KPMG

GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

GREATER TWIN CITIES UNITED WAY

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KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

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, 2016 and 2015, 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, 2016 and 2015, 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 27, 2017 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 27, 2017

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2016 and 2015

Assets		**2016**	**2015**
Cash and cash equivalents	$	16,170,916	26,710,699
Annual campaign pledges receivable, less allowance for uncollectible pledges of $4,019,787 and $4,253,977, respectively		40,896,796	45,601,060
Other assets		525,991	278,682
Grants and other receivables		1,178,100	1,581,701
Legacy campaign receivable, net of discount		3,460,979	3,885,695
Community capital fund receivables		7,005,599	7,766,145
Investments		26,609,397	20,962,908
Legacy investments		184,299	276,758
Investment in closely held stock		5,665,140	4,646,980
Investments held at The Saint Paul Foundation		30,583,360	28,085,602
Investments held at The Minneapolis Foundation		9,995,100	9,535,686
Beneficial interests in charitable trusts		2,213,092	2,179,136
Endowment receivables		4,910,521	4,454,664
Property and equipment, net of accumulated depreciation of $7,000,913 and $7,132,458, respectively		3,868,410	2,700,920
Total assets	$	153,267,700	158,666,636
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,186,150	1,599,467
Allocations payable		2,996,559	2,907,264
Donor designations, less allowance for uncollectible pledges of $88,579 and $127,065, respectively		6,284,781	8,202,168
Pension liability		219,799	997,165
Total liabilities		11,687,289	13,706,064
Net assets:			
Unrestricted:			
Board-designated endowments		14,944,262	14,290,039
Board-designated other		7,281,366	6,955,685
Land, building, and equipment		4,047,807	2,700,920
Unfunded minimum pension obligation		(1,883,059)	(2,550,653)
Undesignated		12,139,742	12,350,009
Total unrestricted net assets		36,530,118	33,746,000
Temporarily restricted:			
Annual campaign		46,568,241	54,868,047
Beneficial interest in charitable trust		600,515	605,100
Donor-restricted endowments		5,620,267	4,959,934
Legacy campaign		3,495,278	4,083,253
Community capital fund		9,199,050	12,556,661
Other		6,817,722	4,796,303
Total temporarily restricted net assets		72,301,073	81,869,298
Permanently restricted:			
Beneficial interest in charitable trust		1,612,577	1,574,037
Donor-restricted endowments		31,136,643	27,771,237
Total permanently restricted net assets		32,749,220	29,345,274
Total net assets		141,580,411	144,960,572
Total liabilities and net assets	$	153,267,700	158,666,636

