KPMG

GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors’ Report Thereon)

GREATER TWIN CITIES UNITED WAY

Table of Contents

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, 2018 and 2017, 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. 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
June 19, 2019

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	$ 17,835,520	21,896,469
Annual campaign pledges receivable, less allowance for uncollectible pledges of $3,504,644 and $3,657,964, respectively	27,332,933	32,530,900
Other assets	942,354	450,954
Grants and other receivables	648,766	905,732
Legacy campaign receivable, net of discount	2,468,340	3,056,829
Community capital fund receivables	2,449,107	3,102,739
Investments	17,100,151	21,630,130
Legacy investments	—	88,180
Investment in closely held stock	4,908,280	6,000,150
Investments held at The Saint Paul & Minnesota Foundations	35,143,837	35,144,986
Investments held at The Minneapolis Foundation	9,939,994	11,001,974
Beneficial interests in charitable trusts	2,127,150	2,479,934
Endowment/planned giving receivables	4,080,369	4,274,347
Property and equipment, net of accumulated depreciation of $7,930,753 and $7,363,886, respectively	2,995,389	3,273,542
Total assets	$ 127,972,190	145,836,866
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,890,213	1,773,812
Grants payable	589,750	2,311,172
Donor designations, less allowance for uncollectible pledges of $68,257 and $78,130, respectively	4,728,488	5,749,624
Total liabilities	7,208,451	9,834,608
Net assets:		
Without donor restrictions:		
Board-designated endowments	17,156,601	18,515,534
Board-designated other	7,301,387	7,466,135
Land, building, and equipment	2,995,389	3,273,542
Undesignated	10,267,918	9,940,620
Total net assets without donor restrictions	37,721,295	39,195,831
With donor restrictions:		
Annual campaign	31,955,575	39,830,347
Perpetual in nature	2,127,150	2,479,934
Purpose restrictions – endowments	37,074,379	40,092,344
Time restricted for future periods	2,118,340	2,780,944
Purpose restrictions – other	9,767,000	11,622,858
Total net assets with donor restrictions	83,042,444	96,806,427
Total net assets	120,763,739	136,002,258
Total liabilities and net assets	$ 127,972,190	145,836,866

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Annual campaign received in prior period and now released from restriction	$ 67,027,298	(67,027,298)	—
Less:			
Legacy gifts	(983,608)	983,608	—
Donor designations – now released from restriction	(24,695,909)	24,695,909	—
Provision for uncollectible pledges – now released from restriction	(1,675,683)	1,675,683	—
Provision for third party processing fees	(216,534)	216,534	—
Actual designations estimate change	419,621	—	419,621
Net campaign revenue for current period	39,875,185	(39,455,564)	419,621
Campaign revenue received for future allocation period	—	57,970,634	57,970,634
Less:			
Legacy gifts	—	(894,544)	(894,544)
Donor designations	—	(23,890,180)	(23,890,180)
Provision for uncollectible pledges	—	(1,449,266)	(1,449,266)
Provision for third party processing fees	—	39,955	39,955
Net campaign revenue for future periods	—	31,776,599	31,776,599
Total campaign revenue	39,875,185	(7,678,965)	32,196,220
Grants and other revenues	1,166,399	7,123,174	8,289,573
Legacy revenue, net	—	21,511	21,511
Investment income and realized gains	638,267	—	638,267
Net unrealized gains (losses) on investments	35,598	—	35,598
Donor designation cost recovery	579,504	—	579,504
Designations from other United Ways	125,964	—	125,964
Miscellaneous income	69,572	—	69,572
Net assets released from restriction:			
Satisfaction of program restrictions	6,831,995	(6,831,995)	—
Expiration of time restrictions	2,101,363	(2,101,363)	—
Total net assets released from restrictions	8,933,358	(8,933,358)	—
Total support and revenue	51,423,847	(9,467,638)	41,956,209
Grants and program services:			
Grants awarded/distributed to agencies for programs	54,818,075	—	54,818,075
Less donor designations	(24,695,909)	—	(24,695,909)
Net funds awarded/distributed	30,122,166	—	30,122,166
Community and program services provided directly by Greater Twin Cities United Way	10,703,917	—	10,703,917
Total grants and program services	40,826,083	—	40,826,083
Supporting services:			
Fund raising	9,237,132	—	9,237,132
Organizational administration	3,169,478	—	3,169,478
Total supporting services	12,406,610	—	12,406,610
Total grants, program, and supporting services	53,232,693	—	53,232,693
Change in net assets before investment loss	(1,808,846)	(9,467,638)	(11,276,484)
Endowment income and realized gains	3,830,532	449	3,830,981
Endowment net unrealized losses	(6,348,340)	(22)	(6,348,362)
Donor designated endowment gains (losses)	2,852,118	(2,852,118)	—
Net unrealized loss on investment in closely held stock	—	(1,091,870)	(1,091,870)
Change in fair value of beneficial interests in charitable trusts	—	(352,784)	(352,784)
Change in net assets	(1,474,536)	(13,763,983)	(15,238,519)
Net assets, beginning of year	39,195,831	96,806,427	136,002,258
Net assets, end of year	$ 37,721,295	83,042,444	120,763,739

