GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2019 and 2018

(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, 2019 and 2018, 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

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, 2019 and 2018, 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
July 8, 2020

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	11,132,016	17,835,520
Annual campaign pledges receivable, less allowance for uncollectible pledges of $2,590,433 and $3,504,644, respectively		24,685,898	27,332,933
Other assets		737,239	942,354
Grants and other receivables		2,643,932	648,766
Legacy campaign receivable, net of discount		2,028,662	2,468,340
Community capital fund receivables		1,884,126	2,449,107
Investments		17,131,412	17,100,151
Investment in closely held stock		5,296,200	4,908,280
Investments held at the Saint Paul & Minnesota Foundation		38,390,387	35,143,837
Investments held at The Minneapolis Foundation		11,150,887	9,939,994
Beneficial interests in charitable trusts		2,434,789	2,127,150
Endowment/planned giving receivables		4,362,899	4,080,369
Property and equipment, net of accumulated depreciation of $8,285,076 and $7,930,753, respectively		2,635,543	2,995,389
Total assets	$	124,513,990	127,972,190
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,739,995	1,890,213
Grants payable		1,137,261	589,750
Donor designations, less allowance for uncollectible pledges of $66,072 and $68,257, respectively		4,744,299	4,728,488
Loans payable		539,446	—
Total liabilities		8,161,001	7,208,451
Net assets:			
Without donor restrictions:			
Board-designated endowments		18,795,463	17,156,601
Board-designated other		2,241,046	7,301,387
Land, building, and equipment		2,635,543	2,995,389
Undesignated		8,505,003	10,267,918
Total net assets without donor restrictions		32,177,055	37,721,295
With donor restrictions:			
Annual campaign		28,922,997	31,955,575
Perpetual in nature		2,434,789	2,127,150
Purpose restrictions – endowments		40,454,910	37,074,379
Time restricted for future periods		1,778,662	2,118,340
Purpose restrictions – other		10,584,576	9,767,000
Total net assets with donor restrictions		84,175,934	83,042,444
Total net assets		116,352,989	120,763,739
Total liabilities and net assets	$	124,513,990	127,972,190

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Annual campaign received in prior period and now released from restriction	$ 57,970,634	(57,970,634)	—
Less:			
Legacy gifts	(894,544)	894,544	—
Donor designations – now released from restriction	(23,890,180)	23,890,180	—
Provision for uncollectible pledges – now released from restriction	(1,449,266)	1,449,266	—
Provision for third party processing fees	(39,955)	39,955	—
Actual designations estimate change	92,635	—	92,635
Net campaign revenue for current period	31,789,324	(31,696,689)	92,635
Campaign revenue received for future allocation period	—	51,122,333	51,122,333
Less:			
Legacy gifts	—	(416,700)	(416,700)
Donor designations	—	(20,572,730)	(20,572,730)
Provision for uncollectible pledges	—	(1,278,059)	(1,278,059)
Provision for third party processing fees	—	65,903	65,903
Net campaign revenue for future periods	—	28,920,747	28,920,747
Total campaign revenue	31,789,324	(2,775,942)	29,013,382
Grants and other revenues	860,347	6,483,832	7,344,179
Legacy revenue, net	—	65,322	65,322
Investment income and realized gains	715,253	—	715,253
Net unrealized gains (losses) on investments	214,648	—	214,648
Donor designation cost recovery	504,256	—	504,256
Designations from other United Ways	77,720	—	77,720
Miscellaneous income	64,285	—	64,285
Net assets released from restriction:			
Satisfaction of program restrictions	5,089,895	(5,089,895)	—
Expiration of time restrictions	1,255,466	(1,255,466)	—
Total net assets released from restrictions	6,345,361	(6,345,361)	—
Total support and revenue	40,571,194	(2,572,149)	37,999,045
Grants and program services:			
Grants awarded/distributed to agencies for programs	51,195,868	—	51,195,868
Less donor designations	(23,890,180)	—	(23,890,180)
Net funds awarded/distributed	27,305,688	—	27,305,688
Community and program services provided directly by Greater Twin Cities United Way	9,744,089	—	9,744,089
Total grants and program services	37,049,777	—	37,049,777
Supporting services:			
Fund raising	9,227,096	—	9,227,096
Organizational administration	2,951,878	—	2,951,878
Total supporting services	12,178,974	—	12,178,974
Total grants, program, and supporting services	49,228,751	—	49,228,751
Change in net assets before investment gain and other losses	(8,657,557)	(2,572,149)	(11,229,706)
Endowment income and realized gains	3,783,635	—	3,783,635
Endowment net unrealized gains	2,886,877	—	2,886,877
Donor designated endowment gains (losses)	(3,010,081)	3,010,081	—
Net unrealized gain on investment in closely held stock	—	387,920	387,920
Change in fair value of beneficial interests in charitable trusts	—	307,638	307,638
Loss on pension settlement	(545,996)	—	(545,996)
Loss on disposal of equipment	(1,118)	—	(1,118)
Change in net assets	(5,544,240)	1,133,490	(4,410,750)
Net assets, beginning of year	37,721,295	83,042,444	120,763,739
Net assets, end of year	$ 32,177,055	84,175,934	116,352,989