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:				
Annual campaign received in prior period and now released from restriction	$ 82,369,289	(82,369,289)	—	—
Less:				
Legacy gifts	(999,953)	999,953	—	—
Donor designations – now released from restriction	(24,109,313)	24,109,313	—	—
Provision for uncollectible pledges – now released from restriction	(2,059,232)	2,059,232	—	—
Provision for third party processing fees	(69,746)	69,746	—	—
Actual designations under estimated	463,797	—	—	463,797
Net campaign revenue for current period	55,594,842	(55,131,045)	—	463,797
Campaign revenue received for future allocation period		74,914,800		74,914,800
Less:				
Legacy gifts	—	(1,183,750)	—	(1,183,750)
Donor designations	—	(25,758,006)	—	(25,758,006)
Provision for uncollectible pledges	—	(1,872,870)	—	(1,872,870)
Provision for third party processing fees	—	46,552	—	46,552
Net campaign revenue for future periods	—	46,146,726	—	46,146,726
Total campaign revenue	55,594,842	(8,984,319)	—	46,610,523
Grants and other revenues	739,721	9,382,336	2,348,742	12,470,799
Legacy revenue, net	—	378,234	—	378,234
Legacy investment income	—	(1,294)	—	(1,294)
Investment income and realized gains	1,843,009	—	(1,496)	1,841,513
Net unrealized gains (losses) on investments	1,282,418	8,835	—	1,291,253
Net unrealized gain on investment in closely held stock	—	—	1,018,160	1,018,160
Change in fair value of beneficial interests in charitable trusts	—	(4,585)	38,540	33,955
Donor designation cost recovery	751,809	—	—	751,809
Designations from other United Ways	116,571	—	—	116,571
Miscellaneous income	51,735	—	—	51,735
Net assets released from restriction	10,347,432	(10,347,432)	—	—
Total support and revenue	70,727,537	(9,568,225)	3,403,946	64,563,258
Grants and program services:				
Grants awarded/distributed to agencies for programs	68,522,215	—	—	68,522,215
Less donor designations	(24,109,313)	—	—	(24,109,313)
Net funds awarded/distributed	44,412,902	—	—	44,412,902
Community and program services provided directly by Greater Twin Cities United Way	11,095,912	—	—	11,095,912
Total grants and program services	55,508,814	—	—	55,508,814
Supporting services:				
Fund raising	9,729,889	—	—	9,729,889
Organizational administration	3,338,474	—	—	3,338,474
Total supporting services	13,068,363	—	—	13,068,363
Total grants, program, and supporting services	68,577,177	—	—	68,577,177
Change in net assets before pension adjustments and loss on disposal of property	2,150,360	(9,568,225)	3,403,946	(4,013,919)
Pension-related changes other than net periodic pension cost	667,594	—	—	667,594
Loss on disposal of property	(33,836)	—	—	(33,836)
Change in net assets	2,784,118	(9,568,225)	3,403,946	(3,380,161)
Net assets, beginning of year	33,746,000	81,869,298	29,345,274	144,960,572
Net assets, end of year	$ 36,530,118	72,301,073	32,749,220	141,580,411

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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 Functional Expenses

Year ended December 31, 2016

	Grants to agencies for programs	Services provided by Greater Twin Cities United Way	Supporting services: Fund raising	Supporting services: Organizational administration	Supporting services: Total supporting services	Total
Salaries	$ —	3,288,577	5,448,829	1,853,777	7,302,606	10,591,183
Other employee benefits	—	498,856	815,827	256,828	1,072,655	1,571,511
Payroll taxes	—	234,463	396,962	107,006	503,968	738,431
Total employee expenses	—	4,021,896	6,661,618	2,217,611	8,879,229	12,901,125
Professional fees	—	2,941,254	444,974	280,020	724,994	3,666,248
Contract services	—	2,528,004	19,657	212,131	231,788	2,759,792
Supplies	—	21,369	31,929	14,327	46,256	67,625
Telephone	—	23,438	40,581	6,216	46,797	70,235
Postage	—	1,899	36,499	10,277	46,776	48,675
Building occupancy	—	100,810	162,644	97,026	259,670	360,480
Equipment rental and expense	—	82,176	78,428	51,854	130,282	212,458
Publications and brochures	—	7,898	314,404	38,394	352,798	360,696
Films, displays, and media	—	264,349	931,185	20,178	951,363	1,215,712
Transportation	—	18,051	28,854	1,188	30,042	48,093
Conferences, meetings, and memberships	—	370,633	144,170	55,145	199,315	569,948
Miscellaneous	—	366,573	267,391	14,323	281,714	648,287
Total nonemployee expenses	—	6,726,454	2,500,716	801,079	3,301,795	10,028,249
Depreciation	—	187,153	305,615	172,196	477,811	664,964
Total operations	—	10,935,503	9,467,949	3,190,886	12,658,835	23,594,338
United Way Worldwide dues	—	160,409	261,940	147,588	409,528	569,937
Grants awarded/distributed	68,522,215	—	—	—	—	68,522,215
Less donor designations	(24,109,313)	—	—	—	—	(24,109,313)
Total expenses	$ 44,412,902	11,095,912	9,729,889	3,338,474	13,068,363	68,577,177

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Functional Expenses

Year ended December 31, 2015

	Grants to agencies for programs	Services provided by Greater Twin Cities United Way	Supporting services: Fund raising	Supporting services: Organizational administration	Supporting services: Total supporting services	Total
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

