UNITED WAY OF GREATER ROCHESTER, INC.
AND AFFILIATE

Consolidated Financial Statements
as of March 31, 2017
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 28, 2017

To the Board of Directors of
United Way of Greater Rochester, Inc.:

We have audited the accompanying consolidated financial statements of United Way of Greater Rochester, Inc. (a New York not-for-profit corporation) and Affiliate (collectively, the Organizations) which comprise the consolidated balance sheet as of March 31, 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of March 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Summarized Comparative Information
We have previously audited the Organizations' 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 supplementary information contained in Exhibits I – III is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, result of operations and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2016 supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 consolidated supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Bonadio & Co., LLP

UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

CONSOLIDATED BALANCE SHEET
MARCH 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 6,918,451	$ 6,418,169
Pledges receivable, net	7,351,162	7,928,370
Government grants receivable	273,704	500,000
Bequests receivable	412,600	302,008
Investments	129,217,507	121,727,954
Property and equipment, net	1,868,415	1,890,286
Beneficial interest in split-interest agreements	4,030,872	3,915,046
Other assets	171,418	121,878
	$ 150,244,129	$ 142,803,711
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 1,309,283	$ 1,271,023
Due to agencies	6,149,061	5,895,988
Due to Red Cross	266,664	1,111,310
Charitable gift annuity reserve	237,073	248,242
Funds held for others	106,801	100,002
Pension and postretirement plan liability	5,284,000	6,402,413
Total liabilities	13,352,882	15,028,978
NET ASSETS:		
Unrestricted -		
Board designated	2,947,053	3,350,408
Undesignated	7,364,160	4,556,793
Quasi-endowment	54,549,767	51,540,848
Total unrestricted	64,860,980	59,448,049
Temporarily restricted	37,944,548	34,871,809
Permanently restricted	34,085,719	33,454,875
Total net assets	136,891,247	127,774,733
	$ 150,244,129	$ 142,803,711

The accompanying notes are an integral part of these statements.

UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
REVENUE, GAINS AND OTHER SUPPORT:					
Annual campaign, net	$ 15,967,448	$ 7,125,818	$ -	$ 23,093,266	$ 23,646,518
Less: Received as agent for other United Ways	(744,349)	-	-	(744,349)	(868,975)
Less: Provision for uncollectible pledges	(1,011,484)	(763)	-	(1,012,247)	(868,157)
Annual campaign, net	14,211,615	7,125,055	-	21,336,670	21,909,386
Investment income used in operations in accordance with the United Way's total return spending policy	4,785,997	-	-	4,785,997	4,706,074
Charitable gift fund gifts received	2,671,705	-	-	2,671,705	4,808,613
Donated goods and services	34,475	-	-	34,475	83,779
ROC the Day revenue, net	608,896	-	-	608,896	709,037
Endowment legacies and other gifts received, net	494,009	-	189,783	683,792	544,651
Government grant revenue	348,704	-	-	348,704	500,000
Other	600,241	120,749	-	720,990	570,957
	23,755,642	7,245,804	189,783	31,191,229	33,832,497
Net assets released from restrictions -					
Satisfaction of program restrictions	172,032	(172,032)	-	-	-
Appropriation of endowment assets for expenditure	2,306,729	(2,306,729)	-	-	-
Expiration of time restrictions	7,481,687	(7,481,687)	-	-	-
	9,960,448	(9,960,448)	-	-	-
Total revenue, gains and other support	33,716,090	(2,714,644)	189,783	31,191,229	33,832,497
EXPENSES:					
Program services -					
Allocations	22,525,141	-	-	22,525,141	23,902,254
Community investment and services	4,082,898	-	-	4,082,898	3,747,815
Total program services	26,608,039	-	-	26,608,039	27,650,069
Supporting services -					
Resource development	3,252,996	-	-	3,252,996	3,479,556
General management	2,096,617	-	-	2,096,617	2,227,431
Total supporting services	5,349,613	-	-	5,349,613	5,706,987
Total expenses	31,957,652	-	-	31,957,652	33,357,056
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	1,758,438	(2,714,644)	189,783	(766,423)	475,441
OTHER ITEMS:					
Investment gain (loss)	6,632,866	5,787,383	441,061	12,861,310	(4,411,804)
Investment income used in operations in accordance with the United Way's total return spending policy	(4,785,997)	-	-	(4,785,997)	(4,706,074)
Change in funded status of pension and postretirement plans	1,807,624	-	-	1,807,624	463,084
CHANGE IN NET ASSETS	5,412,931	3,072,739	630,844	9,116,514	(8,179,353)
NET ASSETS - beginning of year	59,448,049	34,871,809	33,454,875	127,774,733	135,954,086
NET ASSETS - end of year	$ 64,860,980	$ 37,944,548	$ 34,085,719	$ 136,891,247	$ 127,774,733

The accompanying notes are an integral part of these statements.

UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017							
	Program Services			Supporting Services				
	Allocations	Community Investment and Services	Total	Resource Development	General Management	Total	Total	2016 Total
SALARIES AND RELATED EXPENSES:								
Salaries	$ -	$ 1,648,261	$ 1,648,261	$ 1,453,325	$ 1,045,910	$ 2,499,235	$ 4,147,496	$ 4,444,161
Employee health, retirement, pension and postretirement expenses	-	644,300	644,300	594,766	475,845	1,070,611	1,714,911	1,736,911
Payroll taxes	-	118,799	118,799	102,840	72,760	175,600	294,399	320,934
Total salaries and related expenses	-	2,411,360	2,411,360	2,150,931	1,594,515	3,745,446	6,156,806	6,502,006
OTHER EXPENSES:								
Allocations (including $- and $29,904 of allocation of donated goods in 2017 and 2016, respectively)	20,173,281	-	20,173,281	-	-	-	20,173,281	20,104,697
Less: Granted as agent to other United Ways	(744,349)	-	(744,349)	-	-	-	(744,349)	(868,975)
	19,428,932	-	19,428,932	-	-	-	19,428,932	19,235,722
Charitable gift fund grants	2,520,282	-	2,520,282	-	-	-	2,520,282	3,991,730
ROC the Day allocations	575,927	-	575,927	-	-	-	575,927	674,802
Purchase of services (including $21,666 and $33,799 of donated services in 2017 and 2016, respectively)	-	707,408	707,408	227,345	122,381	349,726	1,057,134	1,005,449
Organization meetings and conferences (including $2,029 and $759 of donated organization meetings and conferences expense in 2017 and 2016, respectively)	-	79,626	79,626	126,638	14,371	141,009	220,635	203,001
United Way Worldwide dues	-	102,836	102,836	110,577	82,069	192,646	295,482	259,500
Information technology	-	64,100	64,100	54,897	34,933	89,830	153,930	197,190
Printing, binding, and advertising	-	163,258	163,258	261,243	4,159	265,402	428,660	271,615
Rent and occupancy (including $- and $139 of donated rent in 2017 and in 2016, respectively)		38,536	38,536	44,384	25,565	69,949	108,485	107,802
Communication services	-	67,195	67,195	43,057	24,241	67,298	134,493	124,910
Professional fundraising counsel fees	-	196,500	196,500	32,500	-	32,500	229,000	51,160
Membership fees	-	52,883	52,883	10,307	6,682	16,989	69,872	82,238
Professional fees (including $10,441 and $21,921 of donated services in 2017 and 2016, respectively)	-	3,421	3,421	3,849	71,227	75,076	78,497	112,687
Insurance	-	31,285	31,285	29,593	23,675	53,268	84,553	79,403
Office supplies	-	18,818	18,818	18,776	13,190	31,966	50,784	69,479
Building maintenance and repairs	-	26,093	26,093	24,684	19,746	44,430	70,523	66,990
Transportation	-	8,134	8,134	20,954	4,035	24,989	33,123	34,352
Rental of equipment	-	14,570	14,570	11,081	6,744	17,825	32,395	31,840
Recognition programs (including $510 and $325 of donated	-							
items in 2017 and 2016, respectively)		29,112	29,112	33,944	849	34,793	63,905	78,573
Loss on disposal of property and equipment	-	10	10	9	7	16	26	5,718
Interest	-	568	568	440	202	642	1,210	1,296
Other	-	18,179	18,179	1,430	10,938	12,368	30,547	30,624
Total other expenses	22,525,141	1,622,532	24,147,673	1,055,708	465,014	1,520,722	25,668,395	26,716,081
Total expenses before depreciation	22,525,141	4,033,892	26,559,033	3,206,639	2,059,529	5,266,168	31,825,201	33,218,087
DEPRECIATION	-	49,006	49,006	46,357	37,088	83,445	132,451	138,969
Total expenses	$ 22,525,141	$ 4,082,898	$ 26,608,039	$ 3,252,996	$ 2,096,617	$ 5,349,613	$ 31,957,652	$ 33,357,056

The accompanying notes are an integral part of these statements.

UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 9,116,514	$ (8,179,353)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net realized and unrealized (gain) loss on investments	(10,921,125)	5,808,559
Sale proceeds of donated financial assets	1,841,687	1,889,390
Depreciation	132,451	138,969
Loss on disposal of property and equipment	26	5,718
Permanently restricted legacies and gifts	(189,783)	(407,888)
Change in funded status of pension and postretirement plans	(1,807,624)	(463,084)
Provision for uncollectible pledges	1,012,247	868,157
Changes in:		
Pledges receivable	(435,039)	(764,137)
Government grants receivable	226,296	(500,000)
Other assets	(49,540)	269,249
Bequests receivable	(110,592)	105,073
Accounts payable and accrued expenses	38,260	(556,870)
Due to agencies	253,073	(1,258,047)
Due to Red Cross	(844,646)	(978,536)
Funds held for others	6,799	(4,964)
Pension and postretirement plan liability	689,211	824,061
Net cash flow from operating activities	(1,041,785)	(3,203,703)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(110,606)	(90,790)
Purchases of investments	(9,687,183)	(6,727,868)
Sales of investments	11,277,068	7,662,341
Change in beneficial interest in split-interest arrangements	(133,238)	236,531
Net cash flow from investing activities	1,346,041	1,080,214
CASH FLOW FROM FINANCING ACTIVITIES:		
Permanently restricted legacies and gifts	189,783	407,888
Decrease in charitable gift annuity reserve	(11,169)	(11,513)
Change in pooled life income fund assets	17,412	12,713
Net cash flow from financing activities	196,026	409,088
CHANGE IN CASH AND CASH EQUIVALENTS	500,282	(1,714,401)
CASH AND CASH EQUIVALENTS - beginning of year	6,418,169	8,132,570
CASH AND CASH EQUIVALENTS - end of year	$ 6,918,451	$ 6,418,169

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTATION AND DESCRIPTION OF THE ORGANIZATION

The consolidated financial statements include the combined funds of the United Way of Greater Rochester, Inc. (founded in 1918); the United Way of Wayne County, Inc.; the United Way of Ontario County, Inc.; the Genesee Country United Way; the United Way of Livingston County, Inc.; and the United Way of Wyoming County, Inc. (collectively, the United Way). Under the terms of the affiliation agreements, each entity will maintain its corporate existence and any party may terminate the agreement with one year's advance notice to other parties.

The consolidated financial statements also include the accounts of UWGR Holding Company, Inc. (Holding Company), a not-for-profit corporation organized for the purpose of accepting, holding and managing gifts of real property, interests in real property, and other gifts for the sole benefit of United Way of Greater Rochester, Inc. United Way of Greater Rochester, Inc. is Holding Company's sole corporate member.

United Way's mission is to unite the good will and resources of the Greater Rochester community so that everyone can thrive. United Way addresses critical challenges by connecting local people in need with evidence-based programs, strategic funding investments, community initiatives, volunteer support and community leadership to direct resources and solve problems.

United Way is governed by a volunteer Board of Directors (Board) and carries out its purpose through various programs.

Annual Campaign and Year Round Giving
As part of United Way's annual campaign, our resource development team secures financial and volunteer resources on a year-round basis by developing a long-range, revenue generating strategic plan. Critical components of that plan include; recruiting high level volunteers to serve throughout the entire United Way organization; securing and conducting annual workplace campaigns in over 800 organizations; developing a new account acquisition model to secure first time employee campaigns and corporate contributions, with a special emphasis on the small business sector; and connecting community initiatives with government grants and funding for sustainable change. Additionally, an individual giving program is also utilized in the annual campaign that includes; gifts from donors outside workplace campaigns of less than $10k, cultivating major gifts of $10k and above for the Tocqueville Society. Other giving opportunities include Women's Leadership Council, African American Leadership Society, Circulo Latino Leadership Society, Labor Leaders Club and Emerging Leaders Society.

Community Impact
Through its annual campaign efforts, United Way invests donor dollars in the community by utilizing a network of community volunteers who, in coordination with trained staff, determine how to invest dollars in the most efficient and effective manner possible to ensure strong long-term results for our entire community. These dollars are invested where they will make a measurable impact on the community by funding programs, engaging in strategic community partnerships, mobilizing volunteers and advancing advocacy efforts in support of declared strategies to help across a person's lifespan—from babies to elders and everyone in between. These programs are preventative and/or "evidence-based" – proven to work based on extensive research and effective long-lasting results. United Way of Greater Rochester also allows donors to direct their campaign pledges to various service areas, funded providers and other eligible health and human service organizations.

1. BASIS OF PRESENTATION AND DESCRIPTION OF THE ORGANIZATION (Continued)

Community Impact (Continued)

In addition, United Way serves as a key community partner and fiscal agent for the Rochester-Monroe Anti-Poverty Initiative, an unprecedented community-wide effort to reduce poverty in the Rochester and Monroe County region by 50 percent over the next 15 years.

This initiative is made possible by extraordinary community collaboration and integration with community leaders, local and state government, service providers and practitioners, faith institutions, volunteers, youth advocates, and importantly, the active participation of people impacted by poverty.

Implementation efforts are underway, focusing on three key areas: adult mentoring/navigating, early childhood supports, and designing a comprehensive and integrated system of social supports. There are three common themes that will serve as the foundation for all anti-poverty planning and implementation efforts, including community building, racial equity and trauma-informed actions.

The initiative's vision is to eliminate poverty by ensuring that every child lives in a stable family environment where the promise of economic mobility is a reality.

Charitable Gift Funds

United Way of Greater Rochester offers various opportunities for planned gifts, charitable gift funds and endowment giving. The charitable gift fund (CGF) program (donor advised fund) is a free service United Way provides to support donor's philanthropic interests. A CGF can be established by an individual, family or group. Gifts are made to the CGF through cash, marketable securities or other assets. The donors may recommend grant distributions from their fund to any qualified domestic 501(c)(3) charity.

ROC the Day

ROC the Day is an annual 24-hour online event established by the United Way of Greater Rochester that provides donors an opportunity to support more than 600 participating not-for-profit organizations in the nine-county Greater Rochester area. United Way powers the ROC the Day website, convenes community partners, recruits local not-for-profits to participate and processes the donations during the event. ROC the Day is open to any eligible not-for-profit in the nine-county Greater Rochester region, serving a variety of sectors including animals, arts and culture, environment, human services, health, education, religion and community development.

Leadership Development

United Way of Greater Rochester provides leadership development programs in the following areas: African American Leadership, Latinos Leadership, Asian Pacific Americans, LGTBQ, young professionals and Labor unions. These leadership programs prepare individuals for leadership positions in the community, in particular, on the boards and committees of not-for-profit organizations. The labor participation program continues the collaborations and historic relationships between labor unions and United Way with the annual Union Community Assistance Network program, recognition of the work unions provide, as well as various activities aimed at promoting organized labor's support.