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 Functional Expenses

Year ended December 31, 2019

	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	$ —	3,617,249	5,454,084	1,597,826	7,051,910	10,669,159
Other employee benefits	—	497,378	718,479	205,355	923,834	1,421,212
Payroll taxes	—	253,412	404,235	104,918	509,153	762,565
Total employee expenses	—	4,368,039	6,576,798	1,908,099	8,484,897	12,852,936
Professional fees	—	1,225,226	440,494	270,229	710,723	1,935,949
Contract services	—	1,911,276	67,689	140,615	208,304	2,119,580
Supplies	—	432,752	27,494	13,033	40,527	473,279
Telephone	—	22,739	32,370	9,155	41,525	64,264
Postage	—	2,594	22,465	7,323	29,788	32,382
Building occupancy	—	133,697	202,432	95,622	298,054	431,751
Equipment and software expense	—	295,467	534,232	113,658	647,890	943,357
Printed material, photography/video and subscriptions	—	38,079	217,915	17,261	235,176	273,255
Media, advertising, promotions and events	—	254,185	355,838	29,258	385,096	639,281
Transportation	—	15,827	21,691	533	22,224	38,051
Conferences, meetings, and memberships	—	269,615	133,685	91,170	224,855	494,470
Miscellaneous	—	463,212	85,190	22,100	107,290	570,502
Total nonemployee expenses	—	5,064,669	2,141,495	809,957	2,951,452	8,016,121
Depreciation	—	144,862	236,707	108,780	345,487	490,349
Total operations	—	9,577,570	8,955,000	2,826,836	11,781,836	21,359,406
United Way Worldwide dues	—	166,519	272,096	125,042	397,138	563,657
Grants awarded/distributed	51,195,868	—	—	—	—	51,195,868
Less donor designations	(23,890,180)	—	—	—	—	(23,890,180)
Total expenses	$ 27,305,688	9,744,089	9,227,096	2,951,878	12,178,974	49,228,751

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 and software expense	—	184,639	292,805	71,651	364,456	549,095
Printed material, photography/video and subscriptions	—	19,157	167,705	16,849	184,554	203,711
Media, advertising, promotions and events	—	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

