

**United Nations
Foundation, Inc.**

**Financial Statements and Supplementary
Information
December 31, 2017 and 2016**

United Nations Foundation, Inc.

Index

December 31, 2017 and 2016

	Page(s)
Report of Independent Auditors	1–2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6–20
Supplemental Schedule of Functional Expenses	21



Report of Independent Auditors

To the Board of Directors of
United Nations Foundation, Inc.

We have audited the accompanying financial statements of the United Nations Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Nations Foundation, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

Baltimore, MD
May 25, 2018

United Nations Foundation, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 51,277,584	\$ 53,553,952
Investments	199,004,712	177,199,887
Accounts receivable	3,531,120	4,886,126
Contributions receivable, net	61,670,177	75,739,112
Prepaid expenses and deposits	126,399	527,382
Property and equipment, net	<u>8,003,327</u>	<u>9,076,946</u>
Total assets	<u>\$ 323,613,319</u>	<u>\$ 320,983,405</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 5,615,695	\$ 4,631,259
Deferred government grants	44,456	11,553
Unexpended grants, net	1,633,408	3,532,322
Deferred rent and landlord allowance	<u>15,857,727</u>	<u>16,334,701</u>
Total liabilities	<u>23,151,286</u>	<u>24,509,835</u>
Net assets		
Unrestricted net assets	198,009,972	186,419,293
Temporarily restricted net assets	<u>102,452,061</u>	<u>110,054,277</u>
Total net assets	<u>300,462,033</u>	<u>296,473,570</u>
Total liabilities and net assets	<u>\$ 323,613,319</u>	<u>\$ 320,983,405</u>

The accompanying notes are an integral part of these financial statements.

United Nations Foundation, Inc.
Statements of Activities
December 31, 2017 and 2016

	2017	2016
Change in unrestricted net assets		
Revenues		
Contributions	\$ 7,892,341	\$ 10,062,555
Government grants	11,497,464	5,943,450
Interest and dividends	2,671,590	1,853,275
Net realized and unrealized gain/loss and fees on investments	31,697,031	5,031,374
Grant recoveries and adjustments	1,053,727	184,247
Other	1,826,070	1,090,186
Total unrestricted revenues and other changes	<u>56,638,223</u>	<u>24,165,087</u>
Net assets released from restriction	<u>72,258,835</u>	<u>78,204,030</u>
Total unrestricted revenues and other support	<u>128,897,058</u>	<u>102,369,117</u>
Expenses		
Program services	101,822,302	102,415,848
General and administrative	8,672,633	8,462,615
Fundraising	6,811,444	6,162,156
Total expenses	<u>117,306,379</u>	<u>117,040,619</u>
Change in unrestricted net assets	11,590,679	(14,671,502)
Unrestricted net assets		
Beginning of year	<u>186,419,293</u>	<u>201,090,795</u>
End of year	<u>198,009,972</u>	<u>186,419,293</u>
Change in temporarily restricted net assets		
Contributions	62,180,535	75,656,682
Grant recoveries and other adjustments	207,947	(489,181)
Net realized and unrealized foreign currency exchange (loss) gain	2,268,137	(5,038,904)
Net assets released from restriction	<u>(72,258,835)</u>	<u>(78,204,030)</u>
Change in temporarily restricted net assets	(7,602,216)	(8,075,433)
Temporarily restricted net assets		
Beginning of year	<u>110,054,277</u>	<u>118,129,710</u>
End of year	<u>102,452,061</u>	<u>110,054,277</u>
Change in net assets	3,988,463	(22,746,935)
Net assets		
Beginning of year	<u>296,473,570</u>	<u>319,220,505</u>
End of year	<u>\$ 300,462,033</u>	<u>\$ 296,473,570</u>

The accompanying notes are an integral part of these financial statements.

