KPMG

GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2021 and 2020

(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:

Opinion

We have audited the financial statements of Greater Twin Cities United Way (the United Way), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Way as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United Way and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Way's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Minneapolis, Minnesota
September 7, 2022

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	13,009,200	14,570,282
Annual campaign pledges receivable, less allowance for uncollectible pledges of $1,620,706 and $2,234,203, respectively		15,883,464	18,012,572
Other assets		709,339	842,372
Grants and other receivables, net of discount		3,213,248	2,628,274
Legacy campaign receivables, net of discount		1,201,467	1,398,247
Breakthrough Campaign receivables, net of discount		3,468,535	2,135,190
Endowment/planned giving receivables		4,082,399	4,115,113
Investments		20,465,178	17,898,220
Investment in closely held stock		6,294,210	6,073,210
Investments held at the Saint Paul & Minnesota Foundation		44,094,848	38,705,195
Investments held at The Minneapolis Foundation		13,825,786	11,848,749
Beneficial interests in charitable trusts		2,858,055	2,606,307
Property and equipment, net of accumulated depreciation of $8,509,120 and $8,170,787, respectively		2,291,470	2,542,384
Total assets	$	131,397,199	123,376,115
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,785,412	1,687,272
Grants payable		492,500	736,505
Donor designations, net of allowance for uncollectible pledges		4,049,272	3,216,080
Loans payable		447,786	494,660
Total liabilities		6,774,970	6,134,517
Net assets:			
Without donor restrictions:			
Board-designated endowments		22,412,891	18,935,427
Board-designated other		2,955,443	3,727,896
Land, building, and equipment		2,291,470	2,542,384
Undesignated		7,725,274	10,411,033
Total net assets without donor restrictions		35,385,078	35,616,740
With donor restrictions:			
Annual campaign		23,805,431	22,902,144
Perpetual in nature		2,858,055	2,606,307
Purpose restrictions – endowments		47,355,322	42,111,840
Time restricted for future periods		951,467	1,248,247
Purpose restrictions – other		14,266,876	12,756,320
Total net assets with donor restrictions		89,237,151	81,624,858
Total net assets		124,622,229	117,241,598
Total liabilities and net assets	$	131,397,199	123,376,115

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Annual campaign received in prior period and now released from restriction	$ 39,491,178	(39,491,178)	—
Less:			
Legacy gifts	(906,600)	906,600	—
Donor designations – now released from restriction	(15,489,993)	15,489,993	—
Provision for uncollectible pledges – now released from restriction	(987,280)	987,280	—
Provision for third party processing fees	142,816	(142,816)	—
Actual campaign revenue from prior years	217,322	—	217,322
Actual designations estimate change	(105,513)	—	(105,513)
Net campaign revenue for current period	22,361,930	(22,250,121)	111,809
Campaign revenue received for future allocation period	—	38,277,901	38,277,901
Less:			
Legacy gifts	—	(894,809)	(894,809)
Donor designations	—	(13,064,732)	(13,064,732)
Provision for uncollectible pledges	—	(956,947)	(956,947)
Provision for third party processing fees	—	61,574	61,574
Net campaign revenue for future periods	—	23,422,987	23,422,987
Total campaign revenue	22,361,930	1,172,866	23,534,796
Grants and other revenues	3,047,885	9,926,262	12,974,147
Legacy revenue, net	—	3,220	3,220
Investment income and realized gains	505,598	—	505,598
Net unrealized gains (losses) on investments	(334,694)	—	(334,694)
Donor designation cost recovery	63,523	—	63,523
Designations from other United Ways	119,276	—	119,276
Miscellaneous income	295,358	—	295,358
Net assets released from restriction:			
Appropriation of endowment assets	1,274,308	(1,274,308)	—
Satisfaction of program restrictions	6,223,636	(6,223,636)	—
Expiration of time restrictions	2,694,363	(2,694,363)	—
Total net assets released from restrictions	10,192,307	(10,192,307)	—
Total support and revenue	36,251,183	910,041	37,161,224
Grants and program services:			
Grants awarded/distributed to agencies for programs	31,766,447	—	31,766,447
Less donor designations	(15,489,993)	—	(15,489,993)
Net funds awarded/distributed	16,276,454	—	16,276,454
Community and program services provided directly by Greater Twin Cities United Way	12,384,193	—	12,384,193
Total grants and program services	28,660,647	—	28,660,647
Supporting services:			
Fund raising	8,431,851	—	8,431,851
Organizational administration	3,120,154	—	3,120,154
Total supporting services	11,552,005	—	11,552,005
Total grants, program, and supporting services	40,212,652	—	40,212,652
Change in net assets before investment gain and other losses	(3,961,469)	910,041	(3,051,428)
Board-designated endowment income and realized gains	6,308,308	—	6,308,308
Board-designated endowment net unrealized gains	3,651,003	—	3,651,003
Donor designated endowment gains (losses)	(6,229,504)	6,229,504	—
Net unrealized gain on investment in closely held stock	—	221,000	221,000
Change in fair value of beneficial interests in charitable trusts	—	251,748	251,748
Loss on disposal of equipment	—	—	—
Change in net assets	(231,662)	7,612,293	7,380,631
Net assets, beginning of year	35,616,740	81,624,858	117,241,598
Net assets, end of year	$ 35,385,078	89,237,151	124,622,229