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (4,410,750)	(15,238,519)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	490,349	582,807
Loss on disposal of equipment	1,118	—
Net realized gains on investments	(2,817,430)	(2,994,391)
Net unrealized losses (gains) on investments	(3,101,525)	6,312,764
Net unrealized losses (gains) on investment in closely held stock	(387,920)	1,091,870
Change in fair value of beneficial interests in charitable trusts	(307,638)	352,784
Changes in assets and liabilities:		
Annual campaign pledges receivable, net	2,647,035	5,197,967
Legacy campaign receivable, net	439,678	588,489
Community capital fund receivables	564,981	653,632
Other assets	205,115	(491,400)
Grants and other receivables	(1,995,166)	256,966
Endowment/planned giving receivables	(282,530)	193,978
Accounts payable and accrued expenses	(150,218)	116,401
Grants payable	547,511	(1,721,422)
Donor designations, net	15,811	(1,021,136)
Net cash used in operating activities	(8,541,579)	(6,119,210)
Cash flows from investing activities:		
Sale of investments	7,021,570	6,570,351
Purchase of investments	(5,592,438)	(4,207,439)
Purchase of equipment	(130,503)	(304,651)
Net cash provided by investing activities	1,298,629	2,058,261
Cash flows from financing activities:		
Draw down on loan	545,996	—
Principal payments of loan	(6,550)	—
Net cash provided by financing activities	539,446	—
Net change in cash and cash equivalents	(6,703,504)	(4,060,949)
Cash and cash equivalents, beginning of year	17,835,520	21,896,469
Cash and cash equivalents, end of year	$ 11,132,016	17,835,520

See accompanying notes to financial statements.

(1) Organization

For 105 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 experiencing 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 our 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 approximately 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 partnering with the public, private and nonprofit sectors to solve the community's most pressing challenges. Through our public policy and advocacy work, volunteer engagement, our 2-1-1 Resource Helpline, 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.

(Continued)

- 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;
- 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.

(Continued)

(g) Investments

Investments consist of fixed income securities, other equity investments, closely held stock, beneficial interests and investments held at the Saint Paul & Minnesota 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 & Minnesota 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 & Minnesota Foundation and The Minneapolis Foundation are reported at fair value as reported to United Way by the Saint Paul & Minnesota Foundation and The Minneapolis Foundation. Refer to notes 4 and 5 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.

(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 November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. ASU 2016-18 is intended to eliminate diversity in practice with regards to presentation of restricted cash within the statement of cash flows. The provisions of ASU 2016-18 are effective for annual periods beginning after December 15, 2018 for non-public entities. There was no impact to the United Way's financial statements with the adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and accounting guidance to determine when a transaction should be accounted for as an exchange transaction or a contribution and how to determine whether a contribution is conditional. For non-public entities, the provisions of ASU 2018-08 are effective for annual periods beginning after December 15, 2018 for the contributions received portion and for annual periods beginning after December 15, 2019 for the contributions made portion of the guidance. Early adoption is permitted, and the United Way has adopted all guidance for the year ended December 31, 2019. There was no impact to the United Way's financial statements with the adoption.

(m) Subsequent Events

United Way has evaluated subsequent events through July 8, 2020, the date on which the financial statements were available to be issued. United Way is not aware of any material subsequent events that would require recognition or disclosure in the financial statements, other than the following:

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," and on March 13, 2020, the President of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets resulting in direct and indirect effects impacting the fair value of investments held. On March 27, 2020, the United States Congress passed the Coronavirus, Aid, Relief, and Security Act (the CARES Act). As part of a package of relief efforts under the CARES Act, on April 14, 2020, United Way obtained a $2,108,000 Paycheck Protection Program (PPP) loan through the U.S. Small Business Administration. The loan is at a fixed rate of 1.0% per annum, and may be forgiven if certain requirements, such as use of the proceeds for payroll, are met.

(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, 2019 is as follows:

		2019	2018
Cash and cash equivalents	$	11,132,016	17,835,520
Annual campaign pledges receivable		24,685,898	27,332,933
Grants and other receivables		2,643,932	648,766
Legacy campaign receivable		2,028,662	2,468,340
Community capital fund receivables		1,884,126	2,449,107
Endowment/planned giving receivables		4,362,899	4,080,369
Investments		17,131,412	17,100,151
Investments held at the Saint Paul and Minnesota Foundation		38,390,387	35,143,837
Investments held at The Minneapolis Foundation		11,150,887	9,939,994
Total financial assets		113,410,219	116,999,017
Less:			
Amounts unavailable for general expenditures within one year, due to:			
Long-term investments		12,298,041	13,005,076
Donor designated endowment gains for future use		8,983,785	6,450,417
Restricted by donors with time restrictions		7,563,246	6,500,976
Restricted by donors in perpetuity		21,762,025	21,742,025
Total amounts unavailable for general expenditures within one year		50,607,097	47,698,494
Amounts unavailable to management without Board's approval:			
Board-designated quasi-endowment for future use		18,795,463	16,891,388
Total amounts unavailable to management without Board's approval		18,795,463	16,891,388
Plus:			
Amounts distributed from endowments, trusts and closely held stock		2,248,481	2,277,245
Total financial assets available to management for general expenditure within one year	$	46,256,140	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, 2019 and 2018, United Way's investments were reported in four categories as follows:

(a) Investments

Investments are comprised of the following as of December 31, 2019 and 2018:

		2019	2018
Fixed income:			
U.S. government and federal agency	$	4,299,729	3,996,489
Corporate and other		12,831,683	13,103,662
Total investments	$	17,131,412	17,100,151

(b) 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 $5,296,200 and $4,908,280 at December 31, 2019 and 2018, respectively, and is included in net assets with donor restrictions. United Way received dividends of $78,000 and $78,000 in each of the years ended December 31, 2019 and 2018.

(Continued)

(c) 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 Foundation and The Minneapolis Foundation pursuant to fund agreements with each organization. The composition of investments held by others at December 31, 2019 and 2018 is summarized as follows:

		2019	2018
Investments held by the Saint Paul & Minnesota Foundation:			
Board-designated	$	13,172,482	12,005,729
Donor-restricted		25,217,905	23,138,108
	$	38,390,387	35,143,837
Investments held by The Minneapolis Foundation:			
Board-designated	$	5,622,981	5,012,373
Donor-restricted		5,527,906	4,927,621
	$	11,150,887	9,939,994

(d) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is $588,681 and $532,432 at December 31, 2019 and 2018, respectively. United Way receives investment income earned and 5% of the fair value of the trust. $40,481 and $69,245 were received by United Way in 2019 and 2018, respectively. 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 $36,922,161 and $31,894,356 at December 31, 2019 and 2018, respectively. United Way receives its proportionate share of net income earned by the trust each year. $80,000 and $80,000 were received by United Way in 2019 and 2018, respectively. United Way's share of the fair value of $1,846,108 and $1,594,718 at December 31, 2019 and 2018, 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, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. government and federal agency	$ —	4,299,729	—	4,299,729
Corporate and other securities	—	12,831,683	—	12,831,683
Investment in closely held stock	—	—	5,296,200	5,296,200
Investments at the Saint Paul and Minnesota Foundation	—	—	38,390,387	38,390,387
Investments at The Minneapolis Foundation	—	—	11,150,887	11,150,887
Beneficial interests in charitable trusts	—	588,681	1,846,108	2,434,789
Total investments	$ —	17,720,093	56,683,582	74,403,675
Cash equivalents	$ 232,262	2,053,328	—	2,285,590

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, 2019.

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 and Minnesota Foundation		—	—	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.

As previously noted, investments held at the Saint Paul & Minnesota 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.

(Continued)

Level 3 assets were 76% and 75% of total investment assets at fair value at December 31, 2019 and 2018, 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 Foundation	Investments at The Minneapolis Foundation	Beneficial interests in charitable trusts	Total
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
Interest earnings	—	—	748,072	207,440	—	955,512
Realized gains (losses)	—	—	2,421,022	407,102	—	2,828,124
Unrealized gains (losses)	—	387,920	2,178,900	1,126,542	251,390	3,944,752
Contributions	—	—	158,500	—	—	158,500
Commissions and fees	—	—	(302,315)	(116,250)	—	(418,565)
Distributions	—	—	(1,957,629)	(413,941)	—	(2,371,570)
Ending balance at December 31, 2019	$ —	5,296,200	38,390,387	11,150,887	1,846,108	56,683,582
Net change in unrealized gains (losses) included in change in net assets for period relating to investments held at December 31, 2019	$ —	387,920	2,178,900	1,126,542	251,390	3,944,752

Quantitative information about Level 3 fair value measurements

	Fair value at December 31, 2019	Valuation technique	Unobservable input	Range (weighted average)
Investment in closely held stock	$ 5,296,200	Stock price *	n/a	n/a
Investments at SPMF	38,390,387	**	n/a	n/a
Investments at TMF	11,150,887	**	n/a	n/a
Beneficial interests in charitable trusts	1,846,108	**	n/a	n/a
	$ 56,683,582			

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			

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.