United Nations Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 3,988,463	\$ (22,746,935)
Adjustments to reconcile change in net assets to net cash		
Used in operating activities		
Depreciation	1,073,619	1,082,908
Grant recoveries	(1,496,901)	(882,678)
Other adjustments	-	1,227,492
Amortization of discount for contributions receivable	274,074	(455,961)
Accretion of landlord allowance	(650,122)	(650,121)
Net realized and unrealized loss (gain) on investments	(28,265,436)	(2,286,587)
Net realized and unrealized foreign currency exchange loss	(2,088,191)	5,039,713
Decrease (increase) in accounts receivable	2,794,388	(1,993,907)
Decrease in contributions receivable	15,883,052	12,828,706
(Increase) decrease in grants receivable	(1,439,382)	456,171
Decrease (increase) in prepaid expenses and deposits	400,983	(41,774)
Increase (decrease) in accounts payable and accrued expenses	984,436	(3,189,590)
(Decrease) increase in unexpended grants	(402,013)	736,432
Increase in deferred rent	173,148	360,023
Increase (decrease) in deferred grant revenue	32,903	(91,710)
Net cash used in operating activities	<u>(8,736,979)</u>	<u>(10,607,818)</u>
Cash flows from investing activities		
Purchase of investments	(13,710,071)	(8,388,608)
Proceeds from the sale of investments	20,170,682	30,243,575
Purchases of property and equipment	-	(252,840)
Net cash provided by (used in) investing activities	<u>6,460,611</u>	<u>21,602,127</u>
Change in cash and cash equivalents	(2,276,368)	10,994,309
Cash and cash equivalents		
Beginning of year	53,553,952	42,559,643
End of year	<u>\$ 51,277,584</u>	<u>\$ 53,553,952</u>
Supplemental information		
Donated securities	\$ 37,254	\$ 110,735

The accompanying notes are an integral part of these financial statements.

United Nations Foundation, Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established the United Nations Foundation, Inc. (the "Foundation" or "UNF") and its sister organization, Better World Fund, Inc. ("BWF"), to support the efforts of the United Nations ("UN"). UNF's mission is to promote a more peaceful, prosperous, and just world – through support of the United Nations and its Charter, with special emphasis on the UN's work on behalf of economic, social, environmental and humanitarian causes. UNF focuses on four main programs: 1) women and population, 2) the environment, 3) children's health, and 4) peace, security and human rights.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with original maturities of 90 days or less. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty.

Valuation of Investments

The Foundation carries its investments at market value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is reported based on the values reported by third-party investment managers, under the general oversight of the Investment Sub-Committee of the Foundation after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability, (or absence thereof) cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that the Foundation might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market.

The change in net unrealized gains or losses on investment securities is reflected in the Statements of Activities. All gains and losses arising from the sale, collection, or other disposition of investments are accounted for on a specific identification basis calculated as of the transaction date.

See Note 3 for further details on valuation of investments.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

Property and Equipment

Property and equipment are recorded at cost and depreciated using the half-year convention over the estimated useful lives of assets ranging from two to eight years or the life of the lease, whichever is shorter. Land is recorded at fair value at the date of contribution. When assets are sold or retired, the related cost and accumulated depreciation are removed from the account. Any gain or loss resulting from disposition is credited or charged to operations. Expenditures for repairs and maintenances are charged to operations as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. UNF's policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. There were no impairment charges for the years ended December 31, 2017 and 2016.

Concentration of Credit Risk

Financial instruments, which potentially subject UNF to a concentration of credit risk, consist of cash and demand deposits placed with one financial institution. UNF places its cash and cash equivalents with high credit quality financial institutions that are federally insured under the Federal Depository Insurance Corporation Act (FDICA). At December 31, 2017 and 2016, the aggregate balances in excess of the insurance limits were approximately \$51,000,000 and \$53,300,000, respectively, and therefore bear some risk since they are not collateralized. UNF has not experienced any losses on its cash and cash equivalents to date, as they relate to FDICA insurance limits and do not expect such losses in the future.

Leases and Leasehold Improvements

During 2011, UNF entered into a new agreement to lease office space in New York City to relocate its offices from one floor to another within the same building. This lease agreement has a term of 10 years and seven months which expires in 2022.

During 2012, UNF entered into a new agreement to lease office space in Washington, DC for its new headquarters location. The lease agreement has a term of 15 years, commencing in January 2014 and expiring in December 2028. As a result of the move to its new headquarters location in 2014, UNF provided lease termination notices to two other DC landlords. The move to the new headquarters location was effective on January 1, 2014.

During 2014, UNF amended its headquarters lease agreement to include two additional storage spaces. The first storage space lease has a term of 14 years and 5 months commencing in August 2014 and expiring in December 2028. The second storage space lease has a term of 14 years commencing in December 2014 and expiring in December 2028.

