



GREATER TWIN CITIES UNITED WAY

Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, 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, 2022 and 2021, 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
June 29, 2023

GREATER TWIN CITIES UNITED WAY

Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 9,925,957	13,009,200
Annual campaign pledges receivable, less allowance for uncollectible pledges of \$2,239,327 and \$1,620,706, respectively	16,109,685	15,883,464
Other assets	651,822	709,339
Grants and other receivables, net of discount	1,887,237	3,213,248
Legacy campaign receivables, net of discount	1,003,090	1,201,467
Breakthrough Campaign receivables, net of discount	11,606,592	3,468,535
Endowment/planned giving receivables	21,043,214	4,082,399
Investments	17,940,794	20,465,178
Investment in closely held stock	5,636,540	6,294,210
Investments held at the Saint Paul & Minnesota Foundation	39,306,490	44,094,848
Investments held at The Minneapolis Foundation	11,712,069	13,825,786
Beneficial interests in charitable trusts	2,272,115	2,858,055
Property and equipment, net of accumulated depreciation of \$8,819,992 and \$8,509,120, respectively	2,020,936	2,291,470
Total assets	\$ 141,116,541	131,397,199
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,090,926	1,785,412
Grants payable	861,983	492,500
Donor designations, net of allowance for uncollectible pledges	3,666,674	4,049,272
Loans payable	—	447,786
Total liabilities	6,619,583	6,774,970
Net assets:		
Without donor restrictions:		
Board-designated endowments	19,867,289	22,412,891
Board-designated other	325,216	2,955,443
Land, building, and equipment	2,020,936	2,291,470
Undesignated	5,614,359	7,725,274
Total net assets without donor restrictions	27,827,800	35,385,078
With donor restrictions:		
Annual campaign	20,943,574	23,805,431
Perpetual in nature	2,272,115	2,858,055
Purpose restrictions – endowments	58,794,929	47,355,322
Time restricted for future periods	853,090	951,467
Purpose restrictions – other	23,805,450	14,266,876
Total net assets with donor restrictions	106,669,158	89,237,151
Total net assets	134,496,958	124,622,229
Total liabilities and net assets	\$ 141,116,541	131,397,199