(6) Annual Campaign Pledges

A summary of annual campaign pledges, annual campaign pledges receivable, and allowance for uncollectible pledges at December 31, 2019 and 2018 is as follows:

	Original amounts of pledges	Pledges receivable	Allowance for uncollectible pledges	Net pledges receivable
Pledges from the:				
2019 campaign	$ 51,122,333	22,809,002	(1,133,814)	21,675,188
Prior campaigns		4,467,329	(1,456,619)	3,010,710
		$ 27,276,331	(2,590,433)	24,685,898
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

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, 2019 and 2018:

	2019	2018
Amounts due in:		
Less than one year	$ 665,000	760,000
More than one year	1,770,000	2,180,000
Unconditional promises to give	2,435,000	2,940,000
Less unamortized discount at 0.73% to 3.31%	(406,338)	(471,660)
Legacy campaign receivables	$ 2,028,662	2,468,340

(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, 2019 and 2018:

		2019	2018
Amounts due in:			
Less than one year	$	1,155,676	1,267,666
More than one year		760,000	1,240,001
Unconditional promises to give		1,915,676	2,507,667
Less unamortized discount at 1.68% to 2.51%		(31,550)	(58,560)
Community Capital Fund receivables	$	1,884,126	2,449,107

(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, 2019 and 2018:

		2019	2018
Amounts due in:			
Less than one year	$	300,000	500,000
More than one year		6,750,000	6,350,000
Unconditional promises to give		7,050,000	6,850,000
Less unamortized discount at 1.68% to 3.03%		(2,687,101)	(2,769,631)
Endowment/Planned Giving receivables	$	4,362,899	4,080,369

(Continued)

(10) Property and Equipment

Property and equipment at December 31, 2019 and 2018 consist of the following:

		2019	2018
Land	$	33,083	33,083
Building – Minneapolis Citizen's Aid		7,973,949	7,965,079
Furniture and equipment		2,913,587	2,927,980
		10,920,619	10,926,142
Less accumulated depreciation		(8,285,076)	(7,930,753)
Net book value	$	2,635,543	2,995,389

(11) Pension Plans

United Way has one defined benefit plan 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 defined benefit plan and one of the defined contribution 403(b) plans were frozen effective December 31, 2004. In 2019, the United Way terminated the defined benefit plan and final distributions for the plan occurred before December 31, 2019. Employees hired after May 1, 2001 are eligible to participate in the defined contribution 401(k) plan established January 1, 2001.

(a) Defined Benefit Plan – Twin Cities Nonprofit Partners Pension Plan

United Way participated in a multiple employer defined benefit pension plan in which 16 other nonprofit organizations also participated. Of the approximate 1,060 participants, 6.7% were United Way employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees did 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 $87,880 and $131,820 in the years ended 2019 and 2018, respectively, which is recognized as pension cost.

In July 2018, United Way and the other organizations participating in the plan voted to terminate the plan. 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 was completed. In April of 2019, United Way and the other organizations participating in the plan voted to secure a group loan and/or an individual participating agency loan to fully fund the termination liability and purchase annuities to fulfill all obligation to participants.

In September of 2019, the plan termination was finalized with the loans secured, annuity provider selected and all final distributions occurred before December 31, 2019. United Way entered into a five-year term note with U.S. Bank National Association to fund the final distribution to participants. The initial draw down on the term note was $545,996. In addition, United Way acts as a guarantor for similar loans for select other nonprofit organizations which participated in the multiple employer defined benefit pension plan.

The following table presents information concerning United Way’s participation in the multiple employer defined benefit pension plan:

	2018
Legal name	Twin Cities Nonprofit Partners Pension Plan
EIN/Plan number	41-1973442/333
Plan year end	12/31/2018
Pension Protection Act percentage funded	110 %
Contributions by United Way	$ 131,820
Contributions as percentage of total contributed	10 %
Rehabilitation plan status	n/a
Surcharge imposed	No

(b) 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 $484,629 and $429,152 during the years ended December 31, 2019 and 2018, 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

(Continued)

of United Way or the three participating agencies. This plan was terminated in 2018 with all participants receiving distributions.