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 Functional Expenses

Year ended December 31, 2021

	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	$ —	7,290,287	5,346,788	1,799,817	7,146,605	14,436,892
Other employee benefits	—	694,497	627,435	189,882	817,317	1,511,814
Payroll taxes	—	380,507	347,219	102,863	450,082	830,589
Total employee expenses	—	8,365,291	6,321,442	2,092,562	8,414,004	16,779,295
Professional fees	—	1,049,611	582,086	421,528	1,003,614	2,053,225
Contract services	—	40,117	5,804	90,768	96,572	136,689
Supplies	—	660,916	4,948	5,724	10,672	671,588
Telephone	—	260,927	6,957	3,695	10,652	271,579
Postage	—	9,212	18,387	10,247	28,634	37,846
Building occupancy	—	200,791	135,003	71,706	206,709	407,500
Equipment and software expense	—	274,505	228,536	93,764	322,300	596,805
Printed material, photography/video and subscriptions	—	11,538	170,893	8,138	179,031	190,569
Media, advertising, promotions and events	—	165,138	338,405	27,754	366,159	531,297
Transportation	—	1,975	7,518	253	7,771	9,746
Conferences, meetings, and memberships	—	149,737	52,925	45,062	97,987	247,724
Miscellaneous	—	597,830	156,308	35,092	191,400	789,230
Total nonemployee expenses	—	3,422,297	1,707,770	813,731	2,521,501	5,943,798
Depreciation	—	217,902	147,059	78,109	225,168	443,070
Total operations	—	12,005,490	8,176,271	2,984,402	11,160,673	23,166,163
United Way Worldwide dues	—	378,703	255,580	135,752	391,332	770,035
Grants awarded/distributed	31,766,447	—	—	—	—	31,766,447
Less donor designations	(15,489,993)	—	—	—	—	(15,489,993)
Total expenses	$ 16,276,454	12,384,193	8,431,851	3,120,154	11,552,005	40,212,652