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Annual campaign received in prior period and now released from restriction	$ 74,914,800	(74,914,800)	—
Less:			
Legacy gifts	(1,183,750)	1,183,750	—
Donor designations – now released from restriction	(25,758,006)	25,758,006	—
Provision for uncollectible pledges – now released from restriction	(1,872,870)	1,872,870	—
Provision for third party processing fees	46,552	(46,552)	—
Actual designations estimate change	72,917	—	72,917
Net campaign revenue for current period	46,219,643	(46,146,726)	72,917
Campaign revenue received for future allocation period	—	67,027,298	67,027,298
Less:			
Legacy gifts	—	(983,608)	(983,608)
Donor designations	—	(24,695,909)	(24,695,909)
Provision for uncollectible pledges	—	(1,675,683)	(1,675,683)
Provision for third party processing fees	—	(216,534)	(216,534)
Net campaign revenue for future periods	—	39,455,564	39,455,564
Total campaign revenue	46,219,643	(6,691,162)	39,528,481
Grants and other revenues	2,727,952	5,542,750	8,270,702
Legacy revenue, net	—	55,394	55,394
Investment income and realized gains	465,211	—	465,211
Net unrealized gains (losses) on investments	(58,904)	—	(58,904)
Donor designation cost recovery	607,118	—	607,118
Designations from other United Ways	119,140	—	119,140
Recovery/(loss) of uncollectible pledges	(297,948)	—	(297,948)
Miscellaneous income	69,220	—	69,220
Net assets released from restriction			
Satisfaction of program restrictions	7,988,449	(7,988,449)	—
Expiration of time restrictions	2,473,687	(2,473,687)	—
Total net assets released from restrictions	10,462,136	(10,462,136)	—
Total support and revenue	60,313,568	(11,555,154)	48,758,414
Grants and program services:			
Grants awarded/distributed to agencies for programs	64,015,979	—	64,015,979
Less donor designations	(25,758,006)	—	(25,758,006)
Net funds awarded/distributed	38,257,973	—	38,257,973
Community and program services provided directly by Greater Twin Cities United Way	10,411,748	—	10,411,748
Total grants and program services	48,669,721	—	48,669,721
Supporting services:			
Fund raising	9,034,468	—	9,034,468
Organizational administration	3,388,634	—	3,388,634
Total supporting services	12,423,102	—	12,423,102
Total grants, program, and supporting services	61,092,823	—	61,092,823
Change in net assets before investment income, pension adjustments and loss on disposal of property	(779,255)	(11,555,154)	(12,334,409)
Endowment income and realized gains	3,258,313	377	3,258,690
Endowment net unrealized gains	2,962,846	3,503	2,966,349
Donor designated endowment gains (losses)	(2,705,556)	2,705,556	—
Net unrealized gain on investment in closely held stock	—	335,010	335,010
Change in fair value of beneficial interests in charitable trusts	—	266,842	266,842
Loss on pension settlement	(1,948,372)	—	(1,948,372)
Pension-related changes other than net periodic pension cost	1,883,059	—	1,883,059
Loss on disposal of property	(5,322)	—	(5,322)
Change in net assets	2,665,713	(8,243,866)	(5,578,153)
Net assets, beginning of year	36,530,118	105,050,293	141,580,411
Net assets, end of year	$ 39,195,831	96,806,427	136,002,258