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (3,380,161)	648,437
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	664,964	657,465
Loss on disposal of equipment	33,836	30,069
Net unrealized (gains) losses on investments	(1,291,253)	2,396,743
Net unrealized (gains) losses on investment in closely held stock	(1,018,160)	(625,950)
Change in fair value of beneficial interests in charitable trusts	(33,956)	196,111
Changes in assets and liabilities:		
Annual campaign pledges receivable, net	4,704,264	4,610,552
Legacy campaign receivable, net	424,716	826,386
Community capital fund receivables	760,546	(1,260,660)
Other assets	(247,309)	450,133
Grants and other receivables	403,601	(656,561)
Endowment receivables	(455,857)	(1,301,108)
Accounts payable and accrued expenses	586,683	(230,085)
Allocations payable	89,295	827,663
Pension liability	(777,366)	(218,720)
Donor designations, net	(1,917,387)	1,022,424
Net cash (used in) provided by operating activities	(1,453,544)	7,372,899
Cash flows from investing activities:		
Sale of investments	1,666,498	1,799,095
Purchase of investments	(8,888,289)	(9,258,863)
Purchase of equipment	(1,864,448)	(1,981,217)
Net cash used in investing activities	(9,086,239)	(9,440,985)
Net change in cash and cash equivalents	(10,539,783)	(2,068,086)
Cash and cash equivalents, beginning of year	26,710,699	28,778,785
Cash and cash equivalents, end of year	$ 16,170,916	26,710,699

See accompanying notes to financial statements.

(1) Organization

For 102 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 opportunities for all*. As the largest nongovernmental investor in health and human services in the state supporting more than 200 programs across the Twin Cities, United Way fights for the health, education and financial stability for every member of our communities. With a mission to unite 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 surrounds the issues of poverty in a way that meets immediate needs, and develops long-term solutions for the future. Because poverty is multi-faceted, our support is holistic, helping the whole person and the whole family on their path towards a better life. United Way creates lasting impact through interwoven strategies: direct investments in proven and innovative social service programs; building the capacity of nonprofits; engaging stakeholders across sectors to bring about changes at the systems level; and providing access to individuals through 2-1-1 by connecting people with essential nonprofit programs and services. Work at the intersection of these strategies is the key to achieving broad-based, lasting change.

(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.

(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.

(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.

(Continued)

(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) Subsequent Events

United Way has evaluated subsequent events through June 27, 2017, 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, 2016 and 2015, United Way's investments were reported in five categories as follows:

(a) Investments

Investments are comprised of the following as of December 31, 2016 and 2015:

	2016	2015
Fixed income:		
U.S. government and federal agency	$ 4,212,490	4,252,459
Corporate and other	22,396,907	16,710,449
Total investments	$ 26,609,397	20,962,908

(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 $184,299 and $276,758 as of December 31, 2016 and 2015, 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 $71,500 in each of the years ended December 31, 2016 and 2015. The value of these shares, as determined by an independent appraiser, was $5,665,140 and $4,646,980 at December 31, 2016 and 2015, 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, 2016 and 2015 is summarized as follows:

		2016	2015
Investments held by The Saint Paul Foundation:			
Board-designated	$	9,627,224	9,476,300
Donor-restricted		20,956,136	18,609,302
	$	30,583,360	28,085,602
Investments held by The Minneapolis Foundation:			
Board-designated	$	5,040,161	4,808,495
Donor-restricted		4,954,939	4,727,191
	$	9,995,100	9,535,686

(e) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is $600,515 and $605,099 at December 31, 2016 and 2015, respectively. United Way receives investment income earned and 5% of the fair value of the trust. Approximately $38,305 and $48,703 was received by United Way in 2016 and 2015, 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 $32,251,540 and $31,480,745 at December 31, 2016 and 2015, respectively. United Way receives its proportionate share of net income earned by the trust each year. Approximately $76,350 and $80,260 was received by United Way in 2016 and 2015, respectively. United Way’s share of the fair value of $1,612,577 and $1,574,037 at December 31, 2016 and 2015, 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).

