



**GREATER TWIN CITIES UNITED WAY**

Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

# **GREATER TWIN CITIES UNITED WAY**

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KPMG LLP  
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## **Independent Auditors' Report**

The Board of Directors  
Greater Twin Cities United Way:

We have audited the accompanying financial statements of Greater Twin Cities United Way, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 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 financial statements.

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



### **Opinion on the Financial Statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Twin Cities United Way as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016 on our consideration of Greater Twin Cities United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater Twin Cities United Way's internal control over financial reporting and compliance.

**KPMG LLP**

Minneapolis, Minnesota  
June 24, 2016

# GREATER TWIN CITIES UNITED WAY

## Balance Sheets

December 31, 2015 and 2014

| <b>Assets</b>   | <b>2015</b>           | <b>2014</b>        |
|---|-----------------------|--------------------|
| Cash and cash equivalents   | \$ 26,710,699         | 28,778,785         |
| Annual campaign pledges receivable, less allowance for uncollectible pledges of \$4,253,977 and \$5,114,589, respectively | 45,601,060            | 50,211,612         |
| Other assets  | 278,682               | 728,815            |
| Grants and other receivables  | 1,581,701             | 925,140            |
| Legacy campaign receivable, net of discount   | 3,885,695             | 4,712,081          |
| Community capital fund receivables  | 7,766,145             | 6,505,485          |
| Investments   | 20,962,908            | 15,923,340         |
| Legacy investments  | 276,758               | 408,905            |
| Investment in closely held stock  | 4,646,980             | 4,021,030          |
| Investments held at The Saint Paul Foundation   | 28,085,602            | 27,041,149         |
| Investments held at The Minneapolis Foundation  | 9,535,686             | 10,424,536         |
| Beneficial interests in charitable trusts   | 2,179,136             | 2,375,248          |
| Centennial endowment receivables  | 4,454,664             | 3,153,556          |
| Property and equipment, net of accumulated depreciation of \$7,132,458 and \$6,588,537, respectively                      | 2,700,920             | 1,407,234          |
| Total assets  | <u>\$ 158,666,636</u> | <u>156,616,916</u> |
| <b>Liabilities and Net Assets</b>   |                       |                    |
| Liabilities:  |                       |                    |
| Accounts payable and accrued expenses   | \$ 1,599,467          | 1,829,552          |
| Allocations payable   | 2,907,264             | 2,079,601          |
| Donor designations, less allowance for uncollectible pledges of \$127,065 and \$131,437, respectively                     | 8,202,168             | 7,179,744          |
| Pension liability   | 997,165               | 1,215,885          |
| Total liabilities   | <u>13,706,064</u>     | <u>12,304,782</u>  |
| Net assets:   |                       |                    |
| Unrestricted:   |                       |                    |
| Board-designated endowments   | 14,290,039            | 15,252,967         |
| Board-designated other  | 6,955,685             | 7,101,330          |
| Land, building, and equipment   | 2,700,920             | 1,407,234          |
| Unfunded minimum pension obligation   | (2,550,653)           | (2,338,178)        |
| Undesignated  | 12,350,009            | 12,450,855         |
| Total unrestricted net assets   | <u>33,746,000</u>     | <u>33,874,208</u>  |
| Temporarily restricted:   |                       |                    |
| Annual campaign   | 54,868,047            | 57,247,416         |
| Beneficial interest in charitable trust   | 605,100               | 686,788            |
| Donor-restricted endowments   | 4,959,934             | 6,185,295          |
| Legacy campaign   | 4,083,253             | 5,047,486          |
| Community capital fund  | 12,556,661            | 11,218,690         |
| Other   | 4,796,303             | 5,116,665          |
| Total temporarily restricted net assets   | <u>81,869,298</u>     | <u>85,502,340</u>  |
| Permanently restricted:   |                       |                    |
| Beneficial interest in charitable trust   | 1,574,037             | 1,688,460          |
| Donor-restricted endowments   | 27,771,237            | 23,247,126         |
| Total permanently restricted net assets   | <u>29,345,274</u>     | <u>24,935,586</u>  |
| Total net assets  | <u>144,960,572</u>    | <u>144,312,134</u> |
| Total liabilities and net assets  | <u>\$ 158,666,636</u> | <u>156,616,916</u> |

See accompanying notes to financial statements.

**GREATER TWIN CITIES UNITED WAY**

Statement of Activities

Year ended December 31, 2015

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------|
| Support and revenue:   |                     |                                   |                                   |              |
| Annual campaign received in prior period and now released from restriction         | \$ 82,436,478       | (82,436,478)                      | —                                 | —            |
| Less:  |                     |                                   |                                   |              |
| Legacy gifts   | (1,123,500)         | 1,123,500                         | —                                 | —            |
| Donor designations – now released from restriction                                 | (21,676,907)        | 21,676,907                        | —                                 | —            |
| Provision for uncollectible pledges – now released from restriction                | (2,510,912)         | 2,510,912                         | —                                 | —            |
| Provision for third party processing fees  | (122,000)           | 122,000                           | —                                 | —            |
| Actual designations under estimated  | 163,670             | —                                 | —                                 | 163,670      |
| Net campaign revenue for current period  | 57,166,829          | (57,003,159)                      | —                                 | 163,670      |
| Campaign revenue received for future allocation period                             | —                   | 82,369,289                        | —                                 | 82,369,289   |
| Less:  |                     |                                   |                                   |              |
| Legacy gifts   | —                   | (999,953)                         | —                                 | (999,953)    |
| Donor designations   | —                   | (24,109,313)                      | —                                 | (24,109,313) |
| Provision for uncollectible pledges  | —                   | (2,059,232)                       | —                                 | (2,059,232)  |
| Provision for third party processing fees  | —                   | (69,746)                          | —                                 | (69,746)     |
| Net campaign revenue for future periods  | —                   | 55,131,045                        | —                                 | 55,131,045   |
| Total campaign revenue   | 57,166,829          | (1,872,114)                       | —                                 | 55,294,715   |
| Grants and other revenues  | 1,008,037           | 10,594,075                        | 3,898,160                         | 15,500,272   |
| Legacy revenue, net  | —                   | 44,413                            | —                                 | 44,413       |
| Legacy investment income   | —                   | 7,531                             | —                                 | 7,531        |
| Investment income and realized gains   | 2,128,590           | —                                 | —                                 | 2,128,590    |
| Net unrealized gains (losses) on investments                                       | (2,380,519)         | (16,224)                          | —                                 | (2,396,743)  |
| Net unrealized gain on investment in closely held stock                            | —                   | —                                 | 625,950                           | 625,950      |
| Change in fair value of beneficial interests in charitable trusts                  | —                   | (81,689)                          | (114,422)                         | (196,111)    |
| Donor designation cost recovery  | 829,652             | —                                 | —                                 | 829,652      |
| Recovery of excess provision for uncollectible pledges                             | 450,000             | —                                 | —                                 | 450,000      |
| Designations from other United Ways  | 138,454             | —                                 | —                                 | 138,454      |
| Miscellaneous income   | 53,391              | —                                 | —                                 | 53,391       |
| Net assets released from restriction   | 12,309,034          | (12,309,034)                      | —                                 | —            |
| Total support and revenue  | 71,703,468          | (3,633,042)                       | 4,409,688                         | 72,480,114   |
| Grants and program services:   |                     |                                   |                                   |              |
| Grants awarded/distributed to agencies for programs                                | 70,315,712          | —                                 | —                                 | 70,315,712   |
| Less donor designations  | (21,676,907)        | —                                 | —                                 | (21,676,907) |
| Net funds awarded/distributed  | 48,638,805          | —                                 | —                                 | 48,638,805   |
| Community and program services provided directly by Greater Twin Cities United Way | 10,450,854          | —                                 | —                                 | 10,450,854   |
| Total grants and program services  | 59,089,659          | —                                 | —                                 | 59,089,659   |
| Supporting services:   |                     |                                   |                                   |              |
| Fund raising   | 9,091,164           | —                                 | —                                 | 9,091,164    |
| Organizational administration  | 3,438,063           | —                                 | —                                 | 3,438,063    |
| Total supporting services  | 12,529,227          | —                                 | —                                 | 12,529,227   |
| Total grants, program, and supporting services                                     | 71,618,886          | —                                 | —                                 | 71,618,886   |
| Change in net assets before pension adjustments and loss on disposal of property   | 84,582              | (3,633,042)                       | 4,409,688                         | 861,228      |
| Pension-related changes other than net periodic pension cost                       | (212,475)           | —                                 | —                                 | (212,475)    |
| Loss on disposal of property   | (315)               | —                                 | —                                 | (315)        |
| Change in net assets   | (128,208)           | (3,633,042)                       | 4,409,688                         | 648,438      |
| Net assets, beginning of year  | 33,874,208          | 85,502,340                        | 24,935,586                        | 144,312,134  |
| Net assets, end of year  | \$ 33,746,000       | 81,869,298                        | 29,345,274                        | 144,960,572  |

See accompanying notes to financial statements.