National Campaign Processing

United Way of Greater Rochester provides processing for workplace campaigns where fundraising occurs at a national level. This processing includes collecting pledges, data entry of the pledges and payment to other United Ways and agencies as directed by the donor. Fees for this service are charged at a rate as allowed by the United Way Worldwide standards and are included in other revenue.

1. BASIS OF PRESENTATION AND DESCRIPTION OF THE ORGANIZATION (Continued)

Affiliate Regional System
United Way of Greater Rochester provides professional leadership and support services in the areas of governance, fundraising, communications, finance, pledge processing, information technology, human resources, marketing and fund distribution to independent United Way affiliates in Wayne, Ontario, Genesee, Livingston and Wyoming counties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The consolidated financial statements of the United Way are prepared in conformity with accounting principles generally accepted in the United States.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the United Way and Holding Company (collectively, the Organizations). All significant intercompany transactions and balances have been eliminated.

Financial Reporting
The revenue, expenses and net assets of the Organizations are reported in the following classifications:

- **Unrestricted**
  Unrestricted net assets include funds available for operating activities. In addition, they include net investment in property and equipment and other resources specifically designated by the respective governing Boards.

- **Temporarily Restricted**
  Temporarily restricted net assets include investments and other assets received with donor stipulations that limit their use, as well as unrestricted investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Board. When a donor restriction expires or appropriation is made by the Board, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

- **Permanently Restricted**
  Permanently restricted net assets consist primarily of investments from endowments and beneficial interests in shared interest arrangements. These are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity.

Cash and Cash Equivalents
The Organizations consider highly liquid investments, with a maturity of less than three months when purchased, to be cash equivalents. In addition, cash and cash equivalents include bank accounts and money market funds which, at times, may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Government Grants Receivable and Revenue
The United Way received New York State government grants for the purpose of funding the Rochester Monroe Anti-Poverty Initiative and for capital improvements. These amounts are recorded as revenue to the extent that expenses have been incurred for the program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bequests Receivable

The United Way is the beneficiary under various wills and trust agreements, the total realizable value of which is not presently determinable. Amounts are recorded as bequests receivable when a will is declared valid by a probate court and the proceeds are measurable. Bequest receivables recorded were $412,600 and $302,008 at March 31, 2017 and 2016, respectively.

Investments

The United Way invests in various types of investment vehicles that are recorded at fair value in the accompanying consolidated financial statements. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair Value Measurement - Definition and Hierarchy

The United Way uses various valuation techniques in determining fair value. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the United Way. Unobservable inputs are inputs that reflect the United Way's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the United Way has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or the fair market value at the date of donation. The Organizations' policy is to capitalize all computer equipment and all other property and equipment purchases greater than $1,000 with a useful life greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and furniture and 40 years for building and improvements. No depreciation expense is recognized in the year of acquisition for equipment and furniture. Depreciation is recognized in the first full month after acquisition for building and improvements.

Split-Interest Agreements

The United Way has recorded as contributions various types of split-interest agreements, including charitable remainder and perpetual trusts. With respect to charitable remainder trust agreements, the United Way has recorded the contributions as temporarily restricted revenue at the estimated fair value of the assets to be received based on the present value of the estimated future payments using a discount rate of 1.93% as of March 31, 2017, or, if the payout terms of the trust may be revised, their minimum interest in the fair value of the trust's assets.

Under the terms of perpetual trust arrangements, a donor establishes and funds a perpetual trust administered by an individual or organization other than the United Way. Under the terms of the trust, the United Way has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The United Way has recorded an asset at the estimated fair value of the United Way's beneficial interest in trust assets. Income earned on the trust assets is recorded as unrestricted revenue in the accompanying consolidated statement of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as a component of investment income in the permanently restricted net asset class.

Due to Agencies

The United Way allocates campaign pledges to agencies on a twelve-month cycle, which runs from August 1 to July 31 each year except for the Genesee Country United Way and the United Way of Wyoming County. The amount accrued represents the final four months of 2016 campaign pledges due to be paid to agencies as of the United Way's fiscal year-end. All donor designated pledges are paid in full to agencies by year-end. The Genesee Country United Way and the United Way of Wyoming County allocation cycles run from January 1 to December 31 and October 1 through September 1 and accrue 2016 campaign pledges due to be paid to agencies for the final nine-months and six-months, respectively.

Contributions

The United Way reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. Donor-restricted contributions whose restrictions are met in the same reporting period as the contributions are received are reported directly as unrestricted support.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The United Way recognizes contributed goods and services as revenue and expense if such services meet the criteria for recognition under generally accepted accounting principles. Donated services totaled $32,107 and $55,720 in fiscal 2017 and 2016, respectively.

Donated services consist primarily of advertising services, including advertising time on television and radio stations, and advertisements placed in newspapers and legal services provided to the organization.

Donated goods totaled $2,539 and $31,127 in fiscal 2017 and 2016, respectively.

In addition to the previously described services, volunteers have donated significant amounts of time in support of the United Way's activities. These contributions have not been recorded as revenue and expense as they do not meet the criteria for recognition under generally accepted accounting principles.

Investment Gains, Losses and Income

Dividend, interest and other investment income are reported in the period earned as increases in unrestricted net assets, unless the use of income on such assets is explicitly limited by donor-imposed restrictions. Investment income earned on permanently restricted endowment gifts follows the donor's restrictions on the use of the related income (interest and dividends), and unrestricted income on permanent endowment funds is classified as temporarily restricted until appropriated for expenditure by the Board. Donor-restricted investment income is reported as an increase in temporarily restricted or permanently restricted net assets based on donor stipulation. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs other than donated services were $228,742 and $188,119 in 2017 and 2016, respectively.

Expenses

United Way records allocations to agencies as allocations expense in the period such allocations are approved by the Board of Directors and commitments are made to the recipient agencies. United Way has a policy of making allocation commitments in July for an allocation funding year of August 1 to July 31 except for Genesee Country United Way and the United Way of Wyoming County whose allocation funding cycles run from January 1 to December 31 and October 1 through September 1, respectively.

Charitable Gift Fund grants include grants recommended by donors to qualified organizations and approved for distribution from charitable gift funds.

The costs of providing various community investment and services, resource development and general management activities have been summarized on a functional basis in the statement of activities and change in net assets and are based on the percentage of salary dollars for the specific programs or activities to total salary expense. All other expenses are directly allocated to the program benefited by the expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses (Continued)

Community Investment and Services expenses are incurred for the following programs described in footnote 1: annual campaign allocations and designations, charitable gift fund grants, ROC the Day allocations, Rochester Monroe Anti-Poverty Initiative, labor and leadership development.

Resource Development expenses are incurred to secure financial resources obtained through the annual campaign and individual and planned giving.

General Management expenses include the functions of the offices of the president, finance, information technology, human resources and facilities. Specific activities include accounting, endowment investment management, pledge processing (local and national campaigns), facilities management, data security, information technology support and human resources management.

Cost Deduction

The United Way may assess fundraising and management and general fees in accordance with the United Way Worldwide membership requirements as outlined in United Way Worldwide's publication titled "United Way of America Cost Deduction Requirements for Standard M." The standard establishes a maximum fee amount a United Way may assess another United Way organization. The United Way of Greater Rochester follows the standard by charging the maximum fee allowed or less.

Income Taxes

The United Way and Holding Company are not-for-profit organizations and are exempt from income taxes as organizations qualified under Section 501(c)(3) of the Internal Revenue Code. The Organizations have also been classified by the Internal Revenue Service as entities that are not private foundations.

Comparative Information

The consolidated financial statements include certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended March 31, 2016, from which the information was derived.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform with the current year presentation.