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:			
Annual campaign received in prior period and now released from restriction	\$ 38,277,901	(38,277,901)	—
Less:			
Legacy gifts	(894,809)	894,809	—
Donor designations – now released from restriction	(13,064,732)	13,064,732	—
Provision for uncollectible pledges – now released from restriction	(956,947)	956,947	—
Provision for third party processing fees	61,574	(61,574)	—
Actual campaign revenue gain from prior years	66,689	—	66,689
Actual designations estimate change	(502,005)	—	(502,005)
Net campaign revenue for current period	<u>22,987,671</u>	<u>(23,422,987)</u>	<u>(435,316)</u>
Campaign revenue received for future allocation period	—	35,683,150	35,683,150
Less:			
Legacy gifts	—	(710,807)	(710,807)
Donor designations	—	(13,285,111)	(13,285,111)
Provision for uncollectible pledges	—	(891,779)	(891,779)
Provision for third party processing fees	—	(30,400)	(30,400)
Net campaign revenue for future periods	<u>—</u>	<u>20,765,053</u>	<u>20,765,053</u>
Total campaign revenue	<u>22,987,671</u>	<u>(2,657,934)</u>	<u>20,329,737</u>
Grants and other revenues	1,490,620	35,481,662	36,972,282
In-kind contributions	821,875	—	821,875
Legacy revenue, net	—	1,623	1,623
Investment income and realized gains	89,629	—	89,629
Net unrealized gains (losses) on investments	(448,771)	—	(448,771)
Appropriation of unrestricted endowment assets	779,269	—	779,269
Donor designation cost recovery	101,527	—	101,527
Designations from other United Ways	78,143	—	78,143
Miscellaneous income	92,016	—	92,016
Net assets released from restriction:			
Appropriation of endowment assets	1,608,772	(1,608,772)	—
Satisfaction of program restrictions	7,516,843	(7,516,843)	—
Expiration of time restrictions	1,945,446	(1,945,446)	—
Total net assets released from restrictions	<u>11,071,061</u>	<u>(11,071,061)</u>	<u>—</u>
Total support and revenue	<u>37,063,040</u>	<u>21,754,290</u>	<u>58,817,330</u>
Grants and program services:			
Grants awarded/distributed to agencies for programs	28,092,807	—	28,092,807
Less donor designations	(13,064,732)	—	(13,064,732)
Net funds awarded/distributed	<u>15,028,075</u>	<u>—</u>	<u>15,028,075</u>
Community and program services provided directly by Greater Twin Cities United Way	14,101,299	—	14,101,299
Total grants and program services	<u>29,129,374</u>	<u>—</u>	<u>29,129,374</u>
Supporting services:			
Fund raising	8,297,711	—	8,297,711
Organizational administration	3,712,633	—	3,712,633
Total supporting services	<u>12,010,344</u>	<u>—</u>	<u>12,010,344</u>
Total grants, program, and supporting services	<u>41,139,718</u>	<u>—</u>	<u>41,139,718</u>
Change in net assets before investment gain and other losses	(4,076,678)	21,754,290	17,677,612
Board-designated endowment income and realized gains	1,310,838	—	1,310,838
Board-designated endowment net unrealized losses	(7,090,843)	—	(7,090,843)
Appropriation of unrestricted endowment assets	(779,269)	—	(779,269)
Donor designated endowment gains (losses)	3,078,674	(3,078,674)	—
Net unrealized loss on investment in closely held stock	—	(657,670)	(657,670)
Change in fair value of beneficial interests in charitable trusts	—	(585,939)	(585,939)
Change in net assets	<u>(7,557,278)</u>	<u>17,432,007</u>	<u>9,874,729</u>
Net assets, beginning of year	<u>35,385,078</u>	<u>89,237,151</u>	<u>124,622,229</u>
Net assets, end of year	\$ <u>27,827,800</u>	<u>106,669,158</u>	<u>134,496,958</u>

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Activities

Year ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>22,361,930</u>	<u>(22,250,121)</u>	<u>111,809</u>
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	<u>—</u>	<u>23,422,987</u>	<u>23,422,987</u>
Total campaign revenue	<u>22,361,930</u>	<u>1,172,866</u>	<u>23,534,796</u>
Grants and other revenues	2,495,479	9,926,262	12,421,741
In-kind contributions	552,406	—	552,406
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)
Appropriation of unrestricted endowment assets	1,418,313	—	1,418,313
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	<u>10,192,307</u>	<u>(10,192,307)</u>	<u>—</u>
Total support and revenue	<u>37,669,496</u>	<u>910,041</u>	<u>38,579,537</u>
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	<u>16,276,454</u>	<u>—</u>	<u>16,276,454</u>
Community and program services provided directly by Greater Twin Cities United Way	<u>12,384,193</u>	<u>—</u>	<u>12,384,193</u>
Total grants and program services	<u>28,660,647</u>	<u>—</u>	<u>28,660,647</u>
Supporting services:			
Fund raising	8,431,851	—	8,431,851
Organizational administration	3,120,154	—	3,120,154
Total supporting services	<u>11,552,005</u>	<u>—</u>	<u>11,552,005</u>
Total grants, program, and supporting services	<u>40,212,652</u>	<u>—</u>	<u>40,212,652</u>
Change in net assets before investment gain and other losses	(2,543,156)	910,041	(1,633,115)
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
Appropriation of unrestricted endowment assets	(1,418,313)	—	(1,418,313)
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
Change in net assets	<u>(231,662)</u>	<u>7,612,293</u>	<u>7,380,631</u>
Net assets, beginning of year	<u>35,616,740</u>	<u>81,624,858</u>	<u>117,241,598</u>
Net assets, end of year	\$ <u>35,385,078</u>	<u>89,237,151</u>	<u>124,622,229</u>