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Functional Expenses

Year ended December 31, 2018

	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	$ —	3,168,944	5,482,123	1,792,972	7,275,095	10,444,039
Other employee benefits	—	455,764	698,777	231,366	930,143	1,385,907
Payroll taxes	—	234,642	422,841	109,666	532,507	767,149
Total employee expenses	—	3,859,350	6,603,741	2,134,004	8,737,745	12,597,095
Professional fees	—	2,315,149	499,573	419,880	919,453	3,234,602
Contract services	—	2,399,210	11,749	11,123	22,872	2,422,082
Supplies	—	312,663	24,012	9,200	33,212	345,875
Telephone	—	20,401	30,879	9,188	40,067	60,468
Postage	—	3,537	21,410	7,376	28,786	32,323
Building occupancy	—	110,732	156,290	82,386	238,676	349,408
Equipment rental and expense	—	184,639	292,805	71,651	364,456	549,095
Publications and brochures	—	19,157	167,705	16,849	184,554	203,711
Films, displays, and media	—	250,202	626,750	26,323	653,073	903,275
Transportation	—	12,394	21,580	405	21,985	34,379
Conferences, meetings, and memberships	—	219,347	104,305	90,266	194,571	413,918
Miscellaneous	—	623,673	169,354	26,179	195,533	819,206
Total nonemployee expenses	—	6,471,104	2,126,412	770,826	2,897,238	9,368,342
Depreciation	—	190,080	258,032	134,695	392,727	582,807
Total operations	—	10,520,534	8,988,185	3,039,525	12,027,710	22,548,244
United Way Worldwide dues	—	183,383	248,947	129,953	378,900	562,283
Grants awarded/distributed	54,818,075	—	—	—	—	54,818,075
Less donor designations	(24,695,909)	—	—	—	—	(24,695,909)
Total expenses	$ 30,122,166	10,703,917	9,237,132	3,169,478	12,406,610	53,232,693

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Functional Expenses

Year ended December 31, 2017

	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	$ —	3,290,566	5,275,816	1,840,227	7,116,043	10,406,609
Other employee benefits	—	487,535	716,306	251,752	968,058	1,455,593
Payroll taxes	—	265,946	481,728	117,223	598,951	864,897
Total employee expenses	—	4,044,047	6,473,850	2,209,202	8,683,052	12,727,099
Professional fees	—	2,493,271	496,678	339,486	836,164	3,329,435
Contract services	—	2,374,229	19,305	156,075	175,380	2,549,609
Supplies	—	11,972	20,328	12,208	32,536	44,508
Telephone	—	22,627	37,535	9,748	47,283	69,910
Postage	—	3,841	32,294	8,794	41,088	44,929
Building occupancy	—	106,259	166,609	98,688	265,297	371,556
Equipment rental and expense	—	67,500	62,761	40,779	103,540	171,040
Publications and brochures	—	19,738	231,218	18,174	249,392	269,130
Films, displays, and media	—	330,665	448,920	16,535	465,455	796,120
Transportation	—	16,120	23,503	722	24,225	40,345
Conferences, meetings, and memberships	—	247,648	128,926	90,317	219,243	466,891
Miscellaneous	—	261,138	265,763	26,033	291,796	552,934
Total nonemployee expenses	—	5,955,008	1,933,840	817,559	2,751,399	8,706,407
Depreciation	—	244,867	371,894	214,715	586,609	831,476
Total operations	—	10,243,922	8,779,584	3,241,476	12,021,060	22,264,982
United Way Worldwide dues	—	167,826	254,884	147,158	402,042	569,868
Grants awarded/distributed	64,015,979	—	—	—	—	64,015,979
Less donor designations	(25,758,006)	—	—	—	—	(25,758,006)
Total expenses	$ 38,257,973	10,411,748	9,034,468	3,388,634	12,423,102	61,092,823

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statements of Cash Flows

Years ended December 31, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(15,238,519)	(5,578,153)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		582,807	831,481
Loss on disposal of equipment		—	5,322
Net realized gains on investments		(2,994,391)	(2,563,659)
Net unrealized losses (gains) on investments		6,312,764	(3,259,444)
Net unrealized losses (gains) on investment in closely held stock		1,091,870	(335,010)
Change in fair value of beneficial interests in charitable trusts		352,784	(266,842)
Changes in assets and liabilities:			
Annual campaign pledges receivable, net		5,197,967	8,365,896
Legacy campaign receivable, net		588,489	404,150
Community capital fund receivables		653,632	3,902,860
Other assets		(491,400)	75,037
Grants and other receivables		256,966	272,368
Endowment/planned giving receivables		193,978	636,174
Accounts payable and accrued expenses		116,401	(412,338)
Grants payable		(1,721,422)	(685,387)
Pension liability		—	(219,799)
Donor designations, net		(1,021,136)	(535,157)
Net cash (used in) provided by operating activities		(6,119,210)	637,499
Cash flows from investing activities:			
Sale of investments		6,570,351	7,510,669
Purchase of investments		(4,207,439)	(2,166,725)
Purchase of equipment		(304,651)	(255,890)
Net cash provided by investing activities		2,058,261	5,088,054
Net change in cash and cash equivalents		(4,060,949)	5,725,553
Cash and cash equivalents, beginning of year		21,896,469	16,170,916
Cash and cash equivalents, end of year	$	17,835,520	21,896,469

See accompanying notes to financial statements.