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, 2016:

		Level 1	Level 2	Level 3	Total
Investments:					
U.S. government and federal agency	$	—	4,212,490	—	4,212,490
Corporate and other securities		—	22,396,906	—	22,396,906
Legacy investments:					
Investments at The Minneapolis Foundation		—	—	184,299	184,299
Investment in closely held stock		—	—	5,665,140	5,665,140
Investments at The Saint Paul Foundation		—	—	30,583,360	30,583,360
Investments at The Minneapolis Foundation		—	—	9,995,100	9,995,100
Beneficial interests in charitable trusts		—	600,515	1,612,577	2,213,092
Total investments	$	—	27,209,911	48,040,476	75,250,387
Cash equivalents	$	922,330	5,617,601	—	6,539,931

Cash equivalents primarily include 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, 2016.

(Continued)

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:

	Level 1	Level 2	Level 3	Total
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 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.

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.

Level 3 assets were 64% and 67% of total investment assets at fair value at December 31, 2016 and 2015, respectively. The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows:

		Legacy investments	Investment in closely held stock	Investments at The Saint Paul Foundation	Investments at The Minneapolis Foundation	Beneficial interests in charitable trusts	Total
Ending balance at 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 (losses)		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 'December 31, 2015		276,758	4,646,980	28,085,602	9,535,686	1,574,037	44,119,063
Interest earnings		5,657	—	421,168	184,420	—	611,245
Realized gains (losses)		(4,539)	—	959,947	96,143	—	1,051,551
Unrealized gains (losses)		8,835	1,018,160	731,394	540,620	38,540	2,337,549
Contributions			—	1,914,250	—	—	1,914,250
Commissions and fees		(2,412)	—	(214,973)	(109,300)	—	(326,685)
Distributions		(100,000)	—	(1,314,028)	(252,469)	—	(1,666,497)
Ending balance at 'December 31, 2016	$	184,299	5,665,140	30,583,360	9,995,100	1,612,577	48,040,476
Net change in unrealized gains (losses) included in change in net assets for period relating to investments held at December 31, 2016	$	8,835	1,018,160	731,394	540,620	38,540	2,337,549

Quantitative information about Level 3 fair value measurements

		Fair value at December 31, 2016	Valuation technique	Unobservable input	Range (weighted average)
Legacy investments	$	184,299	**	n/a	n/a
Investment in closely held stock		5,665,140	Stock price *	n/a	n/a
Investments at TSPF		30,583,360	**	n/a	n/a
Investments at TMF		9,995,100	**	n/a	n/a
Beneficial interests in charitable trusts		1,612,577	**	n/a	n/a
	$	48,040,476			

Quantitative information about Level 3 fair value measurements

		Fair value at December 31, 2015	Valuation technique	Unobservable input	Range (weighted average)
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		1,574,037	**	n/a	n/a
	$	44,119,063			

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, 2016 and 2015 is as follows:

		Original amounts of pledges		Pledges receivable	Allowance for uncollectible pledges	Net pledges receivable
Pledges from the:						
2016 campaign	$	74,914,800		37,775,096	(1,522,680)	36,252,416
Prior campaigns				7,141,487	(2,497,107)	4,644,380
			$	44,916,583	(4,019,787)	40,896,796
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
			$	49,855,037	(4,253,977)	45,601,060

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

(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, 2016 and 2015:

		2016	2015
Amounts due in:			
Less than one year	$	800,000	952,950
More than one year		3,210,000	3,560,000
Unconditional promises to give		4,010,000	4,512,950
Less unamortized discount at 0.73% to 3.31%		(549,021)	(627,255)
Legacy campaign receivables	$	3,460,979	3,885,695

(7) Community Capital Fund Receivables

As of December 31, 2016 and 2015, United Way has recorded receivables of temporarily restricted unconditional promises to give as a result of its Community Capital Fund campaign:

		2016	2015
Amounts due in:			
Less than one year	$	5,252,789	3,892,851
More than one year		1,785,000	3,971,999
Unconditional promises to give		7,037,789	7,864,850
Less unamortized discount at 1.65% to 2.27%		(32,190)	(98,705)
Community Capital Fund receivables	$	7,005,599	7,766,145

(Continued)

(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, 2016 and 2015:

		2016	2015
Amounts due in:			
Less than one year	$	1,438,087	624,933
More than one year		6,569,883	6,939,883
Unconditional promises to give		8,007,970	7,564,816
Less unamortized discount at 1.65% to 3.03%		(3,097,449)	(3,110,152)
Centennial endowment receivables	$	4,910,521	4,454,664

(9) Property and Equipment

Property and equipment at December 31, 2016 and 2015 consist of the following:

		2016	2015
Land	$	33,083	33,083
Building – Minneapolis Citizen's Aid		7,783,365	7,332,575
Furniture and equipment		3,052,875	2,467,720
		10,869,323	9,833,378
Less accumulated depreciation		(7,000,913)	(7,132,458)
Net book value	$	3,868,410	2,700,920

(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. In 2016, the United Way announced that one of the defined benefit plans was going to be terminated with an expected final distribution date at the end of 2017. 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, 2016 and 2015, 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. In 2016, the United Way announced that it would terminate the plan in 2017. In November 2016, notification of the termination was sent to all the participants when the termination was considered to be imminent. As such, the actuarial valuation of the plan is prepared on the liquidation basis of accounting.

Net periodic pension (income) expense for the years ended December 31, 2016 and 2015 was as follows:

		2016	2015
Interest cost	$	283,641	279,979
Expected return on plan assets		(290,837)	(301,451)
Amortization of loss		77,424	65,277
Net periodic pension expense	$	70,228	43,805

The funded status and accrued benefit cost as of December 31, 2016 and 2015 are as follows:

		2016	2015
Pension benefits:			
Projected benefit obligation	$	—	—
Fair value of plan assets		5,965,160	5,896,657
Accrued benefit cost recognized in the balance sheet		—	—
The actuarial assumptions as of December 31:			
Discount rate:			
Benefit obligation		—%	4.25%
417 (e) Segment 1:		2.00	—
417 (e) Segment 2:		4.00	—
417 (e) Segment 3:		5.00	—
Net periodic benefit costs		4.25	4.00
Expected return on plan assets		5.00	5.00
Rate of compensation increases		Not applicable	Not applicable

(Continued)

Unrestricted net assets have been decreased by net actuarial losses of $847,594 for the year ended December 31, 2016. The unrecognized net loss that is expected to be recognized as a component of the 2017 net periodic pension expense is $56,429. Based on ERISA funding requirements, United Way was required to contribute $180,000 to this pension plan for the year ended December 31, 2016. In addition, United Way will be required to contribute approximately $60,000 during the year ending December 31, 2017.

Net periodic costs and benefits paid for the years ended December 31, 2016 and 2015 are as follows:

		2016	2015
Pension cost	$	70,228	43,805
Benefits paid		406,750	406,460

The asset allocations by category at December 31, 2016 and 2015 are as follows:

	2016	2015
Collective investment trust funds	99.02%	96.58%
Short-term investment funds	0.98	3.42
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, 2016:

		Level 1	Level 2	Level 3	Total
Collective investment trust funds	$	—	5,906,908	—	5,906,908
Short-term investment funds		—	58,252	—	58,252
Total investments	$	—	5,965,160	—	5,965,160

In anticipation of plan termination, United Way changed its investment strategy to a 100% liability driven investment strategy. As a result, during 2014, mutual fund investments were sold and replaced with collective investment trust fund investments. It is United Way’s policy to use NAV as pracital expedient to measure fair value.

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

		Level 1	Level 2	Level 3	Total
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

The plan expects to pay benefit payments of $6,265,000 in 2017. Since the plan is expected to fully liquidate during 2017, estimated future benefit payments are only applicable to that year.

(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 1,062 participants, 6.7% 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 $140,964 in the years ended December 31, 2016 and 2015, respectively, which is recognized as pension cost. As of January 1, 2016 (the most recent actuarial valuation report available), total plan assets were $40,618,683, the accumulated benefit obligation was $38,030,134, and the total funding percentage was greater than 75%.

(Continued)

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

		2016	2015
Legal name		Twin Cities Nonprofit Partners Pension Plan	Twin Cities Nonprofit Partners Pension Plan
EIN/Plan number		41-1973442/333	41-1973442/333
Plan year end		12/31/2016	12/31/2015
Pension Protection Act percentage funded		110%	110%
Contributions by United Way	$	140,964	140,964
Contributions as percentage of total contributed		9%	9%
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 $547,667 and $504,554 during the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015. 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.