3. ANNUAL CAMPAIGN

The annual campaign is conducted to raise support for distribution to programs that are driven by demonstrated quality, customer focus and results.

Campaign results are as follows for the years ended March 31:

	2017	2016
Total amount raised	$ 25,146,818	$ 24,545,854
Less:		
State and federal campaign fundraising	(311,108)	(341,654)
Provision for doubtful pledges - current year	(1,012,247)	(868,157)
Perpetual gifts of investment income from bequests	(446,028)	(427,388)
Reversal of investment grants from advised funds	(2,242,429)	(1,533,659)
Amounts recorded in prior year	(6,924,154)	(6,566,239)
Add:		
Amounts recorded related to next year's campaign	7,125,818	7,100,629
Amount recorded in consolidated statement of activities	$ 21,336,670	$ 21,909,386

4. DUE TO RED CROSS

The United Way of Greater Rochester and the American Red Cross, Greater Rochester Chapter entered into an agreement effective January 28, 2013 to dissolve their fundraising partnership. As part of the understanding, they have agreed to a non-contingent, non-cancellable phased-down funding schedule. The final year began in August 2016 with funding of $800,000.

An additional $266,664 and $311,300 are included in due to the Red Cross in fiscal 2017 and 2016, respectively, for the commitment through July 31 of each fiscal year, the end of the past campaign year.

The United Way of Greater Rochester and the American Red Cross entered into an amended and restated agreement on February 13, 2017 agreeing to contingent annual allocation amounts beginning August 2017 through August 2022. The allocations are conditioned on the Red Cross meeting certain goals as mutually agreed upon between the parties and therefore no amounts are recognized on the consolidated balance sheet.

5. PLEDGES RECEIVABLE

At March 31, 2017 and 2016, contributors to the United Way had outstanding written unconditional promises to give in connection with annual campaigns as follows:

	2017	2016
2017 Campaign	$ 4,618,440	$ -
2016 Campaign	3,750,163	5,013,000
2015 Campaign	213,367	3,813,713
2014 Campaign and prior Campaigns	148,649	562,038
Less: Allowance for uncollectible pledges	(1,379,457)	(1,460,381)
	$ 7,351,162	$ 7,928,370

Most pledges lack due dates or are due within one year or less. Consequently, all pledges are recorded without any discount to present value. The United Way records an allowance for doubtful accounts in anticipation of future collection problems. The allowance for doubtful accounts is computed based on management estimates of current collectability and includes estimates of economic factors, which are applied to gross campaign pledges, including donor designations.

6. DONOR DIRECTED PLEDGES

Annual Campaign

As part of the annual campaign, United Way donors have the option of directing their pledges to various service areas, funded providers, and other eligible organizations as part of our annual campaign giving. Pledges directed to funded providers, which are in excess of the program allocation as determined by the United Way, are also remitted to the provider. Annual campaign revenue includes donor directed pledges as follows for the years ended March 31:

	2017	2016
Donor directed pledges - funded providers	$ 1,281,586	$ 1,345,854
Donor directed pledges - funded providers in excess of program allocations	43,772	281,300
Donor directed pledges - other eligible organizations	5,582,130	5,457,027
	$ 6,907,488	$ 7,084,181

Donor directed pledges made through United Way of Greater Rochester's annual campaign are subject to the United Way's policy, which provides that the United Way can unilaterally redirect the funds otherwise designated by the donor should the United Way determine the designation is contrary to the goals and strategies of the United Way.

ROC the Day

As part of the ROC the Day event, United Way donors have the option of designating their donations to local not-for-profit organizations approved for participation in the event. Designations to ROC the Day, excluding sponsorships, were $602,303 and $696,612 as of March 31, 2017 and 2016 respectively.

7. INVESTMENTS

Investments consisted of the following at March 31:

	2017	2016
Mutual funds and pooled funds:		
Domestic equity mutual funds	$ 40,447,658	$ 36,788,369
International equity mutual and pooled funds	35,541,146	32,246,457
Fixed income mutual and pooled funds	17,175,925	17,654,208
Balanced mutual funds	6,198,388	6,465,633
Flexible capital	11,050,447	10,973,677
Private equity	299,097	283,503
Inflation risk management:		
Real estate	8,134,314	7,151,371
Commodities	2,350,698	2,099,215
Treasury inflation protected securities	2,422,107	3,605,876
Natural resources	3,332,445	2,670,752
Fixed income:		
U.S. government obligations	260,291	154,070
Corporate bonds	65,404	85,752
Common stocks	280,647	281,593
Temporary investments	1,658,940	1,267,478
	$ 129,217,507	$ 121,727,954

For the years ended March 31, 2017 and 2016, the total amount of investment income, including amounts appropriated under and used in operations in accordance with the United Way's total return spending policy, are as follows:

	2017	2016
Interest and dividends	$ 2,350,113	$ 2,170,541
Realized and unrealized gain (loss), net	10,921,125	(5,808,559)
Fees	(503,847)	(499,990)
Gain (loss) on split interest agreements	93,919	(273,796)
	$ 12,861,310	$ (4,411,804)

8. SPLIT-INTEREST AGREEMENTS

Assets related to split-interest agreements, valued at fair value, consisted of the following at March 31:

	2017	2016
Perpetual trusts	$ 3,411,585	$ 3,238,255
Pooled life income fund	273,532	256,120
Charitable remainder trusts	288,547	275,370
Life insurance	37,288	126,953
UWW Charitable Gift Annuity	19,920	18,348
	$ 4,030,872	$ 3,915,046

8. SPLIT-INTEREST AGREEMENTS (Continued)

In addition, included in the United Way's investments are certain assets given under the term of charitable gift annuities for which United Way is the trustee. Liabilities related to these agreements were $237,073 and $248,242, respectively, at March 31, 2017 and 2016. Liabilities are recorded equal to the estimated present value of payments that the United Way is required to make to specified beneficiaries under the terms of these agreements.

In conjunction with their pooled life income fund, the United Way has recorded a liability related to funds held for others in the amount of $106,801 and $100,002, respectively, at March 31, 2017 and 2016.

The change in value of split-interest agreements was $93,919 and ($273,796) for the years ended March 31, 2017 and 2016, respectively, and is included in "Investment gain (loss)" in the accompanying consolidated statement of activities and change in net assets.

9. FAIR VALUE MEASUREMENTS

General
Fair value of the United Way's domestic equity mutual funds, international equity mutual funds, fixed income mutual funds and balanced mutual funds, U.S. government obligations and common stocks is determined based on quoted market prices. The fair value of all of the United Way's international equity pooled funds and fixed income pooled funds are stated at fair market value utilizing net asset value (NAV) provided by the underlying fund managers as a practical expedient for determining fair value of the investment. All of the United Way's corporate bonds are determined by entering standard inputs into a pricing model. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads and industry and economic events.

Split-Interest Agreements
The fair value of the United Way's split-interest agreements is determined on a recurring basis by estimating the present value of future cash flows, which incorporates an estimate of an annual rate of return on trust assets, life expectancy and discount rate. Trust assets held in split-interest agreements include publicly traded equity securities and corporate and U.S. government bonds.

Flexible Capital Funds
The United Way utilized the NAV reported by each of the flexible capital funds as a practical expedient for determining fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the United Way's interest in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the United Way's interest in the funds.

9. FAIR VALUE MEASUREMENTS (Continued)

The United Way's flexible capital fund strategies are described as follows:

Archstone Offshore Fund, Ltd.
The United Way had an investment in this fund of $5,257,557 and $5,606,979 at March 31, 2017 and 2016, respectively. The fund was formed primarily with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers that, as a group, employ a variety of investment techniques and strategies. The fund is a multi-manager, multi-strategy fund of funds formed to invest predominantly in limited partnerships and similar pooled investment vehicles. After an initial one year lock-up period that ended April 30, 2010, the fund allows quarterly redemption with a 90 day redemption notice period. As of March 31, 2017 and 2016, there were no unfunded commitments associated with this investment.