During 2015, UNF entered into an agreement to sublease the 2nd floor office space in Washington, DC. The sublease agreement has a three-year term, commencing in January 2016 and expiring in December 2018.

During 2015 UNF further amended its headquarters lease agreement to include 10,992 square feet of additional office space on the second floor. The second floor lease has a term of 13 years and 9 months, commencing in April 2015 and expiring in December 2028.

United Nations Foundation, Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

Landlord Allowance

As an incentive for entering into the lease agreement for its office in New York City, UNF received a cash allowance of \$192,000 from the landlord in 2011. The value of this allowance payment and total base rent under the lease is amortized over the ten-year, seven-month life of the lease. As of December 31, 2017 and 2016, \$212,054 and \$198,272, respectively, is included in deferred rent and landlord allowance on the Statements of Financial Position as unamortized landlord allowance.

As an incentive for entering into the lease agreement for its new headquarters location in Washington, DC, UNF received a commitment for cash allowances as follows: 1) \$315,281 to cover the lease termination fee at one Washington, DC location, 2) \$335,741 to cover the lease termination fee and \$1,514,607 to cover post-move rent payments due at another Washington, DC location, and 3) \$7,011,668 to cover tenant improvements at the new headquarters location. Leasehold improvements, landlord allowances and credits, and total base rent under the lease are amortized over a 16-year and three-month period, commencing when UNF took possession of the space to begin tenant improvements in October 2012 and ending at the end of the lease term in November 2028. As an incentive for entering into the lease agreement for the second floor in its headquarters location in Washington, DC, UNF received a commitment for a cash allowance towards tenant improvements. The value of this allowance payment and total base rent under the lease is amortized over a 13 year, 9-month period commencing when UNF took possession of the space to begin tenant improvements in April 2015 and ending at the end of the lease term in December 2028. As of December 31, 2017 and 2016, \$15,645,674 and \$16,136,429, respectively, is included in deferred rent and landlord allowance on the Statements of Financial Position.

Classification of Net Assets

UNF's net assets have been grouped into the following two classes:

Unrestricted Net Assets

Unrestricted net assets are those whose use by UNF is not subject to any donor-imposed stipulations. Unrestricted net assets generally result from unrestricted contributions, unrealized and realized gains and losses, and interest from investing unrestricted net assets in income-producing assets, less expense incurred in making grants, raising contributions, and performing administrative functions. Board designated voluntary restrictions, such as voluntarily earmarking assets for a particular purpose, are included among the unrestricted net assets of UNF. The board is free to designate certain portions of its funds for certain activities; however, these are included among unrestricted net assets since they are not bound by restrictions imposed by a donor. As of December 31, 2017 and 2016, no UNF unrestricted net assets have been designated as grant matching funds.

The Board of Directors has set-aside funds from the R.E. (Ted) Turner's unrestricted contributions for the long-term sustainability goals of the Foundation. As of December 31, 2017, the board-designated balance was approximately \$199 million.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by UNF is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the UNF pursuant to those stipulations. When these restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

Contributions

UNF recognizes contributions and unconditional promises to give as revenue in the period received or promised, whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are reported as temporarily restricted if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or a stipulated time restriction ends. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets in the Statements of Activities as net assets released from restrictions.

Unconditional promises to give, which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organization. This approach is consistent with the guidance provided under Accounting Standards Codification ("ASC") Topic 820. Discount rates are based on market participants and range from 2.23% to 4.06%.

In 2017 and 2016, contributions received in prior years totaling \$0 and \$117,260, respectively, were returned to donors either because the Foundation could not implement the purpose for which the contribution was originally received or residual funds existed on closed grants/projects.

Grants

UNF makes grants in support of four program priorities established by the board of directors. The amount for which UNF is obligated is recorded when the project has been unconditionally approved. Grants contingent upon third party funding or other conditions are recognized as the conditions are met.

Grants payable involve fair value measurement only upon initial recognition. Grants payable, which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organization. This approach is consistent with the guidance provided under ASC Topic 820. Discount rates are based on market participants and range from 2.39% to 3.26%. All unexpended grants at December 31, 2017 and 2016 are payable within a year.