(1) Organization

For 104 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. With one in four people living in poverty in the nine-county region, United Way supports long-term wellbeing for people experiencing poverty through better access to healthy food, stable housing, a strong education and wealth-building jobs. United Way aims to deliver on a core mission of: *galvanizing our community to build pathways toward prosperity and equity for all.*

As the largest nongovernmental investor in health and human services in the state, we support more than 200 programs across the Twin Cities. Over the past century, United Way has invested in more than $2 billion to support human services in the Twin Cities nine-county region of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, and western Washington counties.

United Way surrounds the issues of poverty in a way that meets immediate and long-term needs. We do this by bringing together the public, private and nonprofit sectors to solve the community's most pressing challenges. Through our public policy work, volunteer engagement, our 2-1-1 resource hotline, fundraising, grant making and nonprofit leadership support, we take a holistic, long-term approach to help people meet their potential. That's because we know when more of us reach our potential, our whole community benefits.

(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:

- Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired. Net assets without donor restrictions 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.
  - Board-designated endowment net assets represent donations received by United Way that are earmarked by the Board of Directors as quasi-endowment to be invested separately to generate earnings that can be used to pay for operating expenses.
  - The Board-designated other net assets represent funds that were raised in a previous year and will be spent in future years at the discretion of the Board of Directors.
  - The Land, building and equipment net assets represent the book value of land, building, fixtures, computers and furniture.

- – Undesignated net assets represent a stabilization reserve intended to operate the organization, stabilize a level of grants to agencies, programs, or initiatives, meet unfunded and unexpected organizational needs and to make up a deficiency in the annual campaign, either in results or collection experience.

- Net assets with donor restrictions are comprised of funds subject to stipulations imposed by donors. Some donor restrictions are temporary in nature and will be met by actions of United Way or by the passage of time. Other donor restrictions are perpetual in nature, the donor having stipulated the funds be maintained in perpetuity. The related income generated by those perpetual funds may be expended for such purpose as determined by United Way. Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

  – Annual campaign net assets are pledges that are raised in one year and spent in the following year.

  – Perpetual in nature net assets are comprised of beneficial interests in irrevocable charitable trusts in which United Way receives investment income on a regular basis.

  – Purpose restrictions – endowments are permanent endowment funds and any gains/losses from those funds.

  – Time restricted for future period net assets are $1 million Century Legacy donations, which are pledged in one year and paid over a long period of time.

  – Purpose restrictions – other net assets are funds that have been restricted for specific programming.

Donor-designated endowment gains (losses) are interest and unrealized/realized gains on donor-restricted endowments. The reclassification on the statement of activities between without donor restrictions and with donor restrictions accomplishes this designation.

(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 net assets with donor restrictions. When donor-imposed time conditions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with donor restrictions are reclassified to net assets without donor restrictions. This reclassification is reported as annual campaign released from restriction or other net assets released from restriction on the statement 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 assets with donor restrictions 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;
- Dues 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 fundraising 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 & Minnesota Foundations 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 & Minnesota Foundations 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 & Minnesota Foundations and The Minneapolis Foundation are reported at fair value as reported to United Way by The Saint Paul & Minnesota Foundations 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 costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefitted. The expenses that are allocated include depreciation and United Way Worldwide dues, which are allocated on a headcount basis, as well as salaries, benefits, payroll taxes, professional services, office expenses and all other functional expenses, which are allocated based on estimates of time and effort. Revisions to the 2017 functional expense statement were made to conform with the ASU 2016-14 *Not-for Profit Entities* (Topic 958) changes to provide a comparable presentation with 2018.

(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.

(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 period amounts have been reclassified to conform with the current year presentation.

(l) Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for Profit Entities (Topic 958)*, to change the way a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements, as

(Continued)

well as the information presented in the financial statements and notes about the NFP's liquidity, financial performance, and cash flows. The amendment changes the way a NFP reports classes of net assets, from the currently required three classes to two, by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions. The amendment also requires the NFP to provide enhanced disclosure about the nature, amounts, and effects of the various types of donor-imposed restrictions, the NFP's management of its liquidity to meet short-term demands for cash, and the types of resources used and how they are allocated to carrying out the NFP's activities. The United Way adopted ASU 2016-14 in 2018 and as a result of the adoption, temporarily and permanently restricted net assets of $63,215,312 and $33,591,115, respectively, as of December 31, 2017 were reclassified to net assets with donor restrictions.

(m) Subsequent Events

United Way has evaluated subsequent events through June 19, 2019, the date on which the financial statements were available to be issued, and determined there were no additional items to disclose.