Weatherlow Offshore Fund I, Ltd.
The United Way had an investment in this fund of $5,792,890 and $5,366,698 at March 31, 2017 and 2016, respectively. The fund was formed primarily with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers that, as a group, employ a variety of investment techniques and strategies. The fund is a multi-manager, multi-strategy fund of funds formed to invest predominantly in limited partnerships and similar pooled investment vehicles. After a three year lock-up period, which ended June 1, 2013, the fund allows quarterly redemption with a 65 day redemption notice period. As of March 31, 2017 and 2016, there were no unfunded commitments associated with this investment.

Private Equity
The United Way invested in a private equity partnership with Gilbert Global Equity Partners, L.P. in March 1999. This is an illiquid partnership which is nearing the end of its term.

Inflation Risk Management Securities
United Way's inflation risk management strategies consist of a real estate investment trust pooled fund, a commodities pooled fund, a Treasury Inflation Protected Security (TIPS) mutual fund and natural resource mutual fund. The mutual funds are daily priced mutual funds.

The fair value of the United Way's investment in real estate valued using level 2 inputs was $8,134,314 and $7,151,371 at March 31, 2017 and 2016, respectively. The underlying securities are real estate investment trusts (REITs), which are publicly traded with a daily quoted market price. The fair value of the United Way's investment in the commodities pooled fund valued using level 2 inputs was $2,350,698 and $2,099,215 at March 31, 2017 and 2016, respectively. The underlying securities are commodities, publicly traded with a daily quoted market price. Fair value of both of these pooled fund investments are determined utilizing the current net asset value (NAV), derived from the value of the underlying investments input into an industry standard valuation model.

Temporary investments consist of cash included in the investment portfolio expected to be reinvested.

9. FAIR VALUE MEASUREMENTS (Continued)

The United Way's investments and split-interest agreements are classified in the following fair value hierarchy at March 31, 2017:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments				
Mutual funds:				
Domestic equity mutual funds	$ 40,429,640	$ 18,018	$ -	$ 40,447,658
International equity mutual funds	8,394,865	-	-	8,394,865
Fixed income mutual funds	10,108,592	-	-	10,108,592
Balanced mutual funds	6,189,740	8,647	-	6,198,387
Pooled funds:				
International equity pooled funds	-	27,146,282	-	27,146,282
Fixed income pooled funds	-	7,067,333	-	7,067,333
Flexible capital:				
Archstone Offshore Fund Ltd.	-	5,257,557	-	5,257,557
Weatherlow Offshore Fund I, LTD Class IIA	-	5,792,890	-	5,792,890
Private equity	-	-	299,097	299,097
Inflation risk management:				
Real estate	-	8,134,314	-	8,134,314
Commodities	-	2,350,698	-	2,350,698
Treasury inflation protected securities	2,422,107	-	-	2,422,107
Natural resources	3,332,445	-	-	3,332,445
Fixed income:				
U.S. government obligations	260,291	-	-	260,291
Corporate bonds	-	65,404	-	65,404
Common stocks	280,647	-	-	280,647
Total investments	$ 71,418,327	$ 55,841,143	$ 299,097	$ 127,558,567
Split-interest agreements				
Pooled life income fund	$ 273,532	$ -	$ -	$ 273,532
Other split-interest agreements	-	3,757,340	-	3,757,340
Total split-interest agreements	$ 273,532	$ 3,757,340	$ -	$ 4,030,872

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The United Way's investments and split-interest agreements are classified in the following fair value hierarchy at March 31, 2016:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments				
Mutual funds:				
Domestic equity mutual funds	$ 36,788,369	$ -	$ -	$ 36,788,369
International equity mutual funds	8,096,702	-	-	8,096,702
Fixed income mutual funds	10,180,371	-	-	10,180,371
Balanced mutual funds	6,465,633	-	-	6,465,633
Pooled funds:				
International equity pooled funds	-	24,149,755	-	24,149,755
Fixed income pooled funds	-	7,473,837	-	7,473,837
Flexible capital:				
Archstone Offshore Fund Ltd.	-	5,606,979	-	5,606,979
Weatherlow Offshore Fund I, LTD Class IIA	-	5,366,698	-	5,366,698
Private equity	-	-	283,503	283,503
Inflation risk management:				
Real estate	-	7,151,371	-	7,151,371
Commodities	-	2,099,215	-	2,099,215
Treasury inflation protected securities	3,605,876	-	-	3,605,876
Natural resources	2,670,752	-	-	2,670,752
Fixed income:				
U.S. government obligations	154,070	-	-	154,070
Corporate bonds	-	85,752	-	85,752
Common stocks	281,593	-	-	281,593
Total investments	$ 68,243,366	$ 51,933,607	$ 283,503	$ 120,460,476
Split-interest agreements				
Pooled life income fund	$ 256,120	$ -	$ -	$ 256,120
Split-interest agreements	-	3,658,926	-	3,658,926
Total split-interest agreements	$ 256,120	$ 3,658,926	$ -	$ 3,915,046

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a reconciliation of the beginning and ending balances for the United Way's flexible capital investments, which are measured at fair value using significant unobservable inputs (Level 3):

	Private Equity
Balance at April 1, 2015	$ 329,957
Unrealized gains	28,915
Sales of investments	(75,369)
Balance at March 31, 2016	283,503
Unrealized gains	15,594
Balance at March 31, 2017	$ 299,097

The unrealized gains included in the change in net assets relating to financial instruments still held at the reporting date were $15,594 and $28,915, respectively, for level 3 alternative investments, for the years ended March 31, 2017 and 2016.

10. CHARITABLE GIFT FUNDS

At March 31, 2017 and 2016, the Organizations held investments of approximately $11,500,000 and $10,800,000, respectively, as part of the United Way's Charitable Gift Fund program. These amounts represent unrestricted contributions received by the United Way. However, the donors may make non-binding recommendations to the United Way as to the timing, amount and recipient of distributions from these funds, including the distribution of fund principal.

11. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2017	2016
Land	$ 228,000	$ 228,000
Building and improvements	2,951,007	2,867,517
Equipment	273,378	275,950
Furniture and fixtures	79,641	79,641
Computer equipment	411,577	398,463
	3,943,603	3,849,571
Less: Accumulated depreciation	(2,075,188)	(1,959,285)
	$ 1,868,415	$ 1,890,286

12. PENSION AND OTHER POSTRETIREMENT BENEFITS

Pension Plan

The United Way maintains a noncontributory defined benefit pension plan that provides retirement, disability and death benefits and covers individuals who were employees of the United Way of Greater Rochester, Inc. and United Way Services Corporation (collectively, the Organizations) prior to January 1, 2007. The Plan was frozen by United Way of Greater Rochester, Inc.'s Board of Directors as of January 1, 2007 at which time it was replaced by a 403(b) plan. The United Way's funding policy is to contribute annually an amount that meets the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Measurement Dates

The measurement date for the year-end benefit obligations and assets is March 31 for the fiscal years ended March 31, 2017 and 2016.

Funded Status

Obligations and funded status of the plan are as follows:

	2017	2016
Projected benefit obligation	$ (13,577,533)	$ (14,449,364)
Fair value of plan assets at end of year	10,183,608	9,910,191
Funded status	$ (3,393,925)	$ (4,539,173)
Accumulated benefit obligation	$ (13,577,533)	$ (14,449,364)
Employer contributions	$ 140,934	$ -
Benefit payments	$ (725,373)	$ (685,712)

Financial Statement Recognition

As of March 31, the following amounts were recognized in the consolidated balance sheet:

	2017	2016
As a non-current liability	$ (3,393,925)	$ (4,539,173)

Amounts recognized in the consolidated statements of activities and changes in net assets as of March 31 consist of:

	2017	2016
Net periodic cost	$ 712,521	$ 663,846

12. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

As of March 31, 2017, the following items included in net assets had not yet been recognized as components of benefits expense:

	Net Actuarial Loss
Unrecognized amounts at March 31, 2017	$ 5,191,155
Expected amortization of unrecognized items in next year's expense	$ 656,404

For the year ended March 31, 2017, the United Way recognized $854,938 related to the amortization of its net actuarial loss in the consolidated statement of activities and change in net assets.