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

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 7,380,631	888,609
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	443,069	411,215
Loss on disposal of equipment	—	19,022
Net realized gains on investments	(5,246,506)	(1,094,710)
Net unrealized losses (gains) on investments	(3,985,697)	(2,349,067)
Net unrealized losses (gains) on investment in closely held stock	(221,000)	(777,010)
Change in fair value of beneficial interests in charitable trusts	(251,748)	(171,518)
Changes in assets and liabilities:		
Annual campaign pledges receivable, net	2,129,108	6,673,326
Legacy campaign receivable, net	196,780	630,415
Breakthrough Campaign receivables, net	(1,333,345)	(251,064)
Other assets	133,033	(105,133)
Grants and other receivables	(584,974)	15,658
Endowment/planned giving receivables	32,714	247,786
Accounts payable and accrued expenses	98,140	(52,723)
Grants payable	(244,005)	(400,756)
Donor designations, net	833,192	(1,528,219)
Net cash (used in) / provided by operating activities	(620,608)	2,155,831
Cash flows from investing activities:		
Sale of investments	7,942,621	6,791,934
Purchase of investments	(8,644,066)	(5,146,653)
Purchase of equipment	(192,155)	(318,058)
Net cash (used in) / provided by investing activities	(893,600)	1,327,223
Cash flows from financing activities:		
Principal payments of loan	(46,874)	(44,786)
Net cash used in financing activities	(46,874)	(44,786)
Net change in cash and cash equivalents	(1,561,082)	3,438,268
Cash and cash equivalents, beginning of year	14,570,282	11,132,016
Cash and cash equivalents, end of year	$ 13,009,200	14,570,284

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. Focused on dismantling systemic racism and oppression and the resulting disparities among people experiencing poverty and People of Color, United Way's mission is *to unite changemakers, 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, positive 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 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 touches the lives of 500,000 people per year across the Twin Cities. Over the past century, United Way has invested more than $2 billion (unaudited) 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 statements 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 statements of activities.

(c) Annual Campaign Revenue and Expenses

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

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

The funds are used for:

- Program funding to other nonprofit organizations through grants;
- Designations to specific nonprofit organizations;
- Designations to other United Ways;
- Dues to United Way Worldwide;
- Community and program services provided directly by United Way; and
- Fundraising, management, and general expenses.

Campaign expenses are recorded when incurred.

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

(d) Contributed Services

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

(e) Property and Equipment

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

(f) Cash and Cash Equivalents

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

(g) Investments

Investments consist of fixed income securities, other equity investments, closely held stock, beneficial interests and investments held at the Saint Paul & Minnesota 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) Recently Issued Accounting Standards

Effective January 1, 2021, United Way adopted ASC 842 – *Leases*. ASC 842 expands qualitative and quantitative disclosure requirements around leasing transactions while also requiring lessees to recognize most leases on the consolidated balance sheets. See note 1(l) for further discussion.

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.

(l) Leases

United Way adopted ASC 842, effective January 1, 2021, using a modified retrospective transition approach, without adjustment to the prior period comparative financial information. Accordingly, the 2020 presentation is in accordance with the previous accounting guidance.

ASC 842 requires lessees to recognize leases on the consolidated balance sheets and disclose key information about leasing arrangements. United Way evaluated their leasing transactions, noting no leases greater than 12 months where United Way is lessee. United Way has elected, as permitted under ASC 842 for short-term leases, not to apply the recognition requirements and instead to recognize the lease payments on a straight-line basis over the lease term. As such, there is no impact to the financial statements related to lessee transactions.

ASC 842 requires lessors to continue to recognize the underlying asset, with related lease income recorded on a straight-line basis over the lease term. On December 1, 2021, United Way leased a portion of its office building at 404 South 8th Street, Minneapolis, Minnesota to another nonprofit organization. The primary purpose of leasing office space to external nonprofit tenants is to maximize the use of the building while continuing to fulfill its tax-exempt purpose. There is no profit motive with the facility rental, and rent charged to the nonprofit organization covers direct expenses only.