**GREATER TWIN CITIES UNITED WAY**

Statement of Activities

Year ended December 31, 2014

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------|
| Support and revenue:   |                     |                                   |                                   |              |
| Annual campaign received in prior period and now released from restriction         | \$ 86,056,864       | (86,056,864)                      | —                                 | —            |
| Less:  |                     |                                   |                                   |              |
| Legacy gifts   | (1,240,084)         | 1,240,084                         | —                                 | —            |
| Donor designations – now released from restriction                                 | (21,621,577)        | 21,621,577                        | —                                 | —            |
| Provision for uncollectible pledges – now released from restriction                | (2,151,421)         | 2,151,421                         | —                                 | —            |
| Provision for third party processing fees  | (107,257)           | 107,257                           | —                                 | —            |
| Actual designations under estimated  | 423,403             | —                                 | —                                 | 423,403      |
| Net campaign revenue for current period  | 61,359,928          | (60,936,525)                      | —                                 | 423,403      |
| Campaign revenue received for future allocation period                             | —                   | 82,436,478                        | —                                 | 82,436,478   |
| Less:  |                     |                                   |                                   |              |
| Legacy gifts   | —                   | (1,123,500)                       | —                                 | (1,123,500)  |
| Donor designations   | —                   | (21,676,907)                      | —                                 | (21,676,907) |
| Provision for uncollectible pledges  | —                   | (2,510,912)                       | —                                 | (2,510,912)  |
| Provision for third party processing fees  | —                   | (122,000)                         | —                                 | (122,000)    |
| Net campaign revenue for future periods  | —                   | 57,003,159                        | —                                 | 57,003,159   |
| Total campaign revenue   | 61,359,928          | (3,933,366)                       | —                                 | 57,426,562   |
| Grants and other revenues  | 635,566             | 15,562,801                        | 345,202                           | 16,543,569   |
| Legacy revenue, net  | —                   | 2,460,623                         | —                                 | 2,460,623    |
| Legacy investment income   | —                   | 5,626                             | —                                 | 5,626        |
| Investment income and realized gains   | 2,687,172           | —                                 | —                                 | 2,687,172    |
| Net unrealized gains (losses) on investments                                       | (480,557)           | (10,690)                          | —                                 | (491,247)    |
| Net unrealized gain on investment in closely held stock                            | —                   | —                                 | 232,830                           | 232,830      |
| Change in fair value of beneficial interests in charitable trusts                  | —                   | (30,615)                          | (20,148)                          | (50,763)     |
| Donor designation cost recovery  | 882,545             | —                                 | —                                 | 882,545      |
| Designations from other United Ways  | 175,917             | —                                 | —                                 | 175,917      |
| Miscellaneous income   | 77,701              | —                                 | —                                 | 77,701       |
| Net assets released from restriction   | 4,885,430           | (4,885,680)                       | 250                               | —            |
| Total support and revenue  | 70,223,702          | 9,168,699                         | 558,134                           | 79,950,535   |
| Grants and program services:   |                     |                                   |                                   |              |
| Grants awarded/distributed to agencies for programs                                | 71,755,101          | —                                 | —                                 | 71,755,101   |
| Less donor designations  | (21,621,577)        | —                                 | —                                 | (21,621,577) |
| Net funds awarded/distributed  | 50,133,524          | —                                 | —                                 | 50,133,524   |
| Community and program services provided directly by Greater Twin Cities United Way | 9,545,607           | —                                 | —                                 | 9,545,607    |
| Total grants and program services  | 59,679,131          | —                                 | —                                 | 59,679,131   |
| Supporting services:   |                     |                                   |                                   |              |
| Fund raising   | 8,611,767           | —                                 | —                                 | 8,611,767    |
| Organizational administration  | 2,858,444           | —                                 | —                                 | 2,858,444    |
| Total supporting services  | 11,470,211          | —                                 | —                                 | 11,470,211   |
| Total grants, program, and supporting services                                     | 71,149,342          | —                                 | —                                 | 71,149,342   |
| Change in net assets before pension adjustments and loss on disposal of property   | (925,640)           | 9,168,699                         | 558,134                           | 8,801,193    |
| Pension-related changes other than net periodic pension cost                       | (1,033,244)         | —                                 | —                                 | (1,033,244)  |
| Loss on disposal of property   | (254)               | —                                 | —                                 | (254)        |
| Change in net assets   | (1,959,138)         | 9,168,699                         | 558,134                           | 7,767,695    |
| Net assets, beginning of year  | 35,833,346          | 76,333,641                        | 24,377,452                        | 136,544,439  |
| Net assets, end of year  | \$ 33,874,208       | 85,502,340                        | 24,935,586                        | 144,312,134  |

See accompanying notes to financial statements.

**GREATER TWIN CITIES UNITED WAY**

Statement of Functional Expenses

Year ended December 31, 2015

|  | <b>Grants<br/>to agencies<br/>for programs</b> | <b>Services<br/>provided by<br/>Greater<br/>Twin Cities<br/>United Way</b> | <b>Supporting services</b> |  |  |              |
|--|--|--|----------------------------|--|--|--------------|
|  |  |  | <b>Fund raising</b>        | <b>Organizational<br/>administration</b> | <b>Total<br/>supporting<br/>services</b> | <b>Total</b> |
| Salaries                               | \$ —   | 2,858,137  | 5,005,538                  | 1,938,526                                | 6,944,064                                | 9,802,201    |
| Other employee benefits                | —  | 413,102  | 748,920                    | 221,879                                  | 970,799                                  | 1,383,901    |
| Payroll taxes                          | —  | 204,951  | 370,723                    | 104,885                                  | 475,608                                  | 680,559      |
| Total employee expenses                | —  | 3,476,190  | 6,125,181                  | 2,265,290                                | 8,390,471                                | 11,866,661   |
| Professional fees                      | —  | 2,960,260  | 383,832                    | 139,284                                  | 523,116                                  | 3,483,376    |
| Contract services                      | —  | 2,535,111  | 45,335                     | 198,051                                  | 243,386                                  | 2,778,497    |
| Supplies                               | —  | 20,236   | 34,573                     | 11,607                                   | 46,180                                   | 66,416       |
| Telephone                              | —  | 20,826   | 40,181                     | 8,089                                    | 48,270                                   | 69,096       |
| Postage                                | —  | 3,299  | 69,656                     | 11,623                                   | 81,279                                   | 84,578       |
| Building occupancy                     | —  | 89,615   | 164,080                    | 106,400                                  | 270,480                                  | 360,095      |
| Equipment rental and expense           | —  | 83,105   | 101,701                    | 48,384                                   | 150,085                                  | 233,190      |
| Publications and brochures             | —  | 3,554  | 182,784                    | 23,887                                   | 206,671                                  | 210,225      |
| Films, displays, and media             | —  | 272,370  | 1,098,719                  | 136,141                                  | 1,234,860                                | 1,507,230    |
| Transportation                         | —  | 20,495   | 38,469                     | 1,385                                    | 39,854                                   | 60,349       |
| Conferences, meetings, and memberships | —  | 363,852  | 153,380                    | 60,032                                   | 213,412                                  | 577,264      |
| Miscellaneous                          | —  | 307,681  | 65,742                     | 82,284                                   | 148,026                                  | 455,707      |
| Total nonemployee expenses             | —  | 6,680,404  | 2,378,452                  | 827,167                                  | 3,205,619                                | 9,886,023    |
| Depreciation                           | —  | 157,623  | 314,715                    | 185,127                                  | 499,842                                  | 657,465      |
| Total operations                       | —  | 10,314,217   | 8,818,348                  | 3,277,584                                | 12,095,932                               | 22,410,149   |
| United Way Worldwide dues              | —  | 136,637  | 272,816                    | 160,479                                  | 433,295                                  | 569,932      |
| Grants awarded/distributed             | 70,315,712                                     | —  | —                          | —  | —  | 70,315,712   |
| Less donor designations                | (21,676,907)                                   | —  | —                          | —  | —  | (21,676,907) |
| Total expenses                         | \$ 48,638,805                                  | 10,450,854   | 9,091,164                  | 3,438,063                                | 12,529,227                               | 71,618,886   |