(Continued)

(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, 2016 and 2015:

		2016	2015
Education and jobs	$	23,211,225	26,036,714
Safety net		20,405,404	21,923,671
Nonprofit sector capacity building		771,340	589,628
Other Community support and engagement		24,933	88,792
	$	44,412,902	48,638,805

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

Services provided directly by United Way for the years ended December 31, 2016 and 2015 include the following programs:

		2016	2015
Community impact identification and evaluation	$	3,488,466	3,193,118
Direct services to the community:			
2-1-1/information and referral services		2,197,414	2,176,011
Volunteer United		791,079	490,025
Labor community services		400,904	400,904
Goal area strategy implementation:			
Generation Next		1,809,908	1,483,357
Child Care Accreditation Program		181,151	399,241
Start early funders coalition		407,235	444,897
Nonprofit capacity building		348,156	316,320
Career Academies		588,480	256,191
Systems change and innovation initiatives		176,340	243,494
Reading by third grade		48,473	195,260
Early learning		55,000	165,645
Financial stability programs		165,163	158,697
Education		31,448	150,457
Access to healthcare		87,400	87,949
Out of school time/after school activity		43,907	44,504
Hunger partnership systems		24,053	20,000
Housing		10,111	15,097
Family/domestic violence program		—	—
Other		241,224	209,687
	$	11,095,912	10,450,854

(Continued)

(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 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, 2016

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Board-designated endowment funds	$	15,003,834	—	—	15,003,834
Donor-restricted endowment funds		(59,572)	5,620,267	31,136,643	36,697,338
	$	14,944,262	5,620,267	31,136,643	51,701,172

(Continued)

(c) Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 14,290,039	4,959,934	27,771,237	47,021,210
Investment return:				
Investment income	101,396	179,918	—	281,314
Net change in value (realized and unrealized)	831,235	1,496,872	1,018,160	3,346,267
Total investment return	932,631	1,676,790	1,018,160	3,627,581
Contributions	271,633	—	2,347,246	2,618,879
Appropriation of endowment assets	(550,041)	(1,016,457)	—	(1,566,498)
Endowment net assets, end of year	$ 14,944,262	5,620,267	31,136,643	51,701,172

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

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

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, 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 (realized and unrealized)	(390,488)	(441,508)	625,950	(206,046)
Total investment return	(273,472)	(295,402)	625,950	57,076
Contributions	5,056	—	3,898,161	3,903,217
Appropriation of endowment assets	(694,699)	(929,959)	—	(1,624,658)
Endowment net assets, end of year	$ 14,290,039	4,959,934	27,771,237	47,021,210

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

	2016	2015
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 31,136,643	27,771,237
Total endowment funds classified as permanently restricted net assets	$ 31,136,643	27,771,237
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	$ 5,620,267	4,959,934
Total endowment funds classified as temporarily restricted net assets	$ 5,620,267	4,959,934

(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 $59,571 and $79,013 as of December 31, 2016 and 2015, 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.

(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% 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 5.00% 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.

(Continued)

(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, 2016 and 2015:

		2016	2015
Contributions restricted to specific programs or uses:			
Generation Next	$	2,567,616	2,285,436
Early Learning and Child Care Accreditation Program		213,153	388,929
Women's Leadership Council		498,230	666,406
Healthy Communities		46,625	200,000
Hunger and Homelessness		677,500	380,100
United Way ARISE Project		172,941	149,589
System Change and Innovation initiatives		25,000	100,000
Hunger Partnership		358,999	199,234
NWA Innovation Award		—	22,500
Holiday Wishes		22,022	25,307
Out of School Time		—	11,772
Scholarship Fund		76,127	58,827
Career Academies		296,105	146,000
United Ways of MN		12,550	23,158
Culturally Specific Organizations		1,213,208	—
Start Early Funders Coalition		193,333	100,000
Other		444,313	39,045
	$	6,817,722	4,796,303