GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors’ Report Thereon)

GREATER TWIN CITIES UNITED WAY

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

Independent Auditors' Report

The Board of Directors
Greater Twin Cities United Way:

We have audited the accompanying financial statements of Greater Twin Cities United Way, which comprise the balance sheets as of December 31, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2020 and 2019, 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 25, 2021

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2020 and 2019

Assets		**2020**	**2019**
Cash and cash equivalents	$	14,570,282	11,132,016
Annual campaign pledges receivable, less allowance for uncollectible pledges of $2,234,203 and $2,590,433, respectively		18,012,572	24,685,898
Other assets		842,372	737,239
Grants and other receivables, net of discount		2,628,274	2,643,932
Legacy campaign receivables, net of discount		1,398,247	2,028,662
Breakthrough Campaign receivables, net of discount		2,135,190	1,884,126
Investments		17,898,220	17,131,412
Investment in closely held stock		6,073,210	5,296,200
Investments held at the Saint Paul & Minnesota Foundation		38,705,195	38,390,387
Investments held at The Minneapolis Foundation		11,848,749	11,150,887
Beneficial interests in charitable trusts		2,606,307	2,434,789
Endowment/planned giving receivables		4,115,113	4,362,899
Property and equipment, net of accumulated depreciation of $8,170,787 and $8,285,076, respectively		2,542,384	2,635,543
Total assets	$	123,376,115	124,513,990
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,687,272	1,739,995
Grants payable		736,505	1,137,261
Donor designations, less allowance for uncollectible pledges of $0 and $66,072, respectively		3,216,080	4,744,299
Loans payable		494,660	539,446
Total liabilities		6,134,517	8,161,001
Net assets:			
Without donor restrictions:			
Board-designated endowments		18,935,427	18,795,463
Board-designated other		3,727,896	2,241,046
Land, building, and equipment		2,542,384	2,635,543
Undesignated		10,411,033	8,505,003
Total net assets without donor restrictions		35,616,740	32,177,055
With donor restrictions:			
Annual campaign		22,902,144	28,922,997
Perpetual in nature		2,606,307	2,434,789
Purpose restrictions – endowments		42,111,840	40,454,910
Time restricted for future periods		1,248,247	1,778,662
Purpose restrictions – other		12,756,320	10,584,576
Total net assets with donor restrictions		81,624,858	84,175,934
Total net assets		117,241,598	116,352,989
Total liabilities and net assets	$	123,376,115	124,513,990