See accompanying notes to financial statements.



**GREATER TWIN CITIES UNITED WAY**

Statement of Functional Expenses

Year ended December 31, 2014

|  | <b>Grants<br/>to agencies<br/>for programs</b> | <b>Services<br/>provided by<br/>Greater<br/>Twin Cities<br/>United Way</b> | <b>Supporting services</b> |  |  |              |
|--|--|--|----------------------------|--|--|--------------|
|  |  |  | <b>Fund raising</b>        | <b>Organizational<br/>administration</b> | <b>Total<br/>supporting<br/>services</b> | <b>Total</b> |
| Salaries                               | \$ —   | 2,554,678  | 4,825,326                  | 1,617,974                                | 6,443,300                                | 8,997,978    |
| Other employee benefits                | —  | 331,148  | 612,025                    | 191,005                                  | 803,030                                  | 1,134,178    |
| Payroll taxes                          | —  | 180,322  | 355,009                    | 113,419                                  | 468,428                                  | 648,750      |
| Total employee expenses                | —  | 3,066,148  | 5,792,360                  | 1,922,398                                | 7,714,758                                | 10,780,906   |
| Professional fees                      | —  | 2,800,025  | 938,139                    | 116,840                                  | 1,054,979                                | 3,855,004    |
| Contract services                      | —  | 2,580,678  | 20,154                     | 224,712                                  | 244,866                                  | 2,825,544    |
| Supplies                               | —  | 14,511   | 30,455                     | 17,496                                   | 47,951                                   | 62,462       |
| Telephone                              | —  | 16,284   | 40,571                     | 6,761                                    | 47,332                                   | 63,616       |
| Postage                                | —  | 2,606  | 87,334                     | 10,565                                   | 97,899                                   | 100,505      |
| Building occupancy                     | —  | 90,266   | 167,764                    | 91,393                                   | 259,157                                  | 349,423      |
| Equipment rental and expense           | —  | 66,761   | 72,037                     | 39,412                                   | 111,449                                  | 178,210      |
| Publications and brochures             | —  | 4,195  | 162,329                    | 15,876                                   | 178,205                                  | 182,400      |
| Films, displays, and media             | —  | 165,944  | 543,727                    | 44,853                                   | 588,580                                  | 754,524      |
| Transportation                         | —  | 18,038   | 43,179                     | 1,301                                    | 44,480                                   | 62,518       |
| Conferences, meetings, and memberships | —  | 222,635  | 128,896                    | 26,422                                   | 155,318                                  | 377,953      |
| Miscellaneous                          | —  | 211,160  | 47,621                     | 47,766                                   | 95,387                                   | 306,547      |
| Total nonemployee expenses             | —  | 6,193,103  | 2,282,206                  | 643,397                                  | 2,925,603                                | 9,118,706    |
| Depreciation                           | —  | 139,213  | 261,164                    | 142,272                                  | 403,436                                  | 542,649      |
| Total operations                       | —  | 9,398,464  | 8,335,730                  | 2,708,067                                | 11,043,797                               | 20,442,261   |
| United Way Worldwide dues              | —  | 147,143  | 276,037                    | 150,377                                  | 426,414                                  | 573,557      |
| Grants awarded/distributed             | 71,755,101                                     | —  | —                          | —  | —  | 71,755,101   |
| Less donor designations                | (21,621,577)                                   | —  | —                          | —  | —  | (21,621,577) |
| Total expenses                         | \$ 50,133,524                                  | 9,545,607  | 8,611,767                  | 2,858,444                                | 11,470,211                               | 71,149,342   |

See accompanying notes to financial statements.

# GREATER TWIN CITIES UNITED WAY

## Statements of Cash Flows

Years ended December 31, 2015 and 2014

|   | <u>2015</u>          | <u>2014</u>        |
|---|----------------------|--------------------|
| Cash flows from operating activities:   |                      |                    |
| Change in net assets  | \$ 648,437           | 7,767,695          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                      |                    |
| Depreciation  | 657,465              | 542,649            |
| Net unrealized (gains) losses on investments  | 2,396,743            | 491,247            |
| Net unrealized (gains) losses on investment in closely held stock                           | (625,950)            | (232,830)          |
| Change in fair value of beneficial interests in charitable trusts                           | 196,111              | 50,763             |
| Changes in assets and liabilities:  |                      |                    |
| Annual campaign pledges receivable, net   | 4,610,552            | 6,468,383          |
| Legacy campaign receivable, net   | 826,386              | (911,802)          |
| Community capital fund receivables  | (1,260,660)          | (6,505,485)        |
| Other assets  | 450,133              | (377,183)          |
| Grants and other receivables  | (656,561)            | (417,085)          |
| Centennial endowment receivables  | (1,301,108)          | 1,113,969          |
| Accounts payable and accrued expenses   | (230,085)            | 198,598            |
| Allocations payable   | 827,663              | 625,679            |
| Pension liability   | (218,720)            | 619,551            |
| Donor designations, net   | 1,022,424            | (1,106,983)        |
| Net cash provided by operating activities   | <u>7,342,830</u>     | <u>8,327,166</u>   |
| Cash flows from investing activities:   |                      |                    |
| Sale of investments   | 1,799,095            | 1,598,164          |
| Purchase of investments   | (9,258,863)          | (6,009,482)        |
| Purchase of equipment   | (1,981,217)          | (348,260)          |
| Disposal of equipment, net  | 30,069               | 254                |
| Net cash used in investing activities   | <u>(9,410,916)</u>   | <u>(4,759,324)</u> |
| Net change in cash and cash equivalents   | (2,068,086)          | 3,567,842          |
| Cash and cash equivalents, beginning of year  | <u>28,778,785</u>    | <u>25,210,943</u>  |
| Cash and cash equivalents, end of year  | <u>\$ 26,710,699</u> | <u>28,778,785</u>  |

See accompanying notes to financial statements.

## GREATER TWIN CITIES UNITED WAY

### Notes to Financial Statements

December 31, 2015 and 2014

#### (1) Organization

For 101 years, Greater Twin Cities United Way (United Way), a not-for-profit organization, has continually evolved to respond to the most pressing challenges facing our community and deliver on a core promise: *to create a better life for us all*. As the largest nongovernmental investor in health and human services in the state supporting 350 programs across the Twin Cities, United Way is creating pathways and opportunities for every member of our communities. With a mission of uniting caring people to build pathways out of poverty, thereby improving individual lives and the community, over the past century, United Way has invested in more than \$2 billion to support human services in the Twin Cities region. United Way serves Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, and western Washington counties of Minnesota.