Future minimum lease payments to be received as lessor as of December 31, 2021 are as follows:

2022		$	19,250
2023			19,850
2024			18,700
	Total	$	57,800

(m) Subsequent Events

United Way has evaluated subsequent events through September 7, 2022, the date on which the financial statements were available to be issued. United Way is not aware of any 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:

	2021	2020
Cash and cash equivalents	$ 13,009,200	14,570,282
Annual campaign pledges receivable	15,883,464	18,012,572
Grants and other receivables, net of discount	3,213,248	2,628,274
Legacy campaign receivable, net of discount	1,201,467	1,398,247
Breakthrough campaign receivables, net of discount	3,468,535	2,135,190
Endowment/planned giving receivables	4,082,399	4,115,112
Investments	20,465,178	17,898,220
Investments held at the Saint Paul and Minnesota Foundation	44,094,848	38,705,195
Investments held at The Minneapolis Foundation	13,825,786	11,848,749
Total financial assets	119,244,125	111,311,841
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Long-term investments	13,626,921	12,516,244
Donor designated endowment gains for future use	15,408,549	9,806,492
Restricted by donors with time restrictions	10,661,250	7,352,263
Restricted by donors in perpetuity	21,265,164	21,812,025
Total amounts unavailable for general expenditures within one year	60,961,884	51,487,024
Amounts unavailable to management without Board's approval:		
Board-designated quasi-endowment for future use	22,412,891	18,935,427
Total amounts unavailable to management without Board's approval	22,412,891	18,935,427
Plus:		
Amounts to be distributed from endowments, trusts and closely held stock	2,582,383	3,189,053
Total financial assets available to management for general expenditure within one year	$ 38,451,733	44,078,443

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, 2021 and 2020, United Way's investments were reported in four categories as follows:

(a) Investments

Investments are comprised of the following as of December 31:

		2021	2020
Fixed income:			
U.S. government and federal agency	$	4,848,043	4,738,247
Corporate and other		15,617,135	13,159,973
Total investments	$	20,465,178	17,898,220

(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 $6,294,210 and $6,073,210 at December 31, 2021 and 2020, 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, 2021 and 2020.

(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, 2021 and 2020 is summarized as follows:

		2021	2020
Investments held at the Saint Paul & Minnesota Foundation:			
Board-designated	$	14,275,087	12,960,540
Donor-restricted		29,819,761	25,744,655
	$	44,094,848	38,705,195
Investments held at The Minneapolis Foundation:			
Board-designated	$	6,971,834	5,974,887
Donor-restricted		6,853,952	5,873,862
	$	13,825,786	11,848,749

(d) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is $642,665 and $619,015 at December 31, 2021 and 2020, respectively. United Way receives investment income earned and 5% of the fair value of the trust. $42,022 and $36,349 were received by United Way in 2021 and 2020, 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 $44,307,800 and $39,745,840 at December 31, 2021 and 2020, respectively. United Way receives a share of net income earned by the trust each year. $80,000 and $80,000 were received by United Way in 2021 and 2020, respectively. United Way’s share of the fair value of $2,215,390 and $1,987,292 at December 31, 2021 and 2020, 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, 2021:

		Level 1	Level 2	Level 3	Total
Investments:					
U.S. government and federal agency	$	—	4,848,043	—	4,848,043
Corporate and other securities		—	15,617,135	—	15,617,135
Investment in closely held stock		—	—	6,294,210	6,294,210
Investments at the Saint Paul & Minnesota Foundation		—	—	44,094,848	44,094,848
Investments at The Minneapolis Foundation		—	—	13,825,786	13,825,786
Beneficial interests in charitable trusts		—	642,665	2,215,390	2,858,055
Total investments	$	—	21,107,843	66,430,234	87,538,077
Cash equivalents	$	89,321	—	—	89,321

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, 2021.

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.

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 76% of total investment assets at fair value at December 31, 2021 and 2020, respectively.