(3) Liquidity and Availability

The United Way's financial assets available for general expenditure within one year of the balance sheet as of December 31, 2018 is as follows:

		2018
Cash and cash equivalents	$	17,835,520
Annual campaign pledges receivable		27,332,933
Grants and other receivables		648,766
Legacy campaign receivable		2,468,340
Community capital fund receivables		2,449,107
Endowment/planned giving receivables		4,080,369
Investments		17,100,151
Investments held at The Saint Paul & Minnesota Foundations		35,143,837
Investments held at The Minneapolis Foundation		9,939,994
Total financial assets		116,999,017
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Long-term investments		13,005,076
Donor designated endowment gains for future use		6,450,417
Restricted by donors with time restrictions		6,500,976
Restricted by donors in perpetuity		21,742,025
Total amounts unavailable for general expenditures within one year		47,698,494

		2018
Amounts unavailable to management without Board's approval:		
Board-designated quasi-endowment for future use	$	16,891,388
Total amounts unavailable to management without Board's approval		16,891,388
Plus:		
Amounts distributed from endowments, trusts and closely held stock		2,277,245
Total financial assets available to management for general expenditure within one year	$	54,686,380

As part of United Way's liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. United Way invests cash that exceeds daily requirements in short-term investments, including a cash management fund and commercial paper. United Way maintains a funded stabilization reserve unencumbered and uncommitted at a level determined after taking the annual program funding and the costs of operating and maintaining the organization into account. This reserve can be utilized as needed to manage cash flow interruptions. In addition, the Board of Directors maintains a quasi-endowment fund and designates all bequeathed gifts to this fund to be available for future spending if appropriated.

(4) 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, 2018 and 2017, United Way's investments were reported in five categories as follows:

(a) Investments

Investments are comprised of the following as of December 31, 2018 and 2017:

		2018	2017
Fixed income:			
U.S. government and federal agency	$	3,996,489	3,995,850
Corporate and other		13,103,662	17,634,280
Total investments	$	17,100,151	21,630,130

(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 was $88,180 as of December 31, 2017. There were no Legacy investments remaining as of December 31, 2018.

(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. The value of these shares, as determined by an independent appraiser, was $4,908,280 and $6,000,150 at December 31, 2018 and 2017, respectively, and is included in net assets with donor restrictions. United Way received dividends of $78,000 and $65,000 in each of the years ended December 31, 2018 and 2017.

(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 & Minnesota Foundations and The Minneapolis Foundation pursuant to fund agreements with each organization. The composition of investments held by others at December 31, 2018 and 2017 is summarized as follows:

		2018	2017
Investments held by The Saint Paul & Minnesota Foundations:			
Board-designated	$	12,005,729	11,051,307
Donor-restricted		23,138,108	24,093,679
	$	35,143,837	35,144,986
Investments held by The Minneapolis Foundation:			
Board-designated	$	5,012,373	5,547,890
Donor-restricted		4,927,621	5,454,084
	$	9,939,994	11,001,974

(e) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is $532,432 and $655,342 at December 31, 2018 and 2017, respectively. United Way receives investment income earned and 5% of the fair value of the trust. $69,245 and $6,297 were received by United Way in 2018 and 2017, respectively. The 5% distributions for 2017 and 2018 were both received in 2018. The fair value of the trust has been included in net assets with donor restrictions – perpetual in nature.

United Way is also a 5% beneficiary of an irrevocable trust whose fair value is $31,894,356 and $36,491,843 at December 31, 2018 and 2017, respectively. United Way receives its proportionate share of net income earned by the trust each year. $80,000 and $75,000 were received by United Way in 2018 and 2017, respectively. United Way’s share of the fair value of $1,594,718 and $1,824,592 at December 31, 2018 and 2017, respectively, has been included in net assets with donor restrictions – perpetual in nature.

(5) 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, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. government and federal agency	$ —	3,996,489	—	3,996,489
Corporate and other securities	—	13,103,662	—	13,103,662
Investment in closely held stock	—	—	4,908,280	4,908,280
Investments at the Saint Paul & Minnesota Foundations	—	—	35,143,837	35,143,837
Investments at The Minneapolis Foundation	—	—	9,939,994	9,939,994
Beneficial interests in charitable trusts	—	532,432	1,594,718	2,127,150
Total investments	$ —	17,632,583	51,586,829	69,219,412
Cash equivalents	$ 4,499,994	1,805,456	—	6,305,450

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

United Way did not have any transfers between Levels 1, 2, or 3 during the year ended December 31, 2018.