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statement of Functional Expenses

Year ended December 31, 2022

	Grants to agencies for programs	Services provided by Greater Twin Cities United Way	Supporting services			Total
			Fund raising	Organizational administration	Total supporting services	
Salaries	\$ —	8,300,769	5,531,756	2,315,976	7,847,732	16,148,501
Other employee benefits	—	963,968	787,439	251,872	1,039,311	2,003,279
Payroll taxes	—	513,498	398,988	117,615	516,603	1,030,101
Total employee expenses	—	9,778,235	6,718,183	2,685,463	9,403,646	19,181,881
Professional fees	—	1,056,388	283,383	361,171	644,554	1,700,942
Contract services	—	54,961	22,811	104,420	127,231	182,192
Supplies	—	877,601	5,845	12,173	18,018	895,619
Telephone	—	243,573	6,345	3,455	9,800	253,373
Postage	—	11,611	17,247	13,856	31,103	42,714
Building occupancy	—	266,909	156,159	85,030	241,189	508,098
Equipment and software expense	—	261,763	258,426	77,191	335,617	597,380
Printed material, photography/video and subscriptions	—	17,392	35,712	4,112	39,824	57,216
Media, advertising, promotions and events	—	152,884	195,582	3,069	198,651	351,535
Transportation	—	9,342	7,442	239	7,681	17,023
Conferences, meetings, and memberships	—	158,666	50,273	36,638	86,911	245,577
In-kind donations	—	526,580	192,100	103,195	295,295	821,875
Miscellaneous	—	147,628	28,095	40,565	68,660	216,288
Total nonemployee expenses	—	3,785,298	1,259,420	845,114	2,104,534	5,889,832
Depreciation	—	214,148	127,474	72,499	199,973	414,121
Total operations	—	13,777,681	8,105,077	3,603,076	11,708,153	25,485,834
United Way Worldwide dues	—	323,618	192,634	109,557	302,191	625,809
Grants awarded/distributed	28,092,807	—	—	—	—	28,092,807
Less donor designations	(13,064,732)	—	—	—	—	(13,064,732)
Total expenses	\$ 15,028,075	14,101,299	8,297,711	3,712,633	12,010,344	41,139,718

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			Total
			Fund raising	Organizational administration	Total supporting services	
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	—	1,049,610	582,087	421,528	1,003,615	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
In-kind donations	—	444,083	104,369	3,954	108,323	552,406
Miscellaneous	—	148,051	55,261	33,512	88,773	236,824
Total nonemployee expenses	—	3,416,600	1,711,093	816,105	2,527,198	5,943,798
Depreciation	—	217,902	147,059	78,109	225,168	443,070
Total operations	—	11,999,793	8,179,594	2,986,776	11,166,370	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	12,378,496	8,435,174	3,122,528	11,557,702	40,212,652

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 9,874,729	7,380,631
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	414,121	443,069
Net realized losses (gains) on investments	264,900	(5,246,506)
Net unrealized losses (gains) on investments	7,539,614	(3,985,697)
Net unrealized losses (gains) on investment in closely held stock	657,670	(221,000)
Change in fair value of beneficial interests in charitable trusts	585,939	(251,748)
Changes in assets and liabilities:		
Annual campaign pledges receivable, net	(226,221)	2,129,108
Legacy campaign receivable, net	198,377	196,780
Breakthrough Campaign receivables, net	(8,138,057)	(1,333,345)
Other assets	57,517	133,033
Grants and other receivables, net	1,326,011	(584,974)
Endowment/planned giving receivables, net	(16,960,815)	32,714
Accounts payable and accrued expenses	305,514	98,140
Grants payable	369,483	(244,005)
Donor designations, net	(382,598)	833,192
Net cash (used in) / provided by operating activities	<u>(4,113,816)</u>	<u>(620,608)</u>
Cash flows from investing activities:		
Sale of investments	6,138,042	7,942,621
Purchase of investments	(4,516,092)	(8,644,066)
Purchase of equipment	(143,591)	(192,155)
Net cash (used in) / provided by investing activities	<u>1,478,359</u>	<u>(893,600)</u>
Cash flows from financing activities:		
Principal payments of loan	(447,786)	(46,874)
Net cash used in financing activities	<u>(447,786)</u>	<u>(46,874)</u>
Net change in cash and cash equivalents	(3,083,243)	(1,561,082)
Cash and cash equivalents, beginning of year	<u>13,009,200</u>	<u>14,570,282</u>
Cash and cash equivalents, end of year	<u>\$ 9,925,957</u>	<u>13,009,200</u>