At the end of the approved grant term and upon completion of UNF's internal grant modification and closing process, grant recoveries and adjustments are recorded in the period in which they are closed or modified as reflected on the Statements of Activities. In 2017 and 2016, grant recoveries and adjustments and the corresponding grants payable balances were recorded in the amounts of \$0 and \$24,079, respectively, due to grant closings and modifications. Additionally, as of December 31, 2017 and 2016, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$1,496,901 and \$858,599, respectively. As of December 31, 2017 and 2016, unexpended grants on the statements of the Financial Position includes approximately \$0 and \$120,000, respectively for grants payables with expired terms or immediate future projected payments.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

Government Grants

UNF receives various grants from Federal Government agencies for the purpose of furthering its mission in the areas of women and population, the environment, and children's health. Grants are recognized as support and the related project costs are recorded as expenses when services related to grants are incurred. Grants receivable in the amount of \$2,245,070 are included in Accounts Receivable – Other in the Statements of Financial Position. Grant income is included in Government Grants in the Statements of Activities.

Gifts in Kind

Gifts in kind are recorded at estimated fair value at the date the donation is received and are included in the Statements of Activities.

Donated Services

UNF recognizes donations of services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donated services are recorded at estimated fair value on the date the service is provided. There were no donated services for the years ended December 31, 2017 and 2016, respectively. Donated services are included in the Statements of Activities.

Interest Income

Certain interest income earned by UN agencies and projects, resulting from funding provided by UNF, was made available for use to fulfill project payment requests during 2017 and 2016. This income is recorded as interest income at the time it is reported by UN agencies to UNF and is held as a receivable until it is utilized in meeting a specific payment request. Interest receivable from UN agencies in the amounts of \$4,268 and \$110,167 for the years ended December 31, 2017 and 2016, respectively, is included in Accounts Receivable - Other in the Statements of Financial Position.

Foreign Currency

All foreign currency transactions are converted and accounted for in United States dollars on the date of the respective transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured annually at the prevailing year-end exchange rate. The resulting unrealized foreign currency exchange gain or loss is included in the Statements of Activities.

Income Taxes

UNF has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code as a public charity, other than unrelated business income. Since UNF has no significant unrelated business income, no provision for income tax has been recorded.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact on UNF's financial statements during the years ended December 31, 2017 and 2016 resulting from this guidance.

United Nations Foundation, Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses, including donated services and functional allocation of expenses, and the carrying value of certain investments, grants payable and contributions receivable, during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued a standard on “*Revenue from Contracts with Customers*”. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2018. The Foundation is evaluating the impact this will have on the financial statements beginning in fiscal year 2019.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*”. ASU 2016-02 will require organizations that lease assets - referred to as “lessees” - to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by organizations that own the assets leased by the lessee - also known as lessor accounting - will remain largely unchanged from current Generally Accepted Accounting Principles (Topic 840 in the Accounting Standards Codification). The guidance is effective for fiscal years beginning after December 15, 2019 for private companies, and early adoption is permitted. The Foundation is in process of assessing the impact of the adoption of ASU 2016-02 on the financial statements beginning in fiscal year 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantor, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017. The Foundation is evaluating the impact of this standard on the financial statements beginning in fiscal year 2018.

In January 2017, the FASB issued ASU 2017-02, Not-for-Profit (“NFP”) Entities – Consolidation: Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity. This standard clarifies when a NFP entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, become effective. This ASU is effective for fiscal years beginning after December 15, 2016. ASU 2015-02 provides an exception from consolidation for limited partner interests that are reported at fair value under election of portfolio-wide fair value option, even if consolidation would otherwise be required. The Foundation is not a General Partner of any for-profit entity, and reports all its limited partner interest in alternative investment vehicles at fair value. As such, this pronouncement does not affect the Foundation’s financial statements as of December 31, 2017.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

3. Fair Value Measurements

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected in the Statement of Activities. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value standard discusses valuation techniques such as the market approach, cost approach and income approach and establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in this category included listed equities and listed mutual funds.
- Level 2 Pricing inputs including market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. Investments which are generally included in this category include less liquid and restricted equity securities and fixed income securities.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation. The foundation does not hold level 3 assets or liabilities as of December 31, 2017.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment on the part of the Foundation. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the perceived risk of that investment.