United Way's community impact model extends far beyond the reaches of our annual grant-making. United Way creates conditions for lasting change and opportunities for all through a set of broad and interconnected strategies. These include making strategic investments in nonprofit programs, bridging critical gaps, engaging stakeholders across sectors to build awareness, fostering collaboration, and shaping systems and policies to strengthen the nonprofit sector and our broader community. United Way's purpose is to unlock each person's ability to contribute by dismantling barriers to participation and fueling lasting community change in the areas of education, jobs, and safety net, which we believe are key to creating a pathway out of poverty.

#### (2) Summary of Significant Accounting Policies

The accounting policies of United Way conform to U.S. generally accepted accounting principles (GAAP). The following is a summary of the more significant accounting policies.

##### (a) Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Unrestricted net assets represent funds that are fully available, at the discretion of management and the Board of Directors, for United Way to utilize in any of its programs or supporting services.
- Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as support and revenue.
- Permanently restricted net assets consist of contributions that have been restricted by the donor, which stipulate the resources must be maintained in perpetuity. The related income may be expended for such purpose as determined by United Way.

## **GREATER TWIN CITIES UNITED WAY**

### **Notes to Financial Statements**

December 31, 2015 and 2014

**(b) Contributions**

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Contributed materials, fixed assets, or investments are recorded at fair value when received.

Contributions are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed conditions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time conditions expire, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported as annual campaign released from restriction or other net assets released from restriction on the statements of activities.

**(c) Annual Campaign Revenue and Expenses**

United Way's annual campaign drive begins in the spring of each year, is substantially complete at December 31, and is officially complete the last day of the following March.

The donor-designated cash and pledges represent gifts that donors have directed to specific nonprofit organizations. The undesignated cash and pledges received by December 31 are for program funding, allocations, and services to the community provided in the following year as determined by United Way's program review process. These cash and pledges have a donor-imposed time restriction and are reported as temporarily restricted assets until the following year.

The funds are used for:

- Program funding to agencies through grants and allocations;
- Designations to specific agencies;
- Designations to other United Ways;
- Payments to United Way Worldwide;
- Community and program services provided directly by United Way; and
- Fund raising, management, and general expenses.

Campaign expenses are recorded when incurred.

An allowance for uncollectible annual campaign pledges is provided based upon management's judgment including such factors as prior collection history.

**(d) Contributed Services**

A number of volunteers have made significant contributions of time to United Way's programs and fund raising campaign. The value of this contributed time does not meet the criteria for recognition as contributed service revenue/expense and, accordingly, is not reflected in the accompanying financial statements.

## GREATER TWIN CITIES UNITED WAY

### Notes to Financial Statements

December 31, 2015 and 2014

**(e) *Property and Equipment***

Land is recorded at cost. Buildings, building improvements, and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed by use of the straight-line method based on the estimated useful lives of the various classes of assets. The cost of maintenance and repairs is recorded as expense as incurred. United Way assesses for impairment losses when conditions warrant.

**(f) *Cash and Cash Equivalents***

Cash and cash equivalents on the statements of cash flows consist of cash held in checking and temporary investments with original maturities of less than three months.

**(g) *Investments***

Investments consist of fixed income securities, other equity investments, closely held stock, beneficial interests and investments held at The Saint Paul Foundation and The Minneapolis Foundation. Fixed income securities are reported at fair value based on direct and indirect market-based prices. Investment in closely held stock consists of shares of common stock of a privately held corporation and is carried at estimated fair value as determined by an independent appraisal. Investments held at The Saint Paul Foundation and The Minneapolis Foundation are pooled with other organizations' funds and invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. Investments held at The Saint Paul Foundation and The Minneapolis Foundation are reported at fair value as reported to United Way by The Saint Paul Foundation and The Minneapolis Foundation. Refer to note 4 for additional information on fair value measurement of investments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

**(h) *Functional Allocation of Expenses***

The majority of expenses generally can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of full-time equivalent employees, salaries, and other bases determined by the management of United Way. This is consistent with the standards for allocation of functional expenses adopted by United Way Worldwide to promote consistency in reporting among the United Ways.

**(i) *Fair Value of Financial Instruments***

The carrying amount of United Way's cash and cash equivalents, other assets, accounts payable and accrued expenses, allocations payable, and donor designations approximates fair value primarily because of the short maturity of these instruments. The fair values of annual campaign pledges receivables, legacy receivables, grant receivables, community capital fund receivables and endowment receivables are determined as the present value of expected future cash flows using a discount rate based on when the gift/grant was made.

## GREATER TWIN CITIES UNITED WAY

### Notes to Financial Statements

December 31, 2015 and 2014

**(j) Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(k) Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**(l) Subsequent Events**

United Way has evaluated subsequent events through June 24, 2016, the date on which the financial statements were available to be issued, and determined there were no additional items to disclose.

**(3) Investments**

United Way invests funds needed for current operations in short-term instruments, including a cash management fund and commercial paper. Funds not immediately needed for operations are generally invested in fixed-income obligations with longer term investment strategies. At December 31, 2015 and 2014, United Way's investments were reported in five categories as follows:

**(a) Investments**

Investments are comprised of the following as of December 31, 2015 and 2014:

|                                    | <u>2015</u>          | <u>2014</u>       |
|------------------------------------|----------------------|-------------------|
| Fixed income:                      |                      |                   |
| U.S. government and federal agency | \$ 4,252,459         | 4,270,064         |
| Corporate and other                | 16,710,449           | 11,653,276        |
| Total investments                  | <u>\$ 20,962,908</u> | <u>15,923,340</u> |

**(b) Legacy Investments**

The Century Legacy program is for individuals in the Twin Cities community who wish to perpetuate their annual giving to United Way through an outright donation of \$1,000,000 or more. The funds are invested in a vehicle that is mutually agreed upon by both the donor and United Way. Each year, an amount per donor will be withdrawn from investments and included in the annual campaign. The fair value of Legacy investments held by The Minneapolis Foundation is \$276,758 and \$408,905 as of December 31, 2015 and 2014, respectively.

**(c) Investment in Closely Held Stock**

United Way received shares of common stock of a privately held corporation for its endowment fund. There is no active market for the privately held stock. United Way received dividends of \$71,500 and \$52,000 in each of the years ended December 31, 2015 and 2014. The value of these shares, as

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

determined by an independent appraiser, was \$4,646,980 and \$4,021,030 at December 31, 2015 and 2014, respectively, and is included in permanently restricted net assets.

### (d) *Investments Held by Others*

United Way receives bequests independent of the annual campaign, some of which are specified by the donors as permanent endowments, while others are undesignated and carry no stipulations. In 1988, the Board of Directors approved Planned Giving and Endowment policies whereby the principal portion of undesignated bequests will be included as board-designated endowments. Board-designated and donor-restricted endowments are invested with The Saint Paul Foundation and The Minneapolis Foundation pursuant to fund agreements with each organization. The composition of investments held by others at December 31, 2015 and 2014 is summarized as follows:

|   | <u>2015</u>          | <u>2014</u>       |
|---|----------------------|-------------------|
| Investments held by The Saint Paul Foundation:  |                      |                   |
| Board-designated                                | \$ 9,476,300         | 9,996,257         |
| Donor-restricted                                | 18,609,302           | 17,044,892        |
|   | <u>\$ 28,085,602</u> | <u>27,041,149</u> |
| Investments held by The Minneapolis Foundation: |                      |                   |
| Board-designated                                | \$ 4,808,495         | 5,256,710         |
| Donor-restricted                                | 4,727,191            | 5,167,826         |
|   | <u>\$ 9,535,686</u>  | <u>10,424,536</u> |

### (e) *Beneficial Interests in Charitable Trusts*

United Way is the sole beneficiary of an irrevocable trust whose fair value is \$605,099 and \$686,788 at December 31, 2015 and 2014, respectively. United Way receives investment income earned and 5% of the fair value of the trust. Approximately \$48,703 and \$46,909 was received by United Way in 2015 and 2014, respectively. The fair value of the trust has been included in beneficial interests in charitable trusts and temporarily restricted net assets.