(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, 2019 and 2018. 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, 2019 and 2018. Certain prior year balances were reclassified to conform to the current year presentation:

	2019	2018
Household Stability	$ 12,714,716	13,722,068
Educational Success	8,782,289	10,173,907
Economic Opportunity	4,978,683	4,780,500
Nonprofit sector capacity building	730,000	1,009,315
Other Community support and engagement	100,000	436,376
	$ 27,305,688	30,122,166

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

Services provided directly by United Way for the years ended December 31, 2019 and 2018 include the following programs:

		2019	2018
Community impact strategy and grants management	$	3,688,719	3,473,510
Direct services to the community:			
2-1-1/information and referral services		1,928,633	2,040,366
Volunteer united		568,231	683,495
Labor community services		—	381,909
Goal area strategy implementation:			
Household stability			
Full Lives/Food security		299,181	246,968
Housing		21,000	17,000
Health		—	166,408
Educational Success			
Generation Next		986,255	1,467,595
Action Day		875,378	341,592
Career Academies		400,838	437,724
Start Early Funders Coalition		245,871	339,325
Youth development		70,909	79,073
Early childhood		—	61,070
Educational success		2,500	2,500
Economic Opportunity			
Economic opportunity		194,641	67,517
Financial stability programs		107,625	189,267
Cross-Impact Area			
Nonprofit capacity building		153,479	409,647
Systems change and innovation initiatives		3,427	71,387
Other		197,402	227,564
	$	9,744,089	10,703,917

(15) Endowment Funds

As approved by the Board of Directors, United Way's endowments are invested with the Saint Paul & Minnesota 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 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, 2019

		Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$	18,795,463	—	18,795,463
Donor-restricted endowment funds		—	40,454,910	40,454,910
	$	18,795,463	40,454,910	59,250,373

(c) Changes in Endowment Net Assets for the Year Ended December 31, 2019

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	17,156,601	37,074,379	54,230,980
Investment return:				
Investment income		205,452	331,494	536,946
Net change in value (realized and unrealized)		2,228,356	4,293,130	6,521,486
Total investment return		2,433,808	4,624,624	7,058,432
Contributions		—	332,530	332,530
Appropriation of endowment assets		(794,946)	(1,576,623)	(2,371,569)
Endowment net assets, end of year	$	18,795,463	40,454,910	59,250,373

(d) 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

(e) 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

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

		2019	2018
Permanently restricted net assets:			
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$	31,471,125	30,750,674
Total endowment funds classified as permanently restricted net assets	$	31,471,125	30,750,674
Temporarily restricted net assets:			
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	$	8,983,785	6,323,704
Total endowment funds classified as temporarily restricted net assets	$	8,983,785	6,323,704

(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. As of December 31, 2019, the deficiency had been recovered and there are no underwater endowment funds. United Way has a policy that permits

(Continued)

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 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 & Minnesota 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 & Minnesota 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 4.25% 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, 2019 and 2018:

		2019	2018
Contributions restricted to specific programs or uses:			
Generation Next	$	798,352	1,007,320
Early learning and Child care accreditation program		914,200	1,053,656
Women United		222,555	628,121
Hunger and homelessness		153,000	501,400
United Way ARISE project		208,270	224,596
System change and innovation initiatives		34,148	—
Hunger partnership		572,198	931,725
Holiday Wishes		—	21,250
Scholarship fund		98,562	88,762
Career Academies		3,957,929	4,529,652
2-1-1		372,606	—
United Ways of MN		8,800	9,800
Culturally specific organizations		43,131	100,039
Community investment fund		100,000	—
Start Early Funders Coalition		47,500	142,500
Action Day		318,812	100,000
Multi-year annual fund		1,750,000	—
Donor infusion fund		490,000	145,000
Other		494,513	283,179
	$	10,584,576	9,767,000