See accompanying notes to financial statements.

GREATER TWIN CITIES UNITED WAY

Notes to Financial Statements

December 31, 2022 and 2021

(1) Organization

For 107 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 non-profit organizations, programs, or initiatives, meet unfunded

GREATER TWIN CITIES UNITED WAY

Notes to Financial Statements

December 31, 2022 and 2021

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 net 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.

GREATER TWIN CITIES UNITED WAY

Notes to Financial Statements

December 31, 2022 and 2021

(1) Contributed Nonfinancial Assets

The United Way's policy is to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with United Way's mission. Revenue from contributions of nonfinancial assets were as follows:

<u>Department / program</u>	<u>2022</u>	<u>2021</u>	<u>Utilization by department / program</u>	<u>Donor imposed restrictions</u>	<u>Fair value technique</u>
Action Day	\$ 144,005	138,245	Action Day Event	Restricted to use for the Action Day Event	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Advancement	—	62,600	Data analytics	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Advocacy	—	30,000	Communications	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Community Impact	—	1,500	Consulting	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Executive	600,000	—	Strategic planning consulting	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.

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<u>Department / program</u>	<u>2022</u>	<u>2021</u>	<u>Utilization by department / program</u>	<u>Donor imposed restrictions</u>	<u>Fair value technique</u>
Facilities	\$ 11,987	4,700	Snow removal	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Home for Good	59,683	92,655	Home for Good Event	Restricted to use for the Home for Good Event	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Human resources	—	1,125	Employee tickets	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Marketing	—	31,125	Advertising and website redesign	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Technology	6,200	—	SalesForce Philanthropy Cloud	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Together We Thrive	—	20,456	Culturally-specific meals	Restricted to use for Together We Thrive program	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.

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<u>Department / program</u>	<u>2022</u>	<u>2021</u>	<u>Utilization by department / program</u>	<u>Donor imposed restrictions</u>	<u>Fair value technique</u>
Volunteer United	\$ —	170,000	Skills based volunteer program	No associated donor restrictions	The fair value of in-kind revenue is based on estimates of wholesale values that would be received for selling similar products in the United States.
Total	<u>\$ 821,875</u>	<u>552,406</u>			

(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, grants, 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.

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(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, and 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, and 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

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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

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 has adopted ASU 2020-07 retrospectively, with the required disclosures included within note 2(b)(1).

(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.

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. In 2021, United Way leased a portion of its office building at 404 South 8th Street, Minneapolis, Minnesota to another nonprofit organization. In 2022, United Way leased additional space 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, 2022 are as follows:

2023	\$	36,253
2024		<u>37,341</u>
Total	\$	<u><u>73,594</u></u>

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(m) Subsequent Events

United Way has evaluated subsequent events through June 29, 2023, 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.