United Way is also a 5% beneficiary of an irrevocable trust whose fair value is \$31,480,745 and \$33,769,201 at December 31, 2015 and 2014, respectively. United Way receives its proportionate share of net income earned by the trust each year. Approximately \$80,260 and \$74,725 was received by United Way in 2015 and 2014, respectively. United Way's share of the fair value of \$1,574,037 and \$1,688,460 at December 31, 2015 and 2014, respectively, has been included in beneficial interests in charitable trusts and permanently restricted net assets.

### (4) **Fair Value Measurements of Investments**

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

The three levels of inputs of the fair value hierarchy are:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes United Way's investments that were accounted for at fair value within the fair value hierarchy, as of December 31, 2015:

|   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Investments:                              |                |                |                |              |
| U.S. government and federal agency        | \$ —           | 4,252,459      | —              | 4,252,459    |
| Corporate and other securities            | —              | 16,710,449     | —              | 16,710,449   |
| Legacy investments:                       |                |                |                |              |
| Investments at The Minneapolis Foundation | —              | —              | 276,758        | 276,758      |
| Investment in closely held stock          | —              | —              | 4,646,980      | 4,646,980    |
| Investments at The Saint Paul Foundation  | —              | —              | 28,085,602     | 28,085,602   |
| Investments at The Minneapolis Foundation | —              | —              | 9,535,686      | 9,535,686    |
| Beneficial interests in charitable trusts | —              | 605,099        | 1,574,037      | 2,179,136    |
| Total investments                         | \$ —           | 21,568,007     | 44,119,063     | 65,687,070   |
| Cash equivalents                          | \$ 2,182,705   | 6,017,599      | —              | 8,200,304    |

Cash equivalents primarily include mutual funds and bonds with original maturities of less than three months.

United Way did not have any transfers between Levels 1, 2, and 3 during the year ended December 31, 2015.



# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

The following table summarizes United Way's investments that were accounted for at fair value within the fair value hierarchy, as of December 31, 2014:

|   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Investments:                              |                |                |                |              |
| U.S. government and federal agency        | \$ —           | 4,270,064      | —              | 4,270,064    |
| Corporate and other securities            | —              | 11,653,276     | —              | 11,653,276   |
| Legacy investments:                       |                |                |                |              |
| Investments at The Minneapolis Foundation | —              | —              | 408,905        | 408,905      |
| Investment in closely held stock          | —              | —              | 4,021,030      | 4,021,030    |
| Investments at The Saint Paul Foundation  | —              | —              | 27,041,149     | 27,041,149   |
| Investments at The Minneapolis Foundation | —              | —              | 10,424,536     | 10,424,536   |
| Beneficial interests in charitable trusts | —              | 686,788        | 1,688,460      | 2,375,248    |
| Total investments                         | \$ —           | 16,610,128     | 43,584,080     | 60,194,208   |
| Cash equivalents                          | \$ 10,204,237  | 4,252,249      | —              | 14,456,486   |

Cash equivalents primarily include mutual funds and bonds with original maturities of less than three months.

United Way did not have any transfers between Levels 1, 2, and 3 during the year ended December 31, 2014.

As previously noted, investments held at The Saint Paul Foundation and The Minneapolis Foundation are pooled with other organizations' funds and invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. A substantial portion of the underlying assets at the foundations are measured at fair value using Level 1 and Level 2 inputs. United Way's ownership in such investments is represented by an undivided interest in investment portfolios managed by each respective foundation, not in the underlying assets themselves. The undivided interests in these portfolios are not themselves publicly traded nor can they be valued based on observable direct or indirect inputs. Accordingly, they are reported as Level 3 measurements.

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

Level 3 assets were 67% and 72% of total investment assets at fair value at December 31, 2015 and 2014, respectively. The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows:

|  | <u>Legacy<br/>investments</u> | <u>Investment<br/>in closely<br/>held stock</u> | <u>Investments<br/>at The Saint<br/>Paul<br/>Foundation</u> | <u>Investments<br/>at The<br/>Minneapolis<br/>Foundation</u> | <u>Beneficial<br/>interests in<br/>charitable<br/>trusts</u> | <u>Total</u>      |
|--|-------------------------------|---|---|--|--|-------------------|
| Ending balance at<br>December 31, 2013   | \$ 315,148                    | 3,788,200                                       | 25,102,062  | 10,225,723   | 1,708,608  | 41,139,741        |
| Interest earnings  | 6,044                         | —   | 423,688   | 194,717  | —  | 624,449           |
| Realized gains   | 3,181                         | —   | 1,706,619   | 376,476  | —  | 2,086,276         |
| Unrealized gains (losses)  | (10,690)                      | 232,830   | (491,962)   | (5,438)  | (20,148)   | (295,408)         |
| Contributions  | 298,821                       | —   | 1,520,033   | —  | —  | 1,818,854         |
| Commissions and fees   | (3,599)                       | —   | (175,214)   | (99,825)   | —  | (278,638)         |
| Distributions  | (200,000)                     | —   | (1,044,077)   | (267,117)  | —  | (1,511,194)       |
| Ending balance at<br>December 31, 2014   | 408,905                       | 4,021,030                                       | 27,041,149  | 10,424,536   | 1,688,460  | 43,584,080        |
| Interest earnings  | 8,273                         | —   | 367,667   | 196,700  | —  | 572,640           |
| Realized gains   | 2,088                         | —   | 1,049,392   | 544,763  | —  | 1,596,243         |
| Unrealized gains (losses)  | (16,224)                      | 625,950   | (1,416,034)   | (1,010,117)  | (114,423)  | (1,930,848)       |
| Contributions  | —                             | —   | 2,400,118   | —  | —  | 2,400,118         |
| Commissions and fees   | (2,831)                       | —   | (200,282)   | (100,962)  | —  | (304,075)         |
| Distributions  | (123,453)                     | —   | (1,156,408)   | (519,234)  | —  | (1,799,095)       |
| Ending balance at<br>December 31, 2015   | <u>\$ 276,758</u>             | <u>4,646,980</u>                                | <u>28,085,602</u>   | <u>9,535,686</u>   | <u>1,574,037</u>   | <u>44,119,063</u> |
| Net change in unrealized gains (losses)<br>included in change in net assets<br>for period relating to investments<br>held at December 31, 2015 | \$ (16,224)                   | 625,950   | (1,416,034)   | (1,010,117)  | (114,423)  | (1,930,848)       |

### Quantitative information about Level 3 fair value measurements

|   | <u>Fair value at<br/>December 31,<br/>2015</u> | <u>Valuation<br/>technique</u> | <u>Unobservable<br/>input</u> | <u>Range<br/>(weighted<br/>average)</u> |
|---|--|--------------------------------|-------------------------------|---|
| Legacy investments                        | \$ 276,758                                     | **                             | n/a                           | n/a                                     |
| Investment in closely held stock          | 4,646,980                                      | Stock price *                  | n/a                           | n/a                                     |
| Investments at TSPF                       | 28,085,602                                     | **                             | n/a                           | n/a                                     |
| Investments at TMF                        | 9,535,686                                      | **                             | n/a                           | n/a                                     |
| Beneficial interests in charitable trusts | <u>1,574,037</u>                               | **                             | n/a                           | n/a                                     |
|   | <u>\$ 44,119,063</u>                           |                                |                               |   |

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

### Quantitative information about Level 3 fair value measurements

|   | Fair value at<br>December 31,<br>2014 | Valuation<br>technique | Unobservable<br>input | Range<br>(weighted<br>average) |
|---|---------------------------------------|------------------------|-----------------------|--------------------------------|
| Legacy investments                        | \$ 408,905                            | **                     | n/a                   | n/a                            |
| Investment in closely held stock          | 4,021,030                             | Stock price *          | n/a                   | n/a                            |
| Investments at TSPF                       | 27,041,149                            | **                     | n/a                   | n/a                            |
| Investments at TMF                        | 10,424,536                            | **                     | n/a                   | n/a                            |
| Beneficial interests in charitable trusts | 1,688,460                             | **                     | n/a                   | n/a                            |
|   | <u>\$ 43,584,080</u>                  |                        |                       |                                |

Stock price \* – United Way values this investment at the underlying stock price as provided by an external valuation service provider. The fair value is determined utilizing various valuation methodologies including a discounted cash flow approach with inputs such as capitalization of earnings, cash flows, and net book value of the underlying company, all of which represent amounts that market participants would take into account in determining the fair value of this type of investment.