The following table summarizes United Way's investments that were accounted for at fair value within the fair value hierarchy, as of December 31, 2017:

		Level 1	Level 2	Level 3	Total
Investments:					
U.S. government and federal agency	$	—	3,995,850	—	3,995,850
Corporate and other securities		—	17,634,280	—	17,634,280
Legacy investments:					
Investments at The Minneapolis Foundation		—	—	88,180	88,180
Investment in closely held stock		—	—	6,000,150	6,000,150
Investments at the Saint Paul & Minnesota Foundations		—	—	35,144,986	35,144,986
Investments at The Minneapolis Foundation		—	—	11,001,974	11,001,974
Beneficial interests in charitable trusts		—	655,342	1,824,592	2,479,934
Total investments	$	—	22,285,472	54,059,882	76,345,354
Cash equivalents	$	122,126	5,933,117	—	6,055,243

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

United Way did not have any transfers between Levels 1, 2, or 3 during the year ended December 31, 2017.

As previously noted, investments held at The Saint Paul & Minnesota Foundations 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 75% and 71% of total investment assets at fair value at December 31, 2018 and 2017, 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 & Minnesota Foundations	Investments at The Minneapolis Foundation	Beneficial interests in charitable trusts	Total
Ending balance at December 31, 2016	$	184,299	5,665,140	30,583,360	9,995,100	1,612,577	48,040,476
Interest earnings		3,067	—	520,241	166,259	—	689,567
Realized gains (losses)		(2,689)	—	2,094,148	477,665	—	2,569,124
Unrealized gains (losses)		5,449	335,010	2,336,184	976,715	212,015	3,865,373
Contributions		—	—	1,208,009	—	—	1,208,009
Commissions and fees		(1,946)	—	(237,414)	(112,640)	—	(352,000)
Distributions		(100,000)	—	(1,359,542)	(501,125)	—	(1,960,667)
Ending balance at December 31, 2017		88,180	6,000,150	35,144,986	11,001,974	1,824,592	54,059,882
Interest earnings		142	—	617,619	169,022	—	786,783
Realized gains (losses)		308	—	2,067,235	976,657	—	3,044,200
Unrealized gains (losses)		210	(1,091,870)	(4,250,930)	(1,685,913)	(229,874)	(7,258,377)
Contributions		—	—	3,286,421	—	—	3,286,421
Commissions and fees		(231)	—	(293,798)	(117,700)	—	(411,729)
Distributions		(88,609)	—	(1,427,696)	(404,046)	—	(1,920,351)
Ending balance at December 31, 2018	$	—	4,908,280	35,143,837	9,939,994	1,594,718	51,586,829
Net change in unrealized gains (losses) included in change in net assets for period relating to investments held at December 31, 2018	$	210	(1,091,870)	(4,250,930)	(1,685,913)	(229,874)	(7,258,377)

Quantitative information about Level 3 fair value measurements

	Fair value at December 31, 2018	Valuation technique	Unobservable input	Range (weighted average)
Investment in closely held stock	$ 4,908,280	Stock price *	n/a	n/a
Investments at SPMF	35,143,837	**	n/a	n/a
Investments at TMF	9,939,994	**	n/a	n/a
Beneficial interests in charitable trusts	1,594,718	**	n/a	n/a
	$ 51,586,829			

Quantitative information about Level 3 fair value measurements

	Fair value at December 31, 2017	Valuation technique	Unobservable input	Range (weighted average)
Legacy investments	$ 88,180	**	n/a	n/a
Investment in closely held stock	6,000,150	Stock price *	n/a	n/a
Investments at SPMF	35,144,986	**	n/a	n/a
Investments at TMF	11,001,974	**	n/a	n/a
Beneficial interests in charitable trusts	1,824,592	**	n/a	n/a
	$ 54,059,882			

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.

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(6) Annual Campaign Pledges

A summary of annual campaign pledges, annual campaign pledges receivable, and allowance for uncollectible pledges at December 31, 2018 and 2017 is as follows:

	Original amounts of pledges	Pledges receivable	Allowance for uncollectible pledges	Net pledges receivable
Pledges from the:				
2018 campaign	$ 57,970,634	25,799,609	(1,283,597)	24,516,012
Prior campaigns		5,037,968	(2,221,047)	2,816,921
		$ 30,837,577	(3,504,644)	27,332,933
Pledges from the:				
2017 campaign	$ 67,027,298	31,031,140	(1,554,856)	29,476,284
Prior campaigns		5,157,724	(2,103,108)	3,054,616
		$ 36,188,864	(3,657,964)	32,530,900

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

(7) 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, 2018 and 2017:

	2018	2017
Amounts due in:		
Less than one year	$ 760,000	960,456
More than one year	2,180,000	2,590,000
Unconditional promises to give	2,940,000	3,550,456
Less unamortized discount at 0.73% to 3.31%	(471,660)	(493,627)
Legacy campaign receivables	$ 2,468,340	3,056,829