Some of the Foundation's investments may be illiquid and the Foundation may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if the Foundation is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

The following tables present the financial investments in which UNF invests. The following investments are carried at fair value as of December 31, 2017 and 2016, by the fair valuation hierarchy defined above:

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs Level 2)	Unobservable Inputs (Level 3)	Fair Value at December 31, 2017
Investments				
Cash equivalents	\$ 162,326	\$ -	\$ -	\$ 162,326
Equity	18,204,793			18,204,793
Mutual fund				
Domestic large cap equities	8,143,447			8,143,447
Fixed income	15,359,871			15,359,871
	<u>41,870,437</u>	<u>-</u>	<u>-</u>	<u>41,870,437</u>
Alternative investments *				
Measured under the				
Nav-practical expedient			-	157,134,275
Total investments	<u>41,870,437</u>	<u>-</u>	<u>-</u>	<u>199,004,712</u>
Total assets at fair value	<u>\$ 41,870,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,004,712</u>

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs Level 2)	Unobservable Inputs (Level 3)	Fair Value at December 31, 2016
Investments				
Cash equivalents	\$ 343,142	\$ -	\$ -	\$ 343,142
Equity	16,883,007			16,883,007
Mutual fund				
Domestic large cap equities	6,790,122			6,790,122
Fixed income	8,689,983			8,689,983
	<u>32,706,254</u>	<u>-</u>	<u>-</u>	<u>32,706,254</u>
Alternative investments *				
Measured under the				
Nav-practical expedient			-	144,493,633
Total investments	<u>32,706,254</u>	<u>-</u>	<u>-</u>	<u>177,199,887</u>
Total assets at fair value	<u>\$ 32,706,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,199,887</u>

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position. The investments in this category include commingled funds, private equity funds and hedged funds with different investing strategies. Refer to subsequent footnote disclosure for detail of each strategy.

United Nations Foundation, Inc.

Notes to the Financial Statements

December 31, 2017 and 2016

In general, for alternative investments measured under NAV (or its equivalents) practical expedient, the Foundation utilizes the investment manager of the asset to provide a valuation estimate based on techniques discussed later and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the Foundation may also use established processes for determining the fair value of such securities which reflect the Foundation's own assumptions to value the assets as well. Management makes best estimates based on the information available. The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

Cash Equivalents

Cash equivalents consist primarily of money market funds that are highly liquid investments with maturities at date of purchase of three months or less. Cash equivalents are recorded at amortized cost which approximates fair value and are classified as Level 1. These balances are held at the Foundation's custodian and banking institutions for investments purpose.

Equity Investments

Equity investments include public traded securities that consist primarily of domestic common stocks. Securities actively traded on exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.

Mutual Fund Investments

These investments comprise of mutual funds focusing on different strategies. Domestic large cap equity strategy generally holds public common stocks of 20 -30 US companies with large capitalization. Fixed income strategy invests in diversified portfolio of fixed income instruments of varying maturities. These fixed income instruments include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S public- or private-sector entities. All these mutual funds are actively traded on exchange and are classified as Level 1.

Alternative Investments Measured under NAV Practical Expedient

These investments include alternative investment in commingled funds, private equity funds and hedge funds with different investing strategies. For asset allocation based on geographic strategy, certain funds focused on the Asia ex Japan region, Europe, Australasia, and Far East region international and global securities. Some hedge funds focused on long/short equity strategy that seek to minimize market exposure, while profiting from stock gains in the long positions, along with price declines in the short positions. Absolute return strategy seeks to generate absolute returns and to minimize losses in down markets. Absolute return assets are comprised of global multi-strategy and credit and event-driven investments. Global fixed income arbitrage strategy consists of the discovery and exploitation of inefficiencies in the pricing of bonds yielding a contractually fixed stream of income. All these alternative funds are privately held and trade infrequently and managed by external investment managers. The valuations are calculated by the investment manager based on valuation techniques that take into account each fund's underlying assets and include traditional valuation methods such as the market, cost and income approaches. The valuation policies adopted by the manager are reviewed by the Foundation for propriety, consistency, compliance and completeness. In the case of private equity investments, there are limited options to transfer or withdraw from these funds prior to their termination. Inputs used to determine fair value are based upon the best available information provided by the partnerships/funds and may incorporate management assumptions and best estimates after considering a variety of internal and external factors.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

For these alternative investments, management uses the Net Asset Value (“NAV”) per share or Foundation’s percentage of ownership interest as practical expedient to determine the fair value of investments which (a) have the attributes of an investment company or (b) the entity prepares its financial statements consistent with the measurement principles of an investment company. Fair value of each investment valued using NAV as the practical expedient is determined based on management’s reviews of the valuation policies of managers, fund’s audited financial statements, and review of due diligence as applicable and other information needed to obtain an understanding of the valuation processes used by the third party. Investments in such funds do carry certain risks including lack of regulatory oversight, market risk and interest rate risk.