\*\* – United Way values these investments based upon their undivided interests in these portfolios held by either the respective foundation, charitable trust, or investment manager. A substantial portion of the underlying assets at the foundations are measured at fair value using Level 1 and Level 2 inputs.

### (5) Annual Campaign Pledges

A summary of annual campaign pledges, annual campaign pledges receivable, and allowance for uncollectible pledges at December 31, 2015 and 2014 is as follows:

|                   | Original<br>amounts of<br>pledges | Pledges<br>receivable | Allowance for<br>uncollectible<br>pledges | Net pledges<br>receivable |
|-------------------|-----------------------------------|-----------------------|---|---------------------------|
| Pledges from the: |                                   |                       |   |                           |
| 2015 campaign     | \$ 82,369,289                     | 43,350,775            | (1,856,218)                               | 41,494,557                |
| Prior campaigns   |                                   | 6,504,262             | (2,397,759)                               | 4,106,503                 |
|                   |                                   | <u>\$ 49,855,037</u>  | <u>(4,253,977)</u>                        | <u>45,601,060</u>         |
| Pledges from the: |                                   |                       |   |                           |
| 2014 campaign     | \$ 82,436,478                     | 48,000,123            | (2,275,561)                               | 45,724,562                |
| Prior campaigns   |                                   | 7,326,078             | (2,839,028)                               | 4,487,050                 |
|                   |                                   | <u>\$ 55,326,201</u>  | <u>(5,114,589)</u>                        | <u>50,211,612</u>         |

United Way expects to collect the majority of pledges receivable in less than one year from the balance sheet date.

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

### (6) Legacy Campaign Receivables

United Way has recorded as a receivable the following unconditional promises to give to its Legacy Campaign program as of December 31, 2015 and 2014:

|   | <u>2015</u>         | <u>2014</u>      |
|---|---------------------|------------------|
| Amounts due in:                             |                     |                  |
| Less than one year                          | \$ 952,950          | 1,142,250        |
| More than one year                          | 3,560,000           | 4,241,500        |
| Unconditional promises to give              | 4,512,950           | 5,383,750        |
| Less unamortized discount at 0.73% to 3.31% | (627,255)           | (671,669)        |
| Legacy campaign receivables                 | <u>\$ 3,885,695</u> | <u>4,712,081</u> |

### (7) Community Capital Fund Receivables

As of December 31, 2015 and 2014, United Way has recorded receivables of temporarily restricted unconditional promises to give as a result of its Community Capital Fund campaign:

|   | <u>2015</u>         | <u>2014</u>      |
|---|---------------------|------------------|
| Amounts due in:                             |                     |                  |
| Less than one year                          | \$ 3,892,851        | 2,150,000        |
| More than one year                          | 3,971,999           | 4,500,000        |
| Unconditional promises to give              | 7,864,850           | 6,650,000        |
| Less unamortized discount at 1.65% to 2.27% | (98,705)            | (144,515)        |
| Community Capital Fund receivables          | <u>\$ 7,766,145</u> | <u>6,505,485</u> |

### (8) Centennial Endowment Receivables

United Way has recorded as a receivable the following unconditional promises to give to its Centennial Endowment program as of December 31, 2015 and 2014:

|   | <u>2015</u>         | <u>2014</u>      |
|---|---------------------|------------------|
| Amounts due in:                             |                     |                  |
| Less than one year                          | \$ 624,933          | 420,000          |
| More than one year                          | 6,939,883           | 5,350,833        |
| Unconditional promises to give              | 7,564,816           | 5,770,833        |
| Less unamortized discount at 1.65% to 3.03% | (3,110,152)         | (2,617,277)      |
| Centennial endowment receivables            | <u>\$ 4,454,664</u> | <u>3,153,556</u> |

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

### (9) Property and Equipment

Property and equipment at December 31, 2015 and 2014 consist of the following:

|                                      | <u>2015</u>                | <u>2014</u>             |
|--------------------------------------|----------------------------|-------------------------|
| Land                                 | \$ 33,083                  | 33,083                  |
| Building – Minneapolis Citizen’s Aid | 7,332,574                  | 5,851,119               |
| Furniture and equipment              | <u>2,467,720</u>           | <u>2,111,569</u>        |
|                                      | 9,833,377                  | 7,995,771               |
| Less accumulated depreciation        | <u>(7,132,458)</u>         | <u>(6,588,537)</u>      |
| Net book value                       | <u><u>\$ 2,700,919</u></u> | <u><u>1,407,234</u></u> |

### (10) Pension Plans

United Way has two defined benefit plans and three defined contribution plans. The plans were assumed by United Way as a result of the merger, effective May 1, 2001, of United Way of Minneapolis Area and United Way of the Saint Paul Area, Inc. The two defined benefit plans and one of the defined contribution 403(b) plans were frozen effective December 31, 2004. Employees hired after May 1, 2001 are eligible to participate in the defined contribution 401(k) plan established January 1, 2001, and the defined contribution 403(b) plan established January 1, 1990.

#### (a) *Defined Benefit Plan – United Way of Minneapolis Area*

This defined benefit plan was assumed by United Way from United Way of Minneapolis Area. After May 1, 2001, no new participation is allowed. The plan covers all regular employees hired by United Way of Minneapolis Area prior to May 1, 2001 who had completed one year of eligible service and who attained the age of 21. Plan benefits are determined based on years of service and employee compensation during the last years of employment. The expected return on assets assumptions of 5.0% and 5.0% as of December 31, 2015 and 2014, respectively, are based on the historical and projected rates of return for the asset classes in the plan’s investment portfolio. Assumed projected rates of return for each asset class were selected after analyzing historical experience, future expectations of the returns, and the volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed.

Effective December 31, 2004, the plan froze benefit accruals and employees do not earn additional defined benefits for services after that date.

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

Net periodic pension (income) expense for the years ended December 31, 2015 and 2014 was as follows:

|                                       | <u>2015</u>      | <u>2014</u>      |
|---------------------------------------|------------------|------------------|
| Interest cost                         | \$ 279,979       | 285,516          |
| Expected return on plan assets        | (301,451)        | (443,612)        |
| Amortization of loss                  | 65,277           | 29,403           |
| Net periodic pension (income) expense | <u>\$ 43,805</u> | <u>(128,693)</u> |

The funded status and accrued benefit cost as of December 31, 2015 and 2014 are as follows:

|  | <u>2015</u>         | <u>2014</u>        |
|--|---------------------|--------------------|
| Pension benefits:                                    |                     |                    |
| Projected benefit obligation                         | \$ (6,893,822)      | (7,206,151)        |
| Fair value of plan assets                            | 5,896,657           | 5,990,266          |
| Accrued benefit cost recognized in the balance sheet | <u>\$ (997,165)</u> | <u>(1,215,885)</u> |

The actuarial assumptions as of December 31:

|                                |                |                |
|--------------------------------|----------------|----------------|
| Discount rate:                 |                |                |
| Benefit obligation             | 4.25%          | 4.00%          |
| Net periodic benefit costs     | 4.00           | 4.75           |
| Expected return on plan assets | 5.00           | 5.00           |
| Rate of compensation increases | Not applicable | Not applicable |

Unrestricted net assets have been decreased by net actuarial losses of \$262,525 for the year ended December 31, 2015. The unrecognized net loss that is expected to be recognized as a component of the 2016 net periodic pension expense is \$77,424. Based on ERISA funding requirements, United Way was required to contribute \$475,000 to this pension plan for the year ended December 31, 2015. In addition, United Way will be required to contribute approximately \$240,000 during the year ending December 31, 2016.