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Annual campaign received in prior period and now released from restriction	$ 51,122,333	(51,122,333)	—
Less:			
Legacy gifts	(416,700)	416,700	—
Donor designations – now released from restriction	(20,572,730)	20,572,730	—
Provision for uncollectible pledges – now released from restriction	(1,278,059)	1,278,059	—
Provision for third party processing fees	65,903	(65,903)	—
Actual designations estimate change	312,243	—	312,243
Net campaign revenue for current period	29,232,990	(28,920,747)	312,243
Campaign revenue received for future allocation period	—	39,491,178	39,491,178
Less:			
Legacy gifts	—	(906,600)	(906,600)
Donor designations	—	(15,489,993)	(15,489,993)
Provision for uncollectible pledges	—	(987,280)	(987,280)
Provision for third party processing fees	—	142,816	142,816
Net campaign revenue for future periods	—	22,250,121	22,250,121
Total campaign revenue	29,232,990	(6,670,626)	22,562,364
Grants and other revenues	1,153,974	16,214,600	17,368,574
Legacy revenue, net	—	(130,415)	(130,415)
Investment income and realized gains	721,499	—	721,499
Net unrealized gains (losses) on investments	33,066	—	33,066
Donor designation cost recovery	397,570	—	397,570
Designations from other United Ways	77,848	—	77,848
Miscellaneous income	152,819	—	152,819
Net assets released from restriction:			
Appropriation of endowment assets	3,041,934	(3,041,934)	
Satisfaction of program restrictions	10,803,554	(10,803,554)	—
Expiration of time restrictions	3,282,315	(3,282,315)	—
Total net assets released from restrictions	17,127,803	(17,127,803)	—
Total support and revenue	48,897,569	(7,714,244)	41,183,325
Grants and program services:			
Grants awarded/distributed to agencies for programs	44,134,322	—	44,134,322
Less donor designations	(20,572,730)	—	(20,572,730)
Net funds awarded/distributed	23,561,592	—	23,561,592
Community and program services provided directly by Greater Twin Cities United Way	10,226,883	—	10,226,883
Total grants and program services	33,788,475	—	33,788,475
Supporting services:			
Fund raising	8,632,242	—	8,632,242
Organizational administration	2,808,109	—	2,808,109
Total supporting services	11,440,351	—	11,440,351
Total grants, program, and supporting services	45,228,826	—	45,228,826
Change in net assets before investment gain and other losses	3,668,743	(7,714,244)	(4,045,501)
Board-designated endowment income and realized gains	1,688,603	—	1,688,603
Board-designated endowment net unrealized gains	2,316,001	—	2,316,001
Donor designated endowment gains (losses)	(4,214,640)	4,214,640	—
Net unrealized gain on investment in closely held stock	—	777,010	777,010
Change in fair value of beneficial interests in charitable trusts	—	171,518	171,518
Loss on disposal of equipment	(19,022)	—	(19,022)
Change in net assets	3,439,685	(2,551,076)	888,609
Net assets, beginning of year	32,177,055	84,175,934	116,352,989
Net assets, end of year	$ 35,616,740	81,624,858	117,241,598

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:			
Appropriation of endowment assets	2,371,569	(2,371,569)	—
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	8,716,930	(8,716,930)	—
Total support and revenue	42,942,763	(4,943,718)	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	(6,285,988)	(4,943,718)	(11,229,706)
Board-designated endowment income and realized gains	3,783,635	—	3,783,635
Board-designated endowment net unrealized gains	2,886,877	—	2,886,877
Donor designated endowment gains (losses)	(5,381,650)	5,381,650	—
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 Functional Expenses

Year ended December 31, 2020

	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	$ —	4,849,677	5,331,477	1,560,562	6,892,039	11,741,716
Other employee benefits	—	546,438	631,137	219,931	851,068	1,397,506
Payroll taxes	—	321,183	370,111	98,952	469,063	790,246
Total employee expenses	—	5,717,298	6,332,725	1,879,445	8,212,170	13,929,468
Professional fees	—	2,256,725	413,369	256,143	669,512	2,926,237
Contract services	—	74,335	68,797	142,509	211,306	285,641
Supplies	—	523,438	11,868	5,100	16,968	540,406
Telephone	—	73,828	11,773	5,081	16,854	90,682
Postage	—	6,643	18,816	7,212	26,028	32,671
Building occupancy	—	162,826	150,016	72,558	222,574	385,400
Equipment and software expense	—	377,681	555,807	133,021	688,828	1,066,509
Printed material, photography/video and subscriptions	—	29,155	94,583	8,474	103,057	132,212
Media, advertising, promotions and events	—	194,477	449,068	23,979	473,047	667,524
Transportation	—	2,762	2,301	404	2,705	5,467
Conferences, meetings, and memberships	—	115,026	58,163	54,133	112,296	227,322
Miscellaneous	—	292,550	94,625	40,932	135,557	428,107
Total nonemployee expenses	—	4,109,446	1,929,186	749,546	2,678,732	6,788,178
Depreciation	—	173,276	160,372	77,567	237,939	411,215
Total operations	—	10,000,020	8,422,283	2,706,558	11,128,841	21,128,861
United Way Worldwide dues	—	226,863	209,959	101,551	311,510	538,373
Grants awarded/distributed	44,134,322	—	—	—	—	44,134,322
Less donor designations	(20,572,730)	—	—	—	—	(20,572,730)
Total expenses	$ 23,561,592	10,226,883	8,632,242	2,808,109	11,440,351	45,228,826