(Continued)

(8) Community Capital Fund Receivables

United Way has recorded as a receivable, promises to give, with donor restrictions, as a result of its Community Capital Fund campaign as of December 31, 2018 and 2017:

		2018	2017
Amounts due in:			
Less than one year	$	1,267,666	2,566,666
More than one year		1,240,001	546,001
Unconditional promises to give		2,507,667	3,112,667
Less unamortized discount at 2.27% to 2.51%		(58,560)	(9,928)
Community Capital Fund receivables	$	2,449,107	3,102,739

(9) Endowment/Planned Giving Receivables

United Way has recorded as a receivable the following unconditional promises to give to its Endowment/ Planned Giving program as of December 31, 2018 and 2017:

		2018	2017
Amounts due in:			
Less than one year	$	500,000	518,950
More than one year		6,350,000	6,600,000
Unconditional promises to give		6,850,000	7,118,950
Less unamortized discount at 1.93% to 3.03%		(2,769,631)	(2,844,603)
Endowment/Planned Giving receivables	$	4,080,369	4,274,347

(10) Property and Equipment

Property and equipment at December 31, 2018 and 2017 consist of the following:

		2018	2017
Land	$	33,083	33,083
Building – Minneapolis Citizen's Aid		7,965,079	7,868,230
Furniture and equipment		2,927,980	2,736,115
		10,926,142	10,637,428
Less accumulated depreciation		(7,930,753)	(7,363,886)
Net book value	$	2,995,389	3,273,542

(Continued)

(11) 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 2017, the United Way terminated one of the defined benefit plans and final distributions for this plan occurred before December 31, 2017. Employees hired after May 1, 2001 are eligible to participate in the defined contribution 401(k) plan established January 1, 2001. The defined contribution 403(b) plan established January 1, 1990 was terminated in 2018.

(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 was allowed. The plan covered 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 were determined based on years of service and employee compensation during the last years of employment.

Effective December 31, 2004, the plan froze benefit accruals and employees did not earn additional defined benefits for services after that date. In 2016, the United Way announced that it would terminate the plan by 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 2016 actuarial valuation of the plan was prepared on the liquidation basis of accounting. In 2017, the plan was terminated, and all final distributions occurred before December 31, 2017. A noncash settlement loss of $1,948,372 was recorded in 2017 on the Statement of Activities.

Net periodic pension expense for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Interest cost	$ —	184,748
Expected return on plan assets	—	(219,946)
Amortization of loss	—	56,429
Net periodic pension expense	$ —	21,231

Net periodic costs and benefits paid for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Pension cost	$ —	21,231
Benefits paid	—	6,565,861

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

United Way participates in a multiemployer defined benefit pension plan in which 16 other nonprofit organizations also participate. Of the approximate 1,060 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 the participating organizations. 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 are required in order to achieve full funding. If any participating organization defaults on their annual contributions, the remaining organizations assume the liability and contributions of the organization in default. United Way made contributions of $131,820 and $140,964 in the years ended 2018 and 2017, respectively, which is recognized as pension cost.

Plan assets have been invested based on a long-term investment strategy. In July 2018, United Way and the other organizations participating in the plan voted to terminate the plan in 2019 by securing a group loan to fully fund the termination liability and purchase annuities to fulfill the obligation to participants. As a result of this decision, United Way made the decision on July 26, 2018 to move 100% of the plan assets into a money market account in order to mitigate against market risk while the termination process is completed.

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

	2018	2017
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	12/31/2018	12/31/2017
Pension Protection Act percentage funded	110 %	110 %
Contributions by United Way	$ 131,820	140,964
Contributions as percentage of total contributed	10 %	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

(Continued)

to length of employment. United Way's cash contributions to this plan were $429,152 and $557,014 during the years ended December 31, 2018 and 2017, 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 were limited to highly compensated employee deferrals. In 2018, the United Way adopted a safe harbor plan design change to its 401(k) plan. This design change allowed the United Way to terminate the 403(b) plan while supporting rollovers and distributions from the 403(b) plan to the 401(k) plan for previous participants.

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.

(12) 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, 2018 and 2017. 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.