Net periodic costs and benefits paid for the years ended December 31, 2015 and 2014 are as follows:

|                       | <u>2015</u> | <u>2014</u> |
|-----------------------|-------------|-------------|
| Pension (income) cost | \$ 43,805   | (128,693)   |
| Benefits paid         | 406,460     | 357,494     |

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

The asset allocations by category at December 31, 2015 and 2014 are as follows:

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Collective investment trust funds | 96.58%      | 98.39%      |
| Short-term investment funds       | 3.42        | 1.61        |
| Total                             | 100.00%     | 100.00%     |

The following table summarizes the investment assets accounted for at fair value within the fair value hierarchy as of December 31, 2015:

|                                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-----------------------------------|----------------|----------------|----------------|--------------|
| Collective investment trust funds | \$ —           | 5,694,762      | —              | 5,694,762    |
| Short-term investment funds       | —              | 201,895        | —              | 201,895      |
| Total investments                 | \$ —           | 5,896,657      | —              | 5,896,657    |

In anticipation of plan termination, United Way changed its investment strategy to a 100% liability driven investment strategy. As a result, during 2015, mutual fund investments were sold and replaced with collective investment trust fund investments.

The following table summarizes the investment assets accounted for at fair value within the fair value hierarchy as of December 31, 2014:

|                                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-----------------------------------|----------------|----------------|----------------|--------------|
| Collective investment trust funds | \$ —           | 5,893,967      | —              | 5,893,967    |
| Short-term investment funds       | —              | 96,299         | —              | 96,299       |
| Total investments                 | \$ —           | 5,990,266      | —              | 5,990,266    |

Benefits expected to be paid by the plan are as follows:

|           | <b>Benefit payments</b> |
|-----------|-------------------------|
| Year(s):  |                         |
| 2016      | \$ 430,000              |
| 2017      | 437,000                 |
| 2018      | 440,000                 |
| 2019      | 440,000                 |
| 2020      | 461,000                 |
| 2021–2024 | 2,280,000               |
|           | \$ 4,488,000            |

## GREATER TWIN CITIES UNITED WAY

### Notes to Financial Statements

December 31, 2015 and 2014

**(b) Defined Benefit Plan – Twin Cities Nonprofit Partners Pension Plan**

United Way participates in a multiemployer defined benefit pension plan in which 16 of its agencies also participate. Of the approximate 1,400 participants, 7.5% are United Way employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees do not earn additional defined benefits for future services.

As required by GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among United Way and the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, United Way and the other remaining agencies assume the liability and contributions of the agency in default. Plan assets are invested based on a long term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. United Way made contributions of \$140,964 and \$130,103 in the years ended December 31, 2015 and 2014, respectively, which is recognized as pension cost. As of January 1, 2015 (the most recent actuarial valuation report available), total plan assets were \$43,122,679, the accumulated benefit obligation was \$39,192, 101, and the total funding percentage was greater than 75%.

The following table presents information concerning United Way's participation in the multiemployer defined benefit pension plan:

|  | <b>2015</b>  | <b>2014</b>  |
|--|--|--|
| Legal name                                       | Twin Cities<br>Nonprofit<br>Partners<br>Pension Plan | Twin Cities<br>Nonprofit<br>Partners<br>Pension Plan |
| EIN/Plan number                                  | 41-1973442/333                                       | 41-1973442/333                                       |
| Plan year end                                    | 12/31/2015   | 12/31/2014   |
| Pension Protection Act percentage funded         | 110%   | 113%   |
| Contributions by United Way                      | \$ 140,964   | 130,103  |
| Contributions as percentage of total contributed | 9%   | 8%   |
| Rehabilitation plan status                       | n/a  | n/a  |
| Surcharge imposed                                | No   | No   |

**(c) Defined Contribution Plans**

**Greater Twin Cities United Way 401(k) Plan:** This defined contribution plan was assumed by United Way from United Way Administrative Services of the Twin Cities. The plan was established under Section 401(k) on January 1, 2001. The plan covers employees over age 21 with certain restrictions as to length of employment. United Way's cash contributions to this plan were \$504,554 and \$445,579 during the years ended December 31, 2015 and 2014, respectively.



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**Greater Twin Cities United Way 403(b) Plan:** This defined contribution plan was assumed by United Way from United Way of Minneapolis Area. The plan was established January 1, 1990 under Section 403(b) of the Internal Revenue Code. Contributions to this plan are limited to highly compensated employee deferrals.

**Greater Twin Cities United Way and Participating Agencies Matched Savings 403(b) Plan:** This defined contribution plan was assumed by United Way from United Way of the Saint Paul Area, Inc. The plan was frozen effective December 31, 2004, after which no new participation was allowed by employees of United Way or the three participating agencies.

#### (11) Income Taxes

United Way is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code and is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code and, as such, is subject to income taxes only on net unrelated business income. United Way did not have any unrelated business income for the years ended December 31, 2015 and 2014. United Way's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. United Way has no uncertain tax positions resulting in an accrual of tax expense or benefit.

#### (12) Net Funds Granted/Distributed

Net funds granted/distributed by United Way were made in the following focus areas for the years ended December 31, 2015 and 2014:

|  | 2015                 | 2014              |
|--|----------------------|-------------------|
| Education and jobs                     | \$ 26,036,714        | 26,527,308        |
| Safety net                             | 21,923,671           | 22,219,669        |
| Nonprofit sector capacity building     | 589,628              | 1,090,850         |
| Other Community support and engagement | 88,792               | 295,697           |
|  | <u>\$ 48,638,805</u> | <u>50,133,524</u> |

## GREATER TWIN CITIES UNITED WAY

### Notes to Financial Statements

December 31, 2015 and 2014

#### (13) Services Provided Directly by Greater Twin Cities United Way

Services provided directly by United Way for the years ended December 31, 2015 and 2014 include the following programs:

|  | <u>2015</u>          | <u>2014</u>      |
|--|----------------------|------------------|
| Community impact identification and evaluation | \$ 3,193,118         | 2,847,258        |
| Direct services to the community:              |                      |                  |
| 2-1-1/information and referral services        | 2,176,011            | 2,196,542        |
| Volunteer United                               | 490,025              | 249,202          |
| Labor community services                       | 400,904              | 401,542          |
| Goal area strategy implementation:             |                      |                  |
| Generation Next                                | 1,483,357            | 1,238,224        |
| Child Care Accreditation Program               | 399,241              | 579,415          |
| Start early funders coalition                  | 444,897              | 433,962          |
| Nonprofit capacity building                    | 316,320              | 86,964           |
| Career Academies                               | 256,191              | —                |
| Systems change and innovation initiatives      | 243,494              | 364,957          |
| Reading by third grade                         | 195,260              | 161,396          |
| Early learning                                 | 165,645              | 150,086          |
| Financial stability programs                   | 158,697              | 341,810          |
| Education                                      | 150,457              | 127,681          |
| Access to healthcare                           | 87,949               | 85,925           |
| Out of school time/after school activity       | 44,504               | 32,619           |
| Hunger partnership systems                     | 20,000               | 22,861           |
| Housing  | 15,097               | 15,905           |
| Family/domestic violence program               | —                    | 13,000           |
| Other  | 209,687              | 196,258          |
|  | <u>\$ 10,450,854</u> | <u>9,545,607</u> |