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

Statements of Cash Flows

Years ended December 31, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	888,609	(4,410,750)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		411,215	490,349
Loss on disposal of equipment		19,022	1,118
Net realized gains on investments		(1,094,710)	(2,817,430)
Net unrealized losses (gains) on investments		(2,349,067)	(3,101,525)
Net unrealized losses (gains) on investment in closely held stock		(777,010)	(387,920)
Change in fair value of beneficial interests in charitable trusts		(171,518)	(307,638)
Changes in assets and liabilities:			
Annual campaign pledges receivable, net		6,673,326	2,647,035
Legacy campaign receivable, net		630,415	439,678
Breakthrough Campaign receivables, net		(251,064)	564,981
Other assets		(105,133)	205,115
Grants and other receivables		15,658	(1,995,166)
Endowment/planned giving receivables		247,786	(282,530)
Accounts payable and accrued expenses		(52,723)	(150,218)
Grants payable		(400,756)	547,511
Donor designations, net		(1,528,219)	15,811
Net cash provided by / (used in) operating activities		2,155,831	(8,541,579)
Cash flows from investing activities:			
Sale of investments		6,791,934	7,021,570
Purchase of investments		(5,146,653)	(5,592,438)
Purchase of equipment		(318,058)	(130,503)
Net cash provided by investing activities		1,327,222	1,298,629
Cash flows from financing activities:			
Draw down on loan		—	545,996
Principal payments of loan		(44,786)	(6,550)
Net cash (used in) / provided by financing activities		(44,786)	539,446
Net change in cash and cash equivalents		3,438,267	(6,703,504)
Cash and cash equivalents, beginning of year		11,132,016	17,835,520
Cash and cash equivalents, end of year	$	14,570,283	11,132,016

See accompanying notes to financial statements.

(1) Organization

For 106 years, Greater Twin Cities United Way (United Way), a not-for-profit organization, has continually evolved to respond to the most pressing needs facing the Greater Twin Cities region – including the devastating impact of COVID-19 and the unrest following the murder of George Floyd. Focused on dismantling systemic racism and oppression and the resulting disparities among People of Color, United Way's mission is *to unite change makers, advocate for social good and develop solutions to address the challenges no one can solve alone*.

With a vision of a community where all people thrive, regardless of income, race or place, United Way creates lasting change by coupling strategy and data with compassion and inclusion. The organization supports the community in five key areas – with equity at the center of its work – including the Greater Twin Cities United Way's 2-1-1 Resource Helpline, nonprofit partnerships, business partnerships, innovation initiatives and advocacy.

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

(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 statements 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, Breakthrough Campaign 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.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements on fair value measurements in Topic 820. The ASU removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, including the policy for timing of transfers between levels; the description of valuation processes for Level 3 fair value measurement; and, for nonpublic entities, the changes in unrealized gains and losses from measurements held at the end of the reporting period. However, in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose the transfers into and out of Level 3 of the fair value hierarchy and purchase and issues of Level 3 assets and liabilities. United Way has adopted ASU 2018-13 as of January 1, 2020; however, as the United Way has elected to continue providing the expanded information, there was no impact to the United Way's financial statements with the adoption.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances presentation and disclosure requirements for certain contributed assets in Topic 958. The provisions of ASU 2020-07 are effective for annual periods beginning after June 15, 2021 for non-public entities. United Way is evaluating the impact to the financial statements regarding adoption.

(m) Subsequent Events

United Way has evaluated subsequent events through June 25, 2021, the date on which the financial statements were available to be issued. As noted in footnote 17, on June 10, 2021, United Way was notified that the PPP Loan was forgiven by the U.S. Small Business Administration. United Way is not aware of any additional material subsequent events that would require recognition or disclosure in the financial statements.

