
Intercompany due to UWMC	1,627.5	149.1	1,776.6
Total liabilities	1,640.9	159.4	1,800.3
Net assets			
Unrestricted	(891.8)	518.8	(373.0)
Temporarily restricted	1,172.1	78.7	1,250.8
Permanently restricted	844.6	1.5	846.1
Total net assets	1,124.9	599.0	1,723.9
Total liabilities and net assets	$2,765.8	$758.4	$3,524.2

NOTE K - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2016, combined financial statements for subsequent events through October 31, 2016, the date the combined financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the combined financial statements.

SUPPLEMENTARY INFORMATION

United Way of Metropolitan Chicago, Inc. and Member United Ways
COMBINING STATEMENT OF ACTIVITIES
(dollars in thousands)
Year Ended June 30, 2016

	North-Northwest	UWMC	Elimination Entries	Combined UWMC
Operating				
Public support and other revenue				
Current year campaign	$2,167.8	$ 44,415.6		$46,583.4
Amounts designated to other organizations	(83.7)	(17,744.0)	$905.6	(16,922.1)
Provision for uncollectible pledges	(73.3)	(1,126.7)		(1,200.0)
Net from current campaign	2,010.8	25,544.9	905.6	28,461.3
Designations from UWMC	905.6		(905.6)	-
Contributions received for future campaigns	10.5	1,059.6		1,070.1
Collections from, and adjustments to, prior years' campaigns	(32.0)	307.8		275.8
Net campaign revenue	2,894.9	26,912.3		29,807.2
Other public support and revenue				
Grants and other contributions	17.7	4,710.3		4,728.0
Gifts in-kind and contributed services	9.0	3,510.6		3,519.6
Pledges and designations processing fees and other revenue		688.0		688.0
Total other public support and revenue	26.7	8,908.9		8,935.6
Total public support and other revenue	2,921.6	35,821.2		38,742.8
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	2,733.5	38,494.2	(905.6)	40,322.1
Less amounts designated to other organizations	(83.7)	(17,744.0)	905.6	(16,922.1)
Other program expenses	216.0	8,452.4		8,668.4
Total programs	2,865.8	29,202.6	-	32,068.4
Management and general	220.1	4,129.1		4,349.2
Fundraising	499.9	4,980.5		5,480.4
Total grantmaking and other expenses	3,585.8	38,312.2		41,898.0
Changes in operating net assets	(664.2)	(2,491.0)	-	(3,155.2)
Non-operating				
Investment return, net	8.5	(46.7)		(38.2)
Endowment contributions		196.7		196.7
Changes in non-operating net assets	8.5	150.0		158.5
Changes in net assets before pension-related change and transfer	(655.7)	(2,341.0)		(2,996.7)
Pension-related change other than net periodic pension cost		(2,360.1)		(2,360.1)
Transfer of net assets	(749.3)	749.3		
Change in net assets	(1,405.0)	(3,951.8)		(5,356.8)
Net assets, beginning of year	1,405.0	22,061.4		23,466.4
Net assets, end of year	$-	$18,109.6	$ -	$18,109.6

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 combined financial statements of United Way of Metropolitan Chicago, Inc. and Member United Ways (the Organization), which comprise the combined statement of financial position as of June 30, 2016, and the related combined 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, 2016.

Internal control over financial reporting

In planning and performing our audit of the combined 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.

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 combined 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, 2016

Grant Thornton

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

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

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. and Member United Ways (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, 2016. 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, 2016.

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, 2016

United Way of Metropolitan Chicago, Inc. and Member United Ways
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(dollars in thousands)
Year ended June 30, 2016

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				
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges				
Passed through Illinois Department of Public Health	93.525	#60180026D	$1,392.4	$1,566.9
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	#NAVCA1502 88-01-00	449.1	549.9
Total expenditures of federal awards				$2,116.8

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. and Member United Ways (the "Organization") for the year ended June 30, 2016, 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.

United Way of Metropolitan Chicago, Inc. and Member United Ways
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

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
93.525	U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services -- State Planning and Establishment Grants for the Affordable Care Act (ACA's) Exchanges

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

II. Financial Statement Findings

None reported.

III. Federal Award Findings

None reported.

United Way of Metropolitan Chicago, Inc. and Member United Ways
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2016

Finding 2015-001 - Payroll Costs

Criteria: Per OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B, section 8(m), "charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payroll approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2)…" Such reports must reflect an after-the-fact determination of the actual activity of each employee, must account for the total activity of the employees, and must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employees.

Condition: The Organization did not prepare or maintain documentation in accordance with the requirements noted above. Salaries were charged to federal awards based on budgets approved by the granting agency. However, budget estimates did not qualify as support for charges to federal awards.

Prior-Year Corrective Action Plan: The Organization planned to implement appropriate processes and controls to ensure that salary costs charged to federal awards are supported by the required documentation. Such processes and controls were planned to be fully in effect by October 31, 2015.

Current-Year Update: The corrective action plan proposed by management was implemented, and this finding was not repeated in 2016.