Quantitative information about Level 3 fair value measurements

		Fair value at December 31, 2021	Valuation technique	Unobservable input	Range (weighted average)
Investment in closely held stock	$	6,294,210	Discounted cash flow analysis*	*	*
Investments at SPMF		44,094,848	**	**	**
Investments at TMF		13,825,786	**	**	**
Beneficial interests in charitable trusts		2,215,390	**	**	**
	$	66,430,234			

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	Discounted cash flow analysis*	*	*
Investments at SPMF		38,705,195	**	**	**
Investments at TMF		11,848,749	**	**	**
Beneficial interests in charitable trusts		1,987,292	**	**	**
	$	58,614,446			

* – Discounted cash flow analysis –. The fair value is determined by an external valuation service provider 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. United Way receives an annual distribution from the endowment based on these investments' spending policies. For the portion of the investments that are in the United Way's quasi-endowment fund, the Board may authorize use of funds above each investment's distribution rate.

(6) Annual Campaign Pledges

A summary of annual campaign pledges, annual campaign pledges receivable, and allowance for uncollectible pledges at December 31, 2021 and 2020 is as follows:

	Original amounts of pledges	Pledges receivable	Allowance for uncollectible pledges	Net pledges receivable
Pledges from the:				
2021 campaign	$ 38,277,901	14,464,030	(707,780)	13,756,250
Prior campaigns		3,040,140	(912,926)	2,127,214
		$ 17,504,170	(1,620,706)	15,883,464
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

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

(7) Grants and Other Receivables

United Way has recorded as a receivable the following unconditional promises to give as of December 31, 2021 and 2020:

	2021	2020
Amounts due in:		
Less than one year	$ 2,430,181	1,245,551
More than one year	805,000	1,403,807
Unconditional promises to give	3,235,181	2,649,358
Less unamortized discount at 1.27% and .37%	(21,933)	(21,084)
Grants and other receivables	$ 3,213,248	2,628,274

(8) 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, 2021 and 2020:

	2021	2020
Amounts due in:		
Less than one year	$ 350,000	450,000
More than one year	1,250,000	1,350,000
Unconditional promises to give	1,600,000	1,800,000
Less unamortized discount at 1.65% to 3.31%	(398,533)	(401,753)
Legacy campaign receivables	$ 1,201,467	1,398,247

(9) 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, 2021 and 2020:

	2021	2020
Amounts due in:		
Less than one year	$ 1,269,431	829,009
More than one year	2,256,250	1,330,000
Unconditional promises to give	3,525,681	2,159,009
Less unamortized discount at 0.37% to 2.51%	(57,146)	(23,819)
Breakthrough campaign receivables	$ 3,468,535	2,135,190

(Continued)

(10) 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, 2021 and 2020:

		2021	2020
Amounts due in:			
Less than one year	$	300,000	400,000
More than one year		6,350,000	6,350,000
Unconditional promises to give		6,650,000	6,750,000
Less unamortized discount at 1.93% to 3.03%		(2,567,601)	(2,634,887)
Endowment/Planned giving receivables	$	4,082,399	4,115,113

(11) Property and Equipment

Property and equipment at December 31, 2021 and 2020 consist of the following:

		2021	2020
Land	$	33,083	33,083
Building – Minneapolis Citizen’s Aid		7,929,311	7,926,323
Furniture and equipment		2,838,196	2,753,765
		10,800,590	10,713,171
Less accumulated depreciation		(8,509,120)	(8,170,787)
Net book value	$	2,291,470	2,542,384

(12) 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 $0 in the years ended December 31, 2021 and 2020, 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 United Way loan balance was $447,786 as of December 31, 2021.

(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 $525,725 and $450,368 during the years ended December 31, 2021 and 2020, respectively.

(13) 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, 2021 and 2020. 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.

(14) Net Funds Granted/Distributed

Net funds granted/distributed by United Way were made in the following focus areas for the years ended December 31, 2021 and 2020.