(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 is as follows:

		2020	2019
Cash and cash equivalents	$	14,570,282	11,132,016
Annual campaign pledges receivable		18,012,572	24,685,898
Grants and other receivables		2,628,274	2,643,932
Legacy campaign receivable		1,398,247	2,028,662
Breakthrough Campaign receivables		2,135,190	1,884,126
Endowment/planned giving receivables		4,115,112	4,362,899
Investments		17,898,220	17,131,412
Investments held at the Saint Paul and Minnesota Foundation		38,705,195	38,390,387
Investments held at The Minneapolis Foundation		11,848,749	11,150,887
Total financial assets		111,311,841	113,410,219
Less:			
Amounts unavailable for general expenditures within one year, due to:			
Long-term investments		12,516,244	12,298,041
Donor designated endowment gains for future use		9,806,492	8,983,785
Restricted by donors with time restrictions		7,352,263	7,563,246
Restricted by donors in perpetuity		21,812,025	21,762,025
Total amounts unavailable for general expenditures within one year		51,487,024	50,607,097
Amounts unavailable to management without Board's approval:			
Board-designated quasi-endowment for future use		18,935,427	18,795,463
Total amounts unavailable to management without Board's approval		18,935,427	18,795,463
Plus:			
Amounts distributed from endowments, trusts and closely held stock		3,189,053	2,248,481
Total financial assets available to management for general expenditure within one year	$	44,078,443	46,256,140

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, 2020 and 2019, United Way's investments were reported in four categories as follows:

(a) Investments

Investments are comprised of the following as of December 31:

		2020	2019
Fixed income:			
U.S. government and federal agency	$	4,738,247	4,299,729
Corporate and other		13,159,973	12,831,683
Total investments	$	17,898,220	17,131,412

(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 $6,073,210 and $5,296,200 at December 31, 2020 and 2019, respectively, and is included in net assets with donor restrictions. United Way received dividends of $78,000 in each of the years ended December 31, 2020 and 2019.

(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, 2020 and 2019 is summarized as follows:

		2020	2019
Investments held by the Saint Paul & Minnesota Foundation:			
Board-designated	$	12,960,540	13,172,482
Donor-restricted		25,744,655	25,217,905
	$	38,705,195	38,390,387
Investments held by The Minneapolis Foundation:			
Board-designated	$	5,974,887	5,622,981
Donor-restricted		5,873,862	5,527,906
	$	11,848,749	11,150,887

(d) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is $619,015 and $588,681 at December 31, 2020 and 2019, respectively. United Way receives investment income earned and 5% of the fair value of the trust. $36,349 and $40,481 were received by United Way in 2020 and 2019, 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 $39,745,840 and $36,922,161 at December 31, 2020 and 2019, 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 2020 and 2019, respectively. United Way's share of the fair value of $1,987,292 and $1,846,108 at December 31, 2020 and 2019, 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, 2020:

		Level 1	Level 2	Level 3	Total
Investments:					
U.S. government and federal agency	$	—	4,738,247	—	4,738,247
Corporate and other securities		—	13,159,973	—	13,159,973
Investment in closely held stock		—	—	6,073,210	6,073,210
Investments at the Saint Paul & Minnesota Foundation		—	—	38,705,195	38,705,195
Investments at The Minneapolis Foundation		—	—	11,848,749	11,848,749
Beneficial interests in charitable trusts		—	619,015	1,987,292	2,606,307
Total investments	$	—	18,517,235	58,614,446	77,131,681
Cash equivalents	$	2,117,545	2,630,542	—	4,748,087

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

United Way did not have any transfers in or out of Level 3 during the year ended December 31, 2020.

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 in or out of Level 3 during the year ended December 31, 2019.

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.