Assumptions

Weighted average assumptions used to determine benefit obligations at March 31, are as follows:

	2017	2016
Discount rate	3.79%	3.54%
Average annual increase in compensation	N/A	N/A
Expected long-term rate of return on plan assets	7.00%	7.50%

The expected long-term rate of return on plan assets was developed by considering historical plan performance, current asset allocation and forecasts of future returns.

The United Way uses the RP-2014 Mortality Table for the actuarial calculation of Plan obligations.

Plan Assets

The United Way's pension plan weighted average asset allocations at March 31, 2017 and 2016, by asset category, were as follows:

	2017	2016	Target
Equity securities	37%	37%	36%
Fixed income securities	29%	30%	30%
International securities	24%	23%	24%
Real estate	10%	10%	10%
	100%	100%	100%

12. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

The fair values of the pension plan assets at March 31, 2017 are as follows:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Cash and equivalents	$ 66,141	$ -	$ -	$ 66,141
Vanguard Total Bond Market Index Fund	1,490,785	-	-	1,490,785
Vanguard Intermediate-Term Investment Grade Bonds	893,939	-	-	893,939
Vanguard Short-term Investment Grade bonds	594,098			594,098
Vanguard Total Stock Market Index Fund	3,684,323	-	-	3,684,323
Vanguard REIT Index Fund	1,000,553	-	-	1,000,553
Vanguard Total International Stock Index	2,453,769	-	-	2,453,769
	$ 10,183,608	$ -	$ -	$ 10,183,608

The fair values of the pension plan assets at March 31, 2016 are as follows:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Cash and equivalents	$ 63,813	$ -	$ -	$ 63,813
Vanguard Total Bond Market Index Fund	2,349,103	-	-	2,349,103
Vanguard Inflation - Protected Securities Fund	592,359	-	-	592,359
Vanguard Total Stock Market Index Fund	3,604,293	-	-	3,604,293
Vanguard REIT Index Fund	1,000,703	-	-	1,000,703
Vanguard Total International Stock Index	2,299,920	-	-	2,299,920
	$ 9,910,191	$ -	$ -	$ 9,910,191

Contributions
The United Way expects to contribute $140,469 to the Plan in calendar year 2017 which will be in compliance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Estimated Future Benefit Payments
Benefit payments are expected to be paid as follows:

2018	$ 753,680
2019	$ 760,719
2020	$ 771,468
2021	$ 774,445
2022	$ 779,896
2023 – 2027	$ 4,132,037

12. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

Other Postretirement Benefits Plan

The United Way provides health care for employees who retire from United Way and have attained age 55 with 10 years of service. The United Way's policy is to contribute amounts to this plan on an annual basis as needed for current benefit payments. The plan was amended in January 2015 to increase the maximum amount contributed for health insurance benefits for post-65 retirees from $80 to $85 per month including participating in other medical plans. The formula for early retirees has been changed and provides the same benefit for the retiree as if they were an active employee.

For employees who retired prior to July 2014, a life insurance benefit of one quarter of their final salary is also provided.

The measurement date for the year-end benefit obligations and assets is March 31 for the fiscal years ended March 31, 2017 and 2016.

The following table sets forth the Plan's funded status and expense recognized in the United Way's consolidated financial statements as of and for the years ended March 31, 2017 and 2016 based on actuarial reports.

	2017	2016
Accumulated postretirement benefit obligation	$ (1,890,075)	$ (1,863,240)
Market value of plan assets	-	-
Funded status	$ (1,890,075)	$ (1,863,240)
Net periodic postretirement benefit expense	$ 174,787	$ 182,918
Employer contributions	$ 76,022	$ 32,180
Benefits paid	$ 106,135	$ 70,967

As of March 31, the following amounts were recognized in the consolidated balance sheet:

	2017	2016
As a liability	$ (1,890,075)	$ (1,863,240)
Amounts unamortized in other change in net assets at March 31:		
Actuarial gain recognition	$ 409,002	$ 487,871
Prior service costs	$ (8,870)	$ (15,809)
Amounts expected to be amortized in other change in net assets in the coming year:		
Actuarial gain (loss) recognition	$ (35,602)	$ (59,449)
Prior service costs	$ 6,939	$ 27,429

12. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

Other Postretirement Benefits Plan (Continued)

The significant actuarial assumptions on which the actuarial valuations were based are:

	2017	2016
Discount rate	3.67%	3.39%
Medical care cost trend rate - Pre 65	7.50%	7.75%
Medical care cost trend rate - Post 65	5.80%	6.00%
Rate of future salary increases	3.00%	3.00%

The medical care cost trend rate used in the actuarial computation for 2017 gradually reduces to approximately 3.89% in fiscal 2075 and subsequent years.

It was determined that the effect of a one percentage point change in the assumed rates would not materially increase or decrease the accrued postretirement benefit cost and postretirement benefit expense.

The United Way did not seek the 28% Retiree Drug Subsidy offered by Medicare Part D effective January 1, 2006. Therefore, the actuary did not recognize the impact of the Medicare Prescription Drug Improvement and Modernization Act of 2003 on the Plan's accumulated benefit obligation or periodic pension cost.

In general, the United Way intends to fund the postretirement plan on a pay as incurred basis. The following table of benefit payments are expected to be paid:

2018	$	88,409
2019	$	110,406
2020	$	115,372
2021	$	141,230
2022	$	135,790
2023 - 2027	$	760,883

13. RETIREMENT PLAN

The United Way sponsors a retirement plan qualified under Section 403(b) of the Internal Revenue Code. All employees of the United Way may elect to contribute a percentage of their compensation subject to limitations imposed by the Internal Revenue Service. For qualifying employees, the United Way makes contributions to the plan. The United Way recognized $323,581 and $322,516 of expense related to the Plan in 2017 and 2016, respectively.

The United Way also has plans qualified under Section 457 of the Internal Revenue Code for highly compensated employees. The United Way recognized $21,763 and $36,901 of expense related to these Plans in 2017 and 2016, respectively.

14. LINE-OF-CREDIT

The United Way has an annually renewable line-of-credit agreement with J.P. Morgan Chase Bank allowing maximum borrowings of $1,500,000. Amounts borrowed are unsecured and bear interest at the greater of the prime rate or the Adjusted One Month LIBOR Rate plus 2.5% (the LIBOR rate was .98278% at March 31, 2017). There were no amounts outstanding under this agreement at March 31, 2017 and 2016.

There was no interest paid on the line-of-credit in 2017 or 2016.