#### (14) Endowment Funds

As approved by the Board of Directors, United Way's endowments are invested with The Saint Paul Foundation and The Minneapolis Foundation. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### (a) *Interpretation of Relevant Law*

United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

**GREATER TWIN CITIES UNITED WAY**

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remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**(b) Endowment Net Asset Composition by Type of Fund as of December 31, 2015**

|                                     | <u>Unrestricted</u>  | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>      |
|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|-------------------|
| Board-designated<br>endowment funds | \$ 14,369,052        | —                                 | —                                 | 14,369,052        |
| Donor-restricted<br>endowment funds | (79,013)             | 4,959,934                         | 27,771,237                        | 32,652,158        |
|                                     | <u>\$ 14,290,039</u> | <u>4,959,934</u>                  | <u>27,771,237</u>                 | <u>47,021,210</u> |

**(c) Changes in Endowment Net Assets for the Year Ended December 31, 2015**

|  | <u>Unrestricted</u>  | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>      |
|--|----------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets,<br>beginning of year       | \$ 15,253,154        | 6,185,295                         | 23,247,126                        | 44,685,575        |
| Investment return:                               |                      |                                   |                                   |                   |
| Investment income                                | 117,016              | 146,106                           | —                                 | 263,122           |
| Net change in value<br>(realized and unrealized) | (390,488)            | (441,508)                         | 625,950                           | (206,046)         |
| Total investment<br>return                       | (273,472)            | (295,402)                         | 625,950                           | 57,076            |
| Contributions                                    | 5,056                | —                                 | 3,898,161                         | 3,903,217         |
| Appropriation of endowment<br>assets             | (694,699)            | (929,959)                         | —                                 | (1,624,658)       |
| Endowment net assets,<br>end of year             | <u>\$ 14,290,039</u> | <u>4,959,934</u>                  | <u>27,771,237</u>                 | <u>47,021,210</u> |

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Notes to Financial Statements

December 31, 2015 and 2014

**(d) Endowment Net Asset Composition by Type of Fund as of December 31, 2014**

|                                     | <u>Unrestricted</u>  | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>      |
|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|-------------------|
| Board-designated<br>endowment funds | \$ 15,264,581        | —                                 | —                                 | 15,264,581        |
| Donor-restricted<br>endowment funds | (11,614)             | 6,185,295                         | 23,247,126                        | 29,420,807        |
|                                     | <u>\$ 15,252,967</u> | <u>6,185,295</u>                  | <u>23,247,126</u>                 | <u>44,685,388</u> |

**(e) Changes in Endowment Net Assets for the Year Ended December 31, 2014**

|  | <u>Unrestricted</u>  | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>       |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets,<br>beginning of year       | \$ 14,871,214        | 5,843,452                         | 22,668,844                        | 43,383,510         |
| Investment return:                               |                      |                                   |                                   |                    |
| Investment income                                | 152,215              | 191,152                           | —                                 | 343,367            |
| Net change in value<br>(realized and unrealized) | <u>715,943</u>       | <u>869,751</u>                    | <u>232,830</u>                    | <u>1,818,524</u>   |
| Total investment<br>return                       | 868,158              | 1,060,903                         | 232,830                           | 2,161,891          |
| Contributions                                    | —                    | —                                 | 345,452                           | 345,452            |
| Appropriation of endowment<br>assets             | <u>(486,405)</u>     | <u>(719,060)</u>                  | <u>—</u>                          | <u>(1,205,465)</u> |
| Endowment net assets,<br>end of year             | <u>\$ 15,252,967</u> | <u>6,185,295</u>                  | <u>23,247,126</u>                 | <u>44,685,388</u>  |

# GREATER TWIN CITIES UNITED WAY

## Notes to Financial Statements

December 31, 2015 and 2014

(f) ***Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)***

|  | <u>2015</u>                 | <u>2014</u>              |
|--|-----------------------------|--------------------------|
| Permanently restricted net assets:   |                             |                          |
| The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation | \$ <u>27,771,237</u>        | <u>23,247,126</u>        |
| Total endowment funds classified as permanently restricted net assets  | \$ <u><u>27,771,237</u></u> | <u><u>23,247,126</u></u> |
| Temporarily restricted net assets:   |                             |                          |
| The portion of perpetual endowment funds subject to a time restriction without purpose restrictions                | \$ <u>4,959,934</u>         | <u>6,185,295</u>         |
| Total endowment funds classified as temporarily restricted net assets  | \$ <u><u>4,959,934</u></u>  | <u><u>6,185,295</u></u>  |

(g) ***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 or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets are \$79,013 and \$11,614 as of December 31, 2015 and 2014, respectively. These deficiencies resulted partially from unfavorable market fluctuations that originally occurred during the year ended December 31, 2008.

(h) ***Return Objectives and Risk Parameters***

As approved by the Board of Directors, United Way's endowments are invested in The Saint Paul Foundation's Multi-Asset Endowment Portfolio and The Minneapolis Foundation's Long Term Growth Fund and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital and the purchasing power of the endowment assets, while providing a predictable funding stream to support programs. Endowment assets include those assets of donor-restricted funds that United Way must hold in perpetuity as well as board-designated funds. Under these policies, the endowment assets are invested in a manner to strive for long-term returns that meet or exceed an absolute return objective plus the spending policy rate, an annual return equal to or greater than composite benchmarks made up of market indices in a similar proportion at the funds' target asset allocation, and a placement in a specified ranking within a universe of investment peers.

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(i) ***Strategies Employed for Achieving Objectives***

To satisfy its long term rate of return objectives, 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 organization 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.

(j) ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

As approved by the Board of Directors, United Way's endowments are invested in The Saint Paul Foundation's Multi-Asset Endowment Portfolio and The Minneapolis Foundation's Long Term Growth Fund, and are managed according to their investment and spending policies. United Way receives distributions each year based on these spending policies. The Saint Paul Foundation has a policy of appropriating for distribution each year 5.25% of the portfolio's average market value over the last 20 calendar quarters but not less than 4.50% of the portfolio's current market value nor more than 6.00% of the current market value. The Minneapolis Foundation has a policy of appropriating for distribution 4.00% of the fund's average market value over the last 12 quarters. When agreeing to these spending policies, United Way considered the long term expected return on its endowments. These spending policies are consistent with United Way's objective to maintain the purchasing power of the endowment assets held in perpetuity, to provide a consistent and predictable funding stream, as well as to provide additional growth through new gifts and investment return.

**(15) Other Temporarily Restricted Net Assets**

Other temporarily restricted net assets include the following balances, which are time restricted or related to specific program services at December 31, 2015 and 2014:

|  | <b>2015</b>         | <b>2014</b>      |
|--|---------------------|------------------|
| Contributions restricted to specific programs or uses: |                     |                  |
| Generation Next  | \$ 2,285,436        | 1,107,771        |
| Early Learning and Child Care Accreditation Program    | 388,929             | 782,336          |
| Women's Leadership Council                             | 666,406             | 683,871          |
| Healthy Communities                                    | 200,000             | 600,000          |
| Hunger and Homelessness                                | 380,100             | 470,000          |
| Women Investing in the Next Generation (WINGS)         | —                   | 298,171          |
| United Way ARISE Project                               | 149,589             | 281,331          |
| System change and innovation initiatives               | 100,000             | 267,952          |
| Hunger Partnership                                     | 199,234             | 112,952          |
| NWA Innovation Award                                   | 22,500              | 72,500           |
| Holiday Wishes   | 25,307              | 48,460           |
| Out of School Time                                     | 11,772              | 45,870           |
| Scholarship Fund                                       | 58,827              | 41,617           |
| Career Academies                                       | 146,000             | —                |
| United Ways of MN                                      | 23,158              | 13,850           |
| Other  | 139,045             | 289,984          |
|  | <u>\$ 4,796,303</u> | <u>5,116,665</u> |