Level 3 assets were 76% and 76% of total investment assets at fair value at December 31, 2020 and 2019, respectively. The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows:

		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, 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
Interest earnings		—	560,778	113,790	—	674,568
Realized gains (losses)		—	653,345	360,688	—	1,014,033
Unrealized gains (losses)		777,010	1,929,478	752,529	141,184	3,600,201
Contributions		—	50,000	—	—	50,000
Commissions and fees		—	(258,249)	(107,756)	—	(366,005)
Distributions		—	(2,620,544)	(421,389)	—	(3,041,933)
Ending balance at December 31, 2020	$	6,073,210	38,705,195	11,848,749	1,987,292	58,614,446
Net change in unrealized gains (losses) included in change in net assets for period relating to investments held at December 31, 2020	$	777,010	1,929,478	752,529	141,184	3,600,201

Quantitative information about Level 3 fair value measurements

	Fair value at December 31, 2020	Valuation technique	Unobservable input	Range (weighted average)
Investment in closely held stock	$ 6,073,210	Stock price *	n/a	n/a
Investments at SPMF	38,705,195	**	n/a	n/a
Investments at TMF	11,848,749	**	n/a	n/a
Beneficial interests in charitable trusts	1,987,292	**	n/a	n/a
	$ 58,614,446			

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			

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, 2020 and 2019 is as follows:

	Original amounts of pledges	Pledges receivable	Allowance for uncollectible pledges	Net pledges receivable
Pledges from the:				
2020 campaign	$ 39,491,178	15,516,321	(786,834)	14,729,487
Prior campaigns		4,730,454	(1,447,369)	3,283,085
		$ 20,246,775	(2,234,203)	18,012,572
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

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, 2020 and 2019:

	2020	2019
Amounts due in:		
Less than one year	$ 450,000	665,000
More than one year	1,350,000	1,770,000
Unconditional promises to give	1,800,000	2,435,000
Less unamortized discount at 1.65% to 3.31%	(401,753)	(406,338)
Legacy campaign receivables	$ 1,398,247	2,028,662

(8) Breakthrough Campaign Receivables

United Way has recorded as a receivable, promises to give, with donor restrictions, as a result of its Breakthrough Campaign as of December 31, 2020 and 2019:

		2020	2019
Amounts due in:			
Less than one year	$	829,009	1,155,676
More than one year		1,330,000	760,000
Unconditional promises to give		2,159,009	1,915,676
Less unamortized discount at 0.37% to 2.51%		(23,819)	(31,550)
Breakthrough Campaign receivables	$	2,135,190	1,884,126

(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, 2020 and 2019:

		2020	2019
Amounts due in:			
Less than one year	$	400,000	300,000
More than one year		6,350,000	6,750,000
Unconditional promises to give		6,750,000	7,050,000
Less unamortized discount at 1.93% to 3.03%		(2,634,887)	(2,687,101)
Endowment/Planned giving receivables	$	4,115,113	4,362,899

(10) Property and Equipment

Property and equipment at December 31, 2020 and 2019 consist of the following:

		2020	2019
Land	$	33,083	33,083
Building – Minneapolis Citizen's Aid		7,926,323	7,973,949
Furniture and equipment		2,753,765	2,913,587
		10,713,171	10,920,619
Less accumulated depreciation	$	(8,170,787)	(8,285,076)
Net book value	$	2,542,384	2,635,543

(11) Pension Plans

United Way has one defined benefit plan and one defined contribution plan. 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 was 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 $0 and $87,880 in the years ended December 31, 2020 and 2019, 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.

(b) Defined Contribution Plan

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 $450,368 and $484,629 during the years ended December 31, 2020 and 2019, respectively.

(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, 2020 and 2019. 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, 2020 and 2019.