15. NET ASSETS

Temporarily restricted net assets are expendable as follows at March 31:

	2017	2016
Endowment:		
Time restricted - for use as part of a future year annual campaign	$ 315,896	$ 379,975
Time restricted - living endowment arrangements	11,205	13,942
Time restricted - to be used for agency capital projects	1,318,103	1,243,732
Accumulated unappropriated earnings on permanently restricted endowment funds	27,918,626	24,967,953
Program restrictions	759,220	707,516
Total temporarily restricted endowment net assets	30,323,050	27,313,118
Time restricted - for use as part of a future year annual campaign	7,125,055	7,099,666
Time restricted - charitable remainder trust arrangements	288,547	275,370
Program restrictions	207,896	183,655
	$ 37,944,548	$ 34,871,809

Temporarily restricted net assets were released as follows at March 31:

	2017	2016
Program restriction:		
For allocations to United Way agencies	$ 47,889	$ 54,829
Other programs	124,143	122,537
	$ 172,032	$ 177,366
Appropriation in accordance with United Way's total return spending policy	$ 2,306,729	$ 2,248,934
Time restriction:		
For use as part of the current year annual campaign	$ 7,481,687	$ 6,978,591

15. NET ASSETS (Continued)

The earnings from the following permanently restricted net assets are expendable as follows at March 31:

	2017	2016
Accumulated for appropriation by the Board of Directors of the United Way	$ 28,013,936	$ 27,361,682
Future year campaign pledges	5,127,178	5,148,588
George L. & Elizabeth C. Todd Permanent Trust	944,605	944,605
	$ 34,085,719	$ 33,454,875

16. ENDOWMENT

The United Way's endowment consists of numerous individual funds established over time for a variety of purposes. Its endowment includes both permanently restricted gifts and funds designated by the Board of Directors to function as quasi-endowments. The United Way's endowment was as follows for the years ended March 31:

	2017	2016
Permanently restricted	$ 34,085,719	$ 33,454,875
Temporarily restricted	$ 30,323,050	$ 27,313,118
Quasi-endowment	$ 54,549,767	$ 51,540,848

Changes in the quasi-endowment net assets for the years ended March 31 were as follows:

	2017	2016
Quasi-endowment, beginning of year	$ 51,540,848	$ 56,233,440
New board designations	201,457	50,829
Appropriation in accordance with United Way's total return spending policy	(2,479,268)	(2,457,140)
Other appropriations	(134,108)	(393,374)
Investment return:		
Gain (loss) on investments	4,640,390	(2,602,027)
Interest income	780,448	709,120
Quasi-endowment, end of year	$ 54,549,767	$ 51,540,848

In July 2013, the Board of Directors updated the reserve fund policy to enable United Way of Greater Rochester to respond to unexpected programmatic and operational events and to initiate operational initiatives. The fund was established at a level approximately equal to three months of operating expense and Monroe County program funding and is recalculated and adjusted accordingly on an annual basis in October. The amount is approximately $5,200,000.

16. ENDOWMENT (Continued)

Changes in the temporarily restricted endowment net assets for the year ended March 31 were as follows:

	2017	2016
Temporarily restricted, beginning of year	$ 27,313,118	$ 32,125,457
Appropriation in accordance with United Way's total return spending policy	(2,306,729)	(2,248,934)
Release of donor imposed restrictions	(457,545)	(441,236)
Investment return:		
Gain (loss) on investments	5,382,006	(2,365,519)
Interest income	392,200	243,350
Temporarily restricted, end of year	$ 30,323,050	$ 27,313,118

Changes in the permanently restricted endowment net assets and charitable remainder trust for the year ended March 31 were as follows:

	2017	2016
Permanently restricted, beginning of year	$ 33,454,875	$ 33,288,459
Contributions and other revenue	189,783	520,020
Investment return:		
Gain (loss) on investments	423,012	(369,817)
Interest income	18,049	16,213
Permanently restricted, end of year	$ 34,085,719	$ 33,454,875

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the United Way to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2017 and 2016.

Return Objectives and Risk Parameters
The United Way has adopted investment and spending policies for endowment assets to attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is net of fees intended to exceed the price and yield results of the spending policy plus the rate of inflation as measured by the Consumer Price Index (over the long term) within a reasonable level of volatility.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate of return objectives, the United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

16. ENDOWMENT (Continued)

Spending Policy and Related Investment Objectives

The United Way has adopted a total return spending policy, under which it appropriates a percentage of the average market value of investments at the end of the previous five years to help support its annual operating expenses. In 2007, the Board decided to reduce the spending formula from 5.5% to 5% of the trailing five year average market value.

The United Way has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restriction on the use of the related income (interest and dividends), and income is classified as temporarily restricted until appropriated by the Board for expenditure.

New York State law allows the Board of Directors to expend net appreciation of endowment investments and in certain circumstances the principal of the gift. The Board of Directors must consider the long and short-term needs of the United Way in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend. The United Way believes that its total return spending policy meets New York State requirements.

17. BOARD DESIGNATED NET ASSETS

Net assets are designated for the following purposes at March 31, 2017. The Board of Directors has designated the following amounts to meet anticipated program expansion and future needs.

	Balance - Beginning of Year	Designated by Board	Uses	Balance - End of Year
Emergency Assistance	$ 3,413	$ -	$ (500)	$ 2,913
Berman Fund	134,370	-	(92)	134,278
Wayne County	720,363	603,206	(665,843)	657,726
Ontario County	689,879	1,359,506	(1,400,201)	649,184
Livingston County	108,243	308,350	(303,482)	113,111
Genesee County	157,825	371,723	(380,540)	149,008
Wyoming County	94,826	128,487	(155,480)	67,833
Hardware/Software acquisition	81,282	61,103	(39,661)	102,724
Synergy Fund	138,259	-	(52,293)	85,966
Blueprint Fund	106,951	100,000	(106,750)	100,201
Reserve Fund	491,042	-	(354,812)	136,230
Board Recognition Fund	8,240	2,544	(6,482)	4,302
Board Operating Surplus	404,643	504,106	(404,643)	504,106
UWSC Post Retirement Reserve Fund	23,882	-	(259)	23,623
UWGR Holding Co. Capital Reserve Fund	187,190	112,148	(83,490)	215,848
	$ 3,350,408	$ 3,551,173	$ (3,954,528)	$ 2,947,053

18. RELATED PARTY

The United Way is related to United Way Services Corporation (UWSC) through certain common members of management and common board representation. The United Way provides management consulting and support services relating to internal financial controls, computer services and operational functions to UWSC. Reimbursement for such services was $25,461 and $44,698 in 2017 and 2016, respectively. In addition, UWSC provides services to the United Way's marketing department. Payment for such services was $20,207 and $23,669 in 2017 and 2016, respectively.

19. COMMITMENTS AND CONTINGENCIES

Future Lease Payments

The United Way leases office space and office equipment under the terms of operating lease agreements. Rental expense under the terms of these agreements was approximately $175,000 and $172,000, for fiscal 2017 and 2016, respectively. Minimum payments under these lease agreements are as follows for the years ending March 31:

2018	$ 179,118
2019	175,594
2020	163,497
2021	149,351
2022 & thereafter	95,804
	$ 763,364

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 28, 2017, which is the date the consolidated financial statements were available to be issued.

UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.

CONSOLIDATING BALANCE SHEETS
MARCH 31, 2017
(With Comparative Totals for 2016)

	2017				
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated	2016 Consolidated
ASSETS					
Cash and cash equivalents	$ 6,774,863	$ 143,588	$ -	$ 6,918,451	$ 6,418,169
Pledges receivable, net	7,351,162	-	-	7,351,162	7,928,370
Government grants receivable	273,704	-	-	273,704	500,000
Rent receivable - affiliate	-	86,890	(86,890)	-	-
Bequests receivable	412,600	-	-	412,600	302,008
Investments	129,217,507	-	-	129,217,507	121,727,954
Property and equipment, net	155,688	1,712,727	-	1,868,415	1,890,286
Beneficial interest in split-interest agreements	4,030,872	-	-	4,030,872	3,915,046
Other assets	160,154	11,264	-	171,418	121,878
	$ 148,376,550	$ 1,954,469	$ (86,890)	$ 150,244,129	$ 142,803,711
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 1,287,391	$ 21,892	$ -	$ 1,309,283	$ 1,271,023
Due to agencies	6,149,061	-	-	6,149,061	5,895,988
Due to Red Cross	266,664	-	-	266,664	1,111,310
Rent payable - affiliate	86,890	-	(86,890)	-	-
Charitable gift annuity reserve	237,073	-	-	237,073	248,242
Funds held for others	106,801	-	-	106,801	100,002
Pension and postretirement plan liability	5,284,000	-	-	5,284,000	6,402,413
Total liabilities	13,417,880	21,892	(86,890)	13,352,882	15,028,978
NET ASSETS:					
Unrestricted -					
Board designated	2,731,204	215,849	-	2,947,053	3,350,408
Undesignated	5,647,432	1,716,728	-	7,364,160	4,556,793
Quasi-endowment	54,549,767	-	-	54,549,767	51,540,848
Total unrestricted	62,928,403	1,932,577	-	64,860,980	59,448,049
Temporarily restricted	37,944,548	-	-	37,944,548	34,871,809
Permanently restricted	34,085,719	-	-	34,085,719	33,454,875
Total net assets	134,958,670	1,932,577	-	136,891,247	127,774,733
	$ 148,376,550	$ 1,954,469	$ (86,890)	$ 150,244,129	$ 142,803,711

The accompanying notes are an integral part of these exhibits.