Investments with different strategy valued using NAV as of December 31, 2017 are as follows:

Investment	<u>December 31, 2017</u> Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative investments			
Commingled equity	\$ 28,428,264	Monthly	30 days
International equity	5,433,801	Quarterly	30 days
Asia ex japan	10,840,128	Monthly	30 days
Europe, australasia, far east	9,430,929	Monthly	10 days
Global	27,197,787	Quarterly	30 days
Hedged equity			
Long/short equity	7,141,500	Annually	60 days
Long/short equity	6,785,387	Tri-annually	60 days
Long/short equity	10,466,415	*1/5 quarterly 4/5 triennial	30 days
Long/short equity	6,054,821	Monthly	30 days
Long/short equity	4,543,578	Monthly	45 days
Long/short equity	4,750,329	Quarterly	45 days
Absolute return			
Global multi-strategy	13,825,329	Quarterly	60 - 65 days
Global multi-strategy	280,266	1/3 annually	65 days
Global multi-strategy	7,831,402	Semi-annually	60 days
Credit and event-driven	10,003,103	1/4 quarterly	65 days
Global fixed income			
Arbitrage	4,121,235	1/3 annually	90 days
	<u>\$ 157,134,275</u>		

* 20% of UNF’s shares have quarterly liquidity. The remaining 80% of shares have liquidity every three years on the anniversary of purchase.

There were no unfunded commitments related to investments held by UNF as of December 31, 2017.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

	2017	2016
Dividends and interest	\$ 2,391,410	\$ 1,637,939
Net unrealized gains	27,586,797	3,365,433
Net realized gains	4,110,217	1,665,940
Investment fees	<u>(3,431,067)</u>	<u>(2,744,786)</u>
Total Investment Return	<u>\$ 30,657,357</u>	<u>\$ 3,924,526</u>

Realized gains and losses are calculated by comparing proceeds upon sale of an investment to its original cost, or its cost less any adjustment recorded for other-than-temporary loss on investments where applicable. The change in unrealized gains or losses on investments reflects the increase or decrease during the period in the difference between the fair value and the carrying amount of securities.

The fair value and cost of investments in which UNF invests at December 31, 2017 and 2016 were as following categorized by investment strategy:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 162,326	\$ 162,326	\$ 343,142	\$ 343,142
Equity	18,204,793	12,100,915	16,883,007	15,753,752
Mutual fund				
Domestic large cap equities	8,143,447	7,233,413	6,790,122	6,060,489
Fixed income	15,359,872	15,446,695	8,689,983	8,906,562
Alternative investments				
International equity				
Asia ex japan	16,273,929	10,250,000	12,231,279	10,250,000
Europe, australasia, far				
East	9,430,929	7,376,321	4,395,609	4,222,374
Global	27,197,787	13,500,000	20,177,339	13,500,000
Hedged equity funds				
Long/short equity	39,742,030	28,081,589	37,795,224	29,824,960
Commingled equity	28,428,264	22,908,398	27,261,031	26,239,183
Absolute return				
Global multi-strategy	21,936,997	20,099,954	25,491,073	23,118,363
Credit and event-driven	10,003,103	6,999,489	12,814,168	9,718,241
Global fixed income				
Arbitrage	4,121,235	3,325,477	4,327,910	3,325,477
	<u>\$ 199,004,712</u>	<u>\$ 147,484,577</u>	<u>\$ 177,199,887</u>	<u>\$ 151,262,543</u>

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

4. Contributions Receivable

As of December 31, the expected future cash receipts from contributions receivable are as follows:

	2017	2016
Less than one year	\$ 41,771,607	\$ 49,952,042
One year to five years	<u>20,983,084</u>	<u>26,597,510</u>
	62,754,691	76,549,552
Less: Discount to net present value	<u>(1,084,514)</u>	<u>(810,440)</u>
Total contributions receivable, net	<u><u>\$ 61,670,177</u></u>	<u><u>\$ 75,739,112</u></u>

Net contributions receivable as of December 31, 2017 included amounts of approximately \$30.1 million, \$13.1 million, \$8.5 million, \$3.1 million and \$1 million from five donors. Net contributions receivable as of December 31, 2016 included amounts of approximately \$28.5 million, \$14 million, \$10.8 million, \$10 million, \$2.5 million and \$2 million from six donors. Management has assessed the collectability of receivables and based on that assessment has determined that there is no need for an allowance for the years ended December 31, 2017 and 2016.