		2020	2019
Household stability	$	6,679,200	12,714,716
Educational success		6,430,197	8,782,289
Economic opportunity		3,598,601	4,978,683
COVID-19 fund		3,218,394	—
Rebuild for the Future fund		3,270,200	—
Nonprofit sector capacity building		365,000	730,000
Other community support and engagement		—	100,000
	$	23,561,592	27,305,688

(Continued)

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

Services provided directly by United Way for the years ended December 31, 2020 and 2019 include the following programs:

		2020	2019
Community impact strategy and grants management	$	3,481,133	3,688,719
Direct services to the community:			
2-1-1/information and referral services		3,573,250	1,928,633
Volunteer United		455,043	568,231
Goal area strategy implementation:			
Household stability:			
Full Lives/Food security		79,793	299,181
Housing		18,062	21,000
Educational success:			
Generation Next		754,692	986,255
Action Day		624,158	875,378
Career Academies		311,723	400,838
Start Early Funders Coalition		103,471	245,871
Youth development		1,029	70,909
Educational success		—	2,500
Economic Opportunity:			
Economic opportunity		75,868	194,641
Financial stability programs		109,470	107,625
Cross-Impact Area:			
Nonprofit capacity building		146,897	153,479
Systems change and innovation initiatives		74,447	3,427
Community Collaboration Committee		190,942	—
COVID-19 Emergency Fund		17,971	—
Rebuild for the Future Fund		46,719	—
Other		162,215	197,402
	$	10,226,883	9,744,089

(Continued)

(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, 2020

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$ 18,935,427	—	18,935,427
Donor-restricted endowment funds	—	42,111,840	42,111,840
	$ 18,935,427	42,111,840	61,047,267

(c) Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 18,795,463	40,454,910	59,250,373
Investment return:			
Investment income	107,219	201,346	308,565
Net change in value (realized and unrealized)	1,458,986	3,014,063	4,473,049
Total investment return	1,566,205	3,215,409	4,781,614
Contributions	—	57,214	57,214
Appropriation of endowment assets	(1,426,241)	(1,615,693)	(3,041,934)
Endowment net assets, end of year	$ 18,935,427	42,111,840	61,047,267

(d) 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

(e) 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

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

		2020	2019
Permanently restricted net assets:			
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$	32,305,348	31,471,125
Total endowment funds classified as permanently restricted net assets	$	32,305,348	31,471,125
Temporarily restricted net assets:			
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	$	9,806,492	8,983,785
Total endowment funds classified as temporarily restricted net assets	$	9,806,492	8,983,785

(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. 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. Deficiencies of this nature do not exist.

(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, 2020 and 2019:

		2020	2019
Contributions restricted to specific programs or uses:			
Generation Next	$	1,409,879	798,352
Early learning		383,406	914,200
Women United		378,035	222,555
Hunger and homelessness		597,900	153,000
United Way ARISE project		176,620	208,270
Systems change and innovation initiatives		26,298	34,148
Hunger partnership		186,499	572,198
Scholarship fund		98,562	98,562
Career Academies		3,981,696	3,957,929
2-1-1		288,451	372,606
United Ways of MN		7,800	8,800
Culturally specific organizations		9,221	43,131
Community Collaboration Committee		515,270	100,000
Start Early Funders Coalition		47,500	47,500
Action Day		365,247	318,812
Future Year Annual Fund		1,448,615	1,750,000
80 x 3 (Trauma informed care)		1,104,138	—
COVID-19 Emergency Fund		1,082,172	—
Rebuild for the Future Fund		53,682	—
Other		595,329	984,513
	$	12,756,320	10,584,576

(17) Grants and other revenues

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.

(Continued)

As of December 31, 2020, United Way believes it has reasonable assurance it has complied with the relevant conditions for the PPP and has completed the application for forgiveness of the loan. As such, the United Way has recorded these funds as government grants in 2020. Subsequent to year-end, on June 10, 2021, United Way received notice of forgiveness related to the PPP. United Way continues to assess the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on its business, results of operations, financial condition, and cash flows.