Exhibit II

UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017							
	Unrestricted				Temporarily Restricted	Permanently Restricted		
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Total	United Way of Greater Rochester, Inc.	United Way of Greater Rochester, Inc.	Consolidated	2016 Consolidated
REVENUE, GAINS AND OTHER SUPPORT:								
Annual campaign, net	$ 15,967,448	$ -	$ -	$ 15,967,448	$ 7,125,818	$ -	$ 23,093,266	$ 23,646,518
Less: Received as agent for other United Ways	(744,349)	-	-	(744,349)	-	-	(744,349)	(868,975)
Less: Allowance for uncollectible pledges	(1,011,484)	-	-	(1,011,484)	(763)	-	(1,012,247)	(868,157)
Annual campaign, net	14,211,615	-	-	14,211,615	7,125,055	-	21,336,670	21,909,386
Investment income used in operations in accordance with the United Way's total return spending policy	4,785,997	-	-	4,785,997	-	-	4,785,997	4,706,074
Charitable gift fund gifts received	2,671,705		-	2,671,705	-	-	2,671,705	4,808,613
Donated goods and services	34,475	172,710	(172,710)	34,475	-	-	34,475	83,779
ROC the Day revenue, net	608,896	-	-	608,896	-	-	608,896	709,037
Endowment legacies and other gifts received, net	494,009	-	-	494,009	-	189,783	683,792	544,651
Government grant revenue	348,704	-	-	348,704	-	-	348,704	500,000
Other	513,048	310,481	(223,288)	600,241	120,749	-	720,990	570,957
	23,668,449	483,191	(395,998)	23,755,642	7,245,804	189,783	31,191,229	33,832,497
Net assets released from restrictions -								
Satisfaction of program restrictions	172,032	-	-	172,032	(172,032)		-	-
Appropriation of endowment assets for expenditure	2,306,729	-	-	2,306,729	(2,306,729)	-	-	-
Expiration of time restrictions	7,481,687	-	-	7,481,687	(7,481,687)	-	-	-
	9,960,448	-	-	9,960,448	(9,960,448)	-	-	-
Total revenue, gains and other support	33,628,897	483,191	(395,998)	33,716,090	(2,714,644)	189,783	31,191,229	33,832,497
EXPENSES:								
Program services -								
Allocations	22,525,141	-	-	22,525,141	-	-	22,525,141	23,902,254
Community investment and services	4,068,217	163,670	(148,989)	4,082,898	-	-	4,082,898	3,747,815
Total program services	26,593,358	163,670	(148,989)	26,608,039	-	-	26,608,039	27,650,069
Supporting services -								
Resource development	3,226,076	151,783	(124,863)	3,252,996	-	-	3,252,996	3,479,556
General management	2,066,829	151,934	(122,146)	2,096,617	-	-	2,096,617	2,227,431
Total supporting services	5,292,905	303,717	(247,009)	5,349,613	-	-	5,349,613	5,706,987
Total expenses	31,886,263	467,387	(395,998)	31,957,652	-	-	31,957,652	33,357,056
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	1,742,634	15,804	-	1,758,438	(2,714,644)	189,783	(766,423)	475,441
OTHER ITEMS:								
Investment gain (loss)	6,632,866	-	-	6,632,866	5,787,383	441,061	12,861,310	(4,411,804)
Investment income used in operations in accordance with the United Way's total return spending policy	(4,785,997)	-	-	(4,785,997)	-	-	(4,785,997)	(4,706,074)
Change in funded status of pension and postretirement plans	1,807,624	-	-	1,807,624	-	-	1,807,624	463,084
CHANGE IN NET ASSETS	5,397,127	15,804	-	5,412,931	3,072,739	630,844	9,116,514	(8,179,353)
NET ASSETS - beginning of year	57,531,276	1,916,773	-	59,448,049	34,871,809	33,454,875	127,774,733	135,954,086
NET ASSETS - end of year	$ 62,928,403	$ 1,932,577	$ -	$ 64,860,980	$ 37,944,548	$ 34,085,719	$ 136,891,247	$ 127,774,733

The accompanying notes are an integral part of these exhibits.

UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017				
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated	2016 Consolidated
CASH FLOW FROM OPERATING ACTIVITIES:					
Change in net assets	$ 9,100,710	$ 15,804	$ -	$ 9,116,514	$ (8,179,353)
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Net realized and unrealized (gain) loss on investments	(10,921,125)	-	-	(10,921,125)	5,808,559
Sale proceeds of donated financial assets	1,841,687			1,841,687	1,889,390
Depreciation	36,107	96,344	-	132,451	138,969
Loss on disposal of property and equipment	26	-	-	26	5,718
Permanently restricted legacies and gifts	(189,783)	-	-	(189,783)	(407,888)
Change in funded status of pension and postretirement liability	(1,807,624)	-	-	(1,807,624)	(463,084)
Provision for uncollectible pledges	1,012,247	-	-	1,012,247	868,157
Changes in:					
Pledges receivable	(435,039)	-	-	(435,039)	(764,137)
Government grants receivable	226,296			226,296	(500,000)
Interest and dividends receivable and other assets	(50,453)	913	-	(49,540)	269,249
Rent receivable - affiliate	-	(21,698)	21,698	-	-
Bequests receivable	(110,592)	-	-	(110,592)	105,073
Accounts payable and accrued expenses	41,673	(3,413)	-	38,260	(556,870)
Due to agencies	253,073	-	-	253,073	(1,258,047)
Due to Red Cross	(844,646)	-	-	(844,646)	(978,536)
Rent payable - affiliate	21,698	-	(21,698)	-	-
Funds held for others	6,799	-	-	6,799	(4,964)
Pension and plan postretirement liability	689,211	-	-	689,211	824,061
Net cash flow from operating activities	(1,129,735)	87,950	-	(1,041,785)	(3,203,703)
CASH FLOW FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(27,116)	(83,490)	-	(110,606)	(90,790)
Purchases of investments	(9,687,183)	-	-	(9,687,183)	(6,727,868)
Sales of investments	11,277,068	-	-	11,277,068	7,662,341
Changes in beneficial interest in split-interest arrangements	(133,238)	-	-	(133,238)	236,531
Net cash flow from investing activities	1,429,531	(83,490)	-	1,346,041	1,080,214
CASH FLOW FROM FINANCING ACTIVITIES:					
Permanently restricted legacies and gifts	189,783	-	-	189,783	407,888
Decrease in charitable gift annuity reserve	(11,169)	-	-	(11,169)	(11,513)
Change in pooled life income fund assets	17,412	-	-	17,412	12,713
Net cash flow from financing activities	196,026	-	-	196,026	409,088
CHANGE IN CASH AND EQUIVALENTS	495,822	4,460	-	500,282	(1,714,401)
CASH AND EQUIVALENTS - beginning of year	6,279,041	139,128	-	6,418,169	8,132,570
CASH AND EQUIVALENTS - end of year	$ 6,774,863	$ 143,588	$ -	$ 6,918,451	$ 6,418,169

The accompanying notes are an integral part of these exhibits.