Contributions receivable which are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. Discount rates are based on market participants and range from 2.23% to 4.06%.

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2017	2016
Land	\$ 138,175	\$ 138,175
Leasehold improvements	8,792,617	8,792,617
Equipment	434,551	434,551
Furniture and fixtures	<u>2,997,002</u>	<u>2,997,002</u>
	12,362,345	12,362,345
Less: Accumulated depreciation	<u>(4,359,018)</u>	<u>(3,285,399)</u>
Total property and equipment, net	<u><u>\$ 8,003,327</u></u>	<u><u>\$ 9,076,946</u></u>

6. Leases

UNF leases office space and equipment under operating leases expiring at various dates through December 31, 2028. The office leases are subject to annual escalation amounts as set forth in the lease agreements. Rent expense of \$5,116,323 and \$4,966,338 was recognized for the years ended December 31, 2017 and 2016, respectively, on a straight-line basis. The following is a schedule of anticipated future minimum rental payments as of December 31, 2017, pursuant to lease agreements:

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

Years Ending December 31,	
2018	\$ 5,366,396
2019	5,598,996
2020	5,738,767
2021	5,891,806
2022	5,528,119
Thereafter	<u>36,384,570</u>
	<u>\$ 64,508,654</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 have been restricted by donors for the following purposes:

	2017	2016
Children's health	\$ 46,813,783	\$ 58,054,979
Women and population	34,849,692	23,087,710
Environment	11,763,285	16,063,848
Other	8,892,500	11,005,406
Global aids fund	132,801	122,093
Malaria	-	1,720,241
	<u>\$ 102,452,061</u>	<u>\$ 110,054,277</u>

Other temporarily restricted net assets principally include projects such as UN Strengthening, and Peace, Security and Human Rights.

8. Release of Temporarily Restricted Net Assets

Temporarily restricted net assets were released from restriction for the following purposes for the years ended December 31:

	2017	2016
Children's health	\$ 29,813,264	\$ 34,960,583
Environment	11,933,854	13,651,282
Other	15,797,514	14,278,061
Women and population	14,549,388	12,768,830
Global AIDS fund	164,815	1,270,057
Malaria		1,275,217
	<u>\$ 72,258,835</u>	<u>\$ 78,204,030</u>

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

9. Employee Benefits

Effective January 2, 2002, UNF established a 403(b) plan for all UNF employees, which replaced the former 401(k) plan. UNF provides a 150% match of all employee contributions up to 4% of the employee's salary, which results in a maximum employer contribution of 6% of the employee's salary. For the years ended December 31, 2017 and 2016, UNF contributed under this plan in the amount of \$1,385,548 and \$1,227,680, respectively.

10. Related Parties

Relationship With United Nations

On February 2, 1998, UNF and the UN entered into a Relationship Agreement whereby the UN and UNF agreed to work together to achieve the goals and objectives of the Charter of the United Nations through the implementation of innovative, forward-looking and proactive projects and activities that make contributions to the collective future and well-being of the planet. UNF will assist the UN by providing grants to the UN to assist in its goals and objectives, undertake fundraising efforts to support UN's projects and activities, and engage in or provide support to activities designed to increase public awareness and support for the UN. The UN set up the United Nations Fund for International Partnerships ("UNFIP"), under the control of the Secretary General of the United Nations, to receive grants exclusively from UNF. UNFIP provides a central administrative vehicle within the UN for working with UNF to identify and select projects and activities, receive and distribute funds for such projects and activities, and monitor and report on the use of such funds. UNFIP is required to be administered in accordance with the Financial Regulations and Rules of the UN. During 2017 and 2016, grants unconditionally approved to UNFIP and included in program services in the Statements of Activities were \$26,208,748 and \$28,226,475, respectively. Included in the grants unconditionally approved to UNFIP during 2017 and 2016 are administrative and project fees of \$1,436,900 and \$1,444,000, respectively. At December 31, 2017 and 2016 there were \$0 and \$120,000 in unexpended grants, respectively.