(n) Reclassifications

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

(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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,925,957	13,009,200
Annual campaign pledges receivable	16,109,685	15,883,464
Grants and other receivables, net of discount	1,887,237	3,213,248
Legacy campaign receivable, net of discount	1,003,090	1,201,467
Breakthrough campaign receivables, net of discount	11,606,592	3,468,535
Endowment/planned giving receivables	21,043,214	4,082,399
Investments	17,940,794	20,465,178
Investments held at the Saint Paul and Minnesota Foundation	39,306,490	44,094,848
Investments held at The Minneapolis Foundation	<u>11,712,069</u>	<u>13,825,786</u>
Total financial assets	<u>130,535,128</u>	<u>119,244,125</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Long-term investments	12,430,412	13,626,921
Donor designated endowment gains for future use	9,556,827	15,408,549
Restricted by donors with time restrictions	35,943,627	10,661,250
Restricted by donors in perpetuity	<u>22,012,025</u>	<u>21,265,164</u>
Total amounts unavailable for general expenditures within one year	<u>79,942,891</u>	<u>60,961,884</u>
Amounts unavailable to management without Board's approval:		
Board-designated quasi-endowment for future use	<u>19,867,289</u>	<u>22,412,891</u>
Total amounts unavailable to management without Board's approval	19,867,289	22,412,891

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	2022	2021
Plus:		
Amounts to be distributed from endowments, trusts and closely held stock	\$ <u>2,239,957</u>	<u>2,582,383</u>
Total financial assets available to management for general expenditure within one year	\$ <u><u>32,964,905</u></u>	<u><u>38,451,733</u></u>

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, 2022 and 2021, United Way's investments were reported in four categories as follows:

(a) Investments

Investments are comprised of the following as of December 31:

	2022	2021
Fixed income:		
U.S. government and federal agency	\$ 4,699,511	4,848,043
Corporate and other	<u>13,241,283</u>	<u>15,617,135</u>
Total investments	\$ <u><u>17,940,794</u></u>	<u><u>20,465,178</u></u>

(b) Investment in Closely Held Stock

United Way received shares of common stock of a privately held corporation for its endowment fund. There is no active market for the privately held stock. The value of these shares, as determined by an independent appraiser, was \$5,636,540 and \$6,294,210 at December 31, 2022 and 2021, 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, 2022 and 2021.

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(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, 2022 and 2021 is summarized as follows:

	2022	2021
Investments held at the Saint Paul & Minnesota Foundation:		
Board-designated	\$ 13,554,697	14,275,087
Donor-restricted	25,751,793	29,819,761
	\$ 39,306,490	44,094,848
Investments held at The Minneapolis Foundation:		
Board-designated	\$ 5,905,965	6,971,834
Donor-restricted	5,806,104	6,853,952
	\$ 11,712,069	13,825,786

(d) Beneficial Interests in Charitable Trusts

United Way is the sole beneficiary of an irrevocable trust whose fair value is \$501,094 and \$642,665 at December 31, 2022 and 2021, respectively. United Way receives investment income earned and 5% of the fair value of the trust. \$39,957 and \$42,022 were received by United Way in 2022 and 2021, 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 \$35,420,411 and \$44,307,800 at December 31, 2022 and 2021, respectively. United Way receives a share of net income earned by the trust each year. \$80,000 was received by United Way in each of the years. United Way's share of the fair value of \$1,771,021 and \$2,215,390 at December 31, 2022 and 2021, 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).

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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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. government and federal agency	\$ —	4,699,511	—	4,699,511
Corporate and other securities	—	13,241,283	—	13,241,283
Investment in closely held stock	—	—	5,636,540	5,636,540
Investments at the Saint Paul & Minnesota Foundation	—	—	39,306,490	39,306,490
Investments at The Minneapolis Foundation	—	—	11,712,069	11,712,069
Beneficial interests in charitable trusts	—	501,094	1,771,021	2,272,115
Total investments	\$ —	18,441,888	58,426,120	76,868,008
Cash equivalents	\$ 102,530	1,240,441	—	1,342,971

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, 2022.

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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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	\$ <u>—</u>	<u>21,107,843</u>	<u>66,430,234</u>	<u>87,538,077</u>
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.

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, and 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.

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Level 3 assets were 76% of total investment assets at fair value at December 31, 2022 and 2021.