(13) Net Funds Granted/Distributed

Net funds granted/distributed by United Way were made in the following focus areas for the years ended December 31, 2018 and 2017:

	2018	2017
Education and jobs	$ 14,954,407	19,611,131
Safety net	13,722,068	17,127,009
Nonprofit sector capacity building	1,009,315	1,081,215
Other Community support and engagement	436,376	438,618
	$ 30,122,166	38,257,973

(Continued)

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

Services provided directly by United Way for the years ended December 31, 2018 and 2017 include the following programs:

		2018	2017
Community impact identification and evaluation	$	3,473,510	3,096,064
Direct services to the community:			
2-1-1/information and referral services		2,040,366	2,054,205
Volunteer united		683,495	543,124
Labor community services		381,909	391,407
Goal area strategy implementation:			
Generation next		1,467,595	1,734,054
Start early funders coalition		339,325	333,344
Nonprofit capacity building		436,766	345,978
Career academies		437,724	502,137
Systems change and innovation initiatives		71,387	47,521
Reading by third grade		—	28,000
Early learning		61,070	64,860
Financial stability programs		189,267	214,536
Education		40,398	35,014
Access to healthcare		127,482	191,143
Out of school time/after school activity		79,073	129,685
Hunger partnership systems		246,968	215,896
Housing		15,000	10,000
Action day		341,592	169,899
Other		270,990	304,881
	$	10,703,917	10,411,748

(15) Endowment Funds

As approved by the Board of Directors, United Way's endowments are invested with The Saint Paul & Minnesota Foundations 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 U.S. Generally Accepted Accounting Principles (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 net assets with donor restrictions (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. These assets remain classified as net assets with donor restrictions 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, 2018

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$ 17,156,601	—	17,156,601
Donor-restricted endowment funds	—	37,074,379	37,074,379
	$ 17,156,601	37,074,379	54,230,980

(c) Changes in Endowment Net Assets for the Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 18,515,534	40,092,344	58,607,878
Investment return:			
Investment income	300,666	74,476	375,142
Net change in value (realized and unrealized)	(513,668)	(3,471,153)	(3,984,821)
Total investment return	(213,002)	(3,396,677)	(3,609,679)
Contributions	138,500	926,023	1,064,523
Appropriation of endowment assets	(1,284,431)	(547,311)	(1,831,742)
Endowment net assets, end of year	$ 17,156,601	37,074,379	54,230,980

(d) Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$ 18,515,534	—	18,515,534
Donor-restricted endowment funds	—	40,092,344	40,092,344
	$ 18,515,534	40,092,344	58,607,878

(Continued)

(e) Changes in Endowment Net Assets for the Year Ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 14,944,262	36,756,910	51,701,172
Investment return:			
Investment income	121,260	188,067	309,327
Net change in value (realized and unrealized)	2,216,057	4,003,666	6,219,723
Total investment return	2,337,317	4,191,733	6,529,050
Contributions	1,639,460	294,869	1,934,329
Appropriation of endowment assets	(405,505)	(1,151,168)	(1,556,673)
Endowment net assets, end of year	$ 18,515,534	40,092,344	58,607,878

(f) Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

	2018	2017
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 30,750,674	31,766,523
Total endowment funds classified as permanently restricted net assets	$ 30,750,674	31,766,523
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	$ 6,323,704	8,325,821
Total endowment funds classified as temporarily restricted net assets	$ 6,323,704	8,325,821

(g) Underwater Endowment Funds

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 are reported in net assets with donor restrictions and require more detailed note disclosure. Deficiencies of this nature exist in a donor-restricted endowment fund. This fund has an original gift of $1,330,437, a current fair value of $1,278,232, and a deficiency of $52,205 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations that occurred in 2018. United Way has a policy that permits spending from underwater endowments funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

(h) Return Objectives and Risk Parameters

As approved by the Board of Directors, United Way's endowments are invested in The Saint Paul & Minnesota Foundations' 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 & Minnesota Foundations' 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 & Minnesota Foundations 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 4.25% of the portfolio's current market value nor more than 5.50% 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.

(16) With Donor Restriction – Purpose Restriction – Other Net Assets

Purpose restriction – other net assets include the following balances, which are time-restricted or related to specific program services at December 31, 2018 and 2017:

		2018	2017
Contributions restricted to specific programs or uses:			
Generation Next	$	1,007,320	889,461
Early Learning and Child Care Accreditation Program		1,053,656	775,297
Women’s Leadership Council		628,121	609,628
Healthy Communities		—	27,482
Hunger and Homelessness		501,400	343,750
United Way ARISE Project		224,596	227,601
System Change and Innovation initiatives		—	13,065
Hunger Partnership		931,725	797,996
Holiday Wishes		21,250	21,148
Scholarship Fund		88,762	82,337
Career Academies		4,529,652	4,859,039
United Ways of MN		9,800	10,300
Culturally Specific Organizations		100,039	1,522,164
Solidarity MN		—	418,438
Start Early Funders Coalition		142,500	84,166
Action Day		100,000	—
Other		428,179	940,986
	$	9,767,000	11,622,858