Contribution

Contributions from Board Members amount to \$116,560 and \$0 for the years ended December 31, 2017 and 2016, respectively.

Grants

UNF approved grants totaling \$35,383,626 and \$27,371,003 to affiliated organizations during 2017 and 2016, respectively. At December 31, 2017 unexpended grants in the Statements of Financial Position included \$0 payable to affiliated organizations. At December 31, 2016 unexpended grants in the Statements of Financial Position included \$120,000 payable to affiliated organizations.

Cost-Sharing Agreement

UNF and BWF have a cost-sharing agreement whereby operating costs are shared based upon the relative portions of annual grant making, employee time incurred, or labor costs, depending on the type of expenditure. During 2017 and 2016, \$584,499 and \$1,618,643, respectively, of such cost was incurred and allocated by UNF to BWF. The allocation ratio of the operating expenses between UNF and BWF were 95%:5% and 87%:13% for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, \$940,015 and \$391,769, respectively, were receivable by UNF from BWF and included in "Accounts Receivable" in the Statements of Financial Position.

United Nations Foundation, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

11. Functional Expenses Allocation

The primary mission of the United Nations Foundation (UNF) is to support the work of the United Nations to foster a more peaceful, prosperous and just world. In the Statement of Functional Expenses, UNF allocates expenses between program and supporting services. Program expenses relate to goods and services in support of the mission of our organization and relate to the organization's major programs. Supporting expenses are broken down into management and general, and fundraising which are not identifiable with a single program but are indispensable to the conduct of our major programs and overall organizational structure. Expenses are allocated on a percentage basis depending upon usage, and these percentages are reviewed annually.

12. Subsequent Events

UNF has performed an evaluation of subsequent events through May 25, 2018, which is the date the financial statements were available to be issued, noting no additional events which would affect the financial statements as of December 31, 2017.

Supplemental Schedule

United Nations Foundation, Inc.
Schedule of Functional Expenses
Years Ended December 31, 2017 and 2016

	Program Services					Supporting Services					
	Advocacy	Children's Health	Environment	Women & Population	UN Strengthening	Total Program Services	General & Administrative	Fund-Raising	Total Supporting Services	2017 Total Expenses	2016 Total Expenses
Personnel expenses	\$ 15,579	\$ 10,756,111	\$ 3,844,106	\$ 6,318,084	\$ 3,333,280	\$ 24,267,160	\$ 3,577,067	\$ 2,633,893	\$ 6,210,959	\$ 30,478,119	\$ 27,545,939
Professional fees	9,019	8,176,066	7,279,702	2,384,090	3,732,354	21,581,230	2,673,820	2,218,591	4,892,411	26,473,641	24,371,264
Occupancy	7,563	1,404,653	120,471	389,738	810,025	2,732,450	1,536,262	1,025,508	2,561,769	5,294,219	5,117,748
Information technology	58	19,231	2,112	11,783	16,377	49,560	12,671	19,496	32,168	81,728	87,564
Communications	223	81,821	24,400	44,289	38,330	189,065	39,818	34,064	73,881	262,946	416,511
Postage and delivery	48	17,012	5,282	25,508	9,121	56,972	10,640	9,007	19,647	76,619	98,403
Printing and reproduction	40	32,521	18,453	42,182	21,431	114,627	9,869	13,748	23,618	138,245	157,671
Insurance	223	47,931	1,375	9,934	26,441	85,904	46,565	30,454	77,019	162,923	167,936
Travel	1,138	1,316,699	499,283	836,405	782,455	3,435,980	237,122	289,611	526,733	3,962,713	4,224,679
Other operating	2,177	1,848,988	438,143	672,316	761,103	3,722,727	528,799	537,072	1,065,872	4,788,599	4,125,521
Grant expense	134,596	24,994,855	617,655	5,423,403	14,416,119	45,586,627	-	-	-	45,586,627	50,727,383
Total expenses	\$ 170,664	\$ 48,695,888	\$ 12,850,982	\$ 16,157,732	\$ 23,947,036	\$ 101,822,302	\$ 8,672,633	\$ 6,811,444	\$ 15,484,077	\$ 117,306,379	\$ 117,040,619