		2021	2020
Household stability	$	6,053,950	6,679,200
Educational success		5,615,435	6,430,197
Economic opportunity		3,651,694	3,598,601
COVID-19 Relief and Recovery Fund		899,375	3,218,394
Twin Cities Rebuild for the Future Fund		51,000	3,270,200
Nonprofit sector capacity building		5,000	365,000
	$	16,276,454	23,561,592

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

Services provided directly by United Way for the years ended December 31, 2021 and 2020 include the following programs:

	2021	2020
Community impact strategy and grants management	$ 3,404,587	3,481,133
Direct services to the community:		
2-1-1 information and referral services	5,569,341	3,573,250
Volunteer United	787,786	455,043
Goal area strategy implementation:		
Household stability:		
Full Lives/Food security	70,676	79,793
Housing	32,533	18,062
Educational success:		
Generation Next	648,884	754,692
Action Day	766,180	624,158
Career Academies	256,368	311,723
Start Early Funders Coalition	148,086	103,471
Early childhood	20,404	1,029
Economic opportunity:		
Economic opportunity	—	75,868
Financial stability programs	80,633	109,470
Cross-Impact Area:		
Nonprofit capacity building	79,661	146,897
Systems change and innovation initiatives	63,800	74,447
Community Collaboration Committee	357,862	190,942
COVID-19 Relief and Recovery Fund	59,592	17,971
Twin Cities Rebuild for the Future Fund	—	46,719
Other	37,800	162,215
	$ 12,384,193	10,226,883

(16) 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, 2021

		Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	$	22,412,891	—	22,412,891
Donor-restricted endowment funds		—	47,355,322	47,355,322
	$	22,412,891	47,355,322	69,768,213

(c) Changes in Endowment Net Assets for the Year Ended December 31, 2021

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$	18,935,427	42,111,840	61,047,267
Investment return:				
Investment income		247,634	484,938	732,572
Net change in value (realized and unrealized)		3,482,174	5,965,566	9,447,740
Total investment return		3,729,808	6,450,504	10,180,312
Contributions		1,165,969	67,286	1,233,255
Appropriation of endowment assets		(1,418,313)	(1,274,308)	(2,692,621)
Endowment net assets, end of year	$	22,412,891	47,355,322	69,768,213

(Continued)

(d) 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

(e) 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

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

		2021	2020
Permanently restricted net assets:			
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$	32,593,634	32,305,348
Total endowment funds classified as permanently restricted net assets	$	32,593,634	32,305,348
Temporarily restricted net assets:			
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	$	14,761,688	9,806,492
Total endowment funds classified as temporarily restricted net assets	$	14,761,688	9,806,492

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.

(g) 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.

(h) 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.

(i) 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.

(17) 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, 2021 and 2020:

	2021	2020
Contributions restricted to specific programs or uses:		
Direct services to the community:		
2-1-1/information and referral services	$ 394,777	288,451
Volunteer United	313,455	—
Household stability:		
Full Lives/Food security	1,099,619	186,499
Housing	818,028	597,900
Educational success:		
Generation Next	1,914,206	1,409,879
Action Day	160,998	365,247
Career Academies	3,925,378	3,981,696
Start Early Funders Coalition	145,000	47,500
Early childhood/80x3	3,054,878	1,487,544
Educational success	113,562	98,562
Cross-impact area:		
ARISE project	71,001	176,620
Women United	221,518	378,035
Community Collaboration Committee	450,546	515,270
Systems change and innovation initiatives	11,945	26,298
COVID-19 Relief and Recovery Fund	—	1,082,172
Twin Cities Rebuild for the Future Fund	—	53,682
Other	343,157	612,350
Future Year Annual Fund	1,228,807	1,448,615
	$ 14,266,875	12,756,320

(18) 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 was at a fixed rate of 1.0% per annum.

United Way believed it had reasonable assurance it had complied with relevant conditions for the PPP and completed the application for forgiveness of the loan. As such, the United Way recorded these funds as government grants in 2020. On June 10, 2021, United Way received notice of forgiveness related to the PPP loan. The forgiveness had no impact on the 2021 financial statements as the income was recognized in 2020.