Quantitative information about level 3 fair value measurements

	Fair value at December 31, 2022	Valuation technique	Unobservable input	Range (weighted average)
Investment in closely held stock	\$ 5,636,540	Discounted cash flow analysis*	*	*
Investments at SPMF	39,306,490	**	**	**
Investments at TMF	11,712,069	**	**	**
Beneficial interests in charitable trusts	<u>1,771,021</u>	**	**	**
	<u>\$ 58,426,120</u>			

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	<u>2,215,390</u>	**	**	**
	<u>\$ 66,430,234</u>			

* – 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.

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(6) Annual Campaign Pledges

A summary of annual campaign pledges, annual campaign pledges receivable, and allowance for uncollectible pledges at December 31, 2022 and 2021 is as follows:

	<u>Original amounts of pledges</u>	<u>Pledges receivable</u>	<u>Allowance for uncollectible pledges</u>	<u>Net pledges receivable</u>
Pledges from the:				
2022 campaign	\$ 35,683,150	12,380,489	(618,621)	11,761,868
Prior campaigns		4,206,759	(1,620,706)	2,586,053
Future campaigns		1,761,764	—	1,761,764
		<u>\$ 18,349,012</u>	<u>(2,239,327)</u>	<u>16,109,685</u>
 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
		<u>\$ 17,504,170</u>	<u>(1,620,706)</u>	<u>15,883,464</u>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 1,628,547	2,430,181
More than one year	275,000	805,000
Unconditional promises to give	1,903,547	3,235,181
Less unamortized discount at 0.37% and 4.00%	<u>(16,310)</u>	<u>(21,933)</u>
Grants and other receivables	<u>\$ 1,887,237</u>	<u>3,213,248</u>

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(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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 250,000	350,000
More than one year	<u>1,150,000</u>	<u>1,250,000</u>
Unconditional promises to give	1,400,000	1,600,000
Less unamortized discount at 1.65% to 3.31%	<u>(396,910)</u>	<u>(398,533)</u>
Legacy campaign receivables	<u>\$ 1,003,090</u>	<u>1,201,467</u>

(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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 3,547,567	1,269,431
More than one year	<u>8,739,500</u>	<u>2,256,250</u>
Unconditional promises to give	12,287,067	3,525,681
Less unamortized discount at 0.37% to 4.00%	<u>(680,475)</u>	<u>(57,146)</u>
Breakthrough campaign receivables	<u>\$ 11,606,592</u>	<u>3,468,535</u>

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(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, 2022 and 2021:

	2022	2021
Amounts due in:		
Less than one year	\$ 2,700,000	300,000
More than one year	24,600,000	6,350,000
Unconditional promises to give	27,300,000	6,650,000
Less unamortized discount at 2.27% to 4.00%	(6,256,786)	(2,567,601)
Endowment/planned giving receivables	\$ 21,043,214	4,082,399

(11) Property and Equipment

Property and equipment at December 31, 2022 and 2021 consist of the following:

	2022	2021
Land	\$ 33,083	33,083
Building – Minneapolis Citizen’s Aid	7,992,259	7,929,311
Furniture and equipment	2,815,586	2,838,196
	10,840,928	10,800,590
Less accumulated depreciation	(8,819,992)	(8,509,120)
Net book value	\$ 2,020,936	2,291,470

(12) Retirement 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.

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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 for each of the years ended December 31, 2022 and 2021.

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. In February of 2022, United Way made the decision to pay the remainder of the loan balance. The United Way loan balance was \$0 as of December 31, 2022.

(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 \$615,927 and \$525,725 for the years ended December 31, 2022 and 2021, respectively.

(13) Income Taxes

United Way is classified as a tax-exempt organization under Minnesota Statute 290.05 and is exempt from income taxes under section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code, except for taxes on income determined to be unrelated business taxable income. United Way did not have any unrelated business income for the years ended December 31, 2022 and 2021. United Way assesses uncertain tax positions and has determined there were no such positions that have a material effect on the financial statements.

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(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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Household stability	\$ 5,791,123	6,053,950
Educational success	6,209,953	5,615,435
Economic opportunity	2,958,944	3,651,694
COVID-19 Relief and Recovery Fund	—	899,375
Twin Cities Rebuild for the Future Fund	—	51,000
Nonprofit sector capacity building	<u>68,055</u>	<u>5,000</u>
	\$ <u>15,028,075</u>	<u>16,276,454</u>

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

Services provided directly by United Way for the years ended December 31, 2022 and 2021 include the following programs:

	<u>2022</u>	<u>2021</u>
Community impact strategy and grants management	\$ 3,457,190	3,404,587
Direct services to the community:		
2-1-1 information and referral services	6,887,263	5,569,341
Volunteer united	721,101	787,786
Goal area strategy implementation:		
Household stability:		
Full lives/food security	11,899	70,676
Housing	312,442	32,533
Educational success:		
Generation next	892,528	648,884
Action day	926,600	766,180
Career academies	319,662	256,368
Start early funders coalition	123,034	148,086
Early childhood	296,189	20,404
Economic opportunity:		
Financial stability programs	30,984	80,633

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	2022	2021
Cross-impact area:		
Nonprofit capacity building	\$ 63,355	79,661
Systems change and innovation initiatives	—	63,800
Community collaboration committee	4,154	357,862
COVID-19 relief and recovery fund	—	59,592
Other	54,898	37,800
	\$ 14,101,299	12,384,193

(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, 2022

	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 19,867,289	—	19,867,289
Donor-restricted endowment funds	—	58,794,929	58,794,929
	\$ 19,867,289	58,794,929	78,662,218

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(c) Changes in Endowment Net Assets for the Year Ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 22,412,891	47,355,322	69,768,213
Investment return:			
Investment income	198,412	363,055	561,467
Net change in value (realized and unrealized)	<u>(2,371,373)</u>	<u>(4,627,769)</u>	<u>(6,999,142)</u>
Total investment return	(2,172,961)	(4,264,714)	(6,437,675)
Contributions	406,639	17,313,093	17,719,732
Appropriation of endowment assets	<u>(779,280)</u>	<u>(1,608,772)</u>	<u>(2,388,052)</u>
Endowment net assets, end of year	\$ <u>19,867,289</u>	<u>58,794,929</u>	<u>78,662,218</u>

(d) Endowment Net Asset Composition by Type of Fund as of December 31, 2021

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

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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)	<u>3,482,174</u>	<u>5,965,566</u>	<u>9,447,740</u>
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	<u>(1,418,313)</u>	<u>(1,274,308)</u>	<u>(2,692,621)</u>
Endowment net assets, end of year	\$ <u>22,412,891</u>	<u>47,355,322</u>	<u>69,768,213</u>

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

	2022	2021
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ 32,362,182	32,593,634
Total endowment funds classified as permanently restricted net assets	\$ 32,362,182	32,593,634
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction without purpose restrictions	\$ 26,432,747	14,761,688
Total endowment funds classified as temporarily restricted net assets	\$ 26,432,747	14,761,688

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

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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 5.00% 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, and to provide additional growth through new gifts and investment return.

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(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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contributions restricted to specific programs or uses:		
Direct services to the community:		
2-1-1/information and referral services	\$ 295,361	394,777
Volunteer united	282,313	313,455
Household stability:		
Full lives/food security	520,382	1,099,619
Housing	3,344,782	818,028
Educational success:		
Generation next	1,796,737	1,914,206
Action day	107,907	160,998
Career academies	4,722,580	3,925,378
Start early funders coalition	238,578	145,000
Early childhood/80x3	1,906,249	3,054,878
Educational success	113,509	113,562
Cross-impact area:		
ARISE project	76,281	71,001
Women united	121,987	221,518
Community collaboration committee	781,892	450,546
Systems change and innovation initiatives	11,945	11,945
Donor infusion fund	74,800	74,800
Undesignated breakthrough	6,987,610	60,800
Future year annual fund	2,296,764	1,228,807
Other	125,773	207,558
	<u>\$ 23,805,450</u>	<u>14,266,876</u>