United Way of
South Central Michigan

Calhoun | Clinton | Eaton | Ingham | Jackson | Kalamazoo

Year Ended
March 31, 2023

Consolidated Financial Statements

Rehmann

UNITED WAY OF SOUTH CENTRAL MICHIGAN

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INDEPENDENT AUDITORS' REPORT

August 14, 2023

Board of Directors
United Way of South Central Michigan
Kalamazoo, Michigan

Opinion

We have audited the accompanying consolidated financial statements of ***United Way of South Central Michigan*** (a not-for-profit organization; the "Organization"), which comprise the consolidated statement of financial position as of March 31, 2023, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ***United Way of South Central Michigan*** as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Rehmann Robson LLC

UNITED WAY OF SOUTH CENTRAL MICHIGAN

Consolidated Statement of Financial Position

March 31, 2023

ASSETS		
Cash and cash equivalents	$	8,689,146
Certificate of deposit		445,718
Investments		10,031,483
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (Note 4)		3,030,110
Grants receivable (Note 5)		2,306,576
Other receivables		575,330
Loans receivable, less allowance for uncollectible loans (Note 6)		419,276
Right-of-use assets		444,081
Prepaid expenses and other assets		37,451
Beneficial interest in funds held at Community Foundations (Note 3 and 12)		3,951,306
Net property and equipment		2,156,230
Total assets	**$**	**32,086,707**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	321,176
Donor designations payable		1,021,424
Allocations and grants payable		1,337,899
Accrued liabilities		525,564
Refundable advances on conditional contributions		1,098,339
Operating lease obligations (Note 8)		491,615
Accrued postretirement benefit		213,008
Total liabilities		**5,009,025**
Net assets		
Without donor restrictions		11,973,011
With donor restrictions		15,104,671
Total net assets		**27,077,682**
Total liabilities and net assets	**$**	**32,086,707**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY OF SOUTH CENTRAL MICHIGAN

Consolidated Statement of Activities
Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains (losses) and other support			
Campaign results:			
Contributions	$ -	$ 8,215,555	$ 8,215,555
Donor designations	-	(1,522,134)	(1,522,134)
Allowance for uncollectible pledges	-	(123,992)	(123,992)
Net campaign results	-	6,569,429	6,569,429
Campaign results - prior year	697,022	-	697,022
Campaign results - future year	-	37,258	37,258
Grants	5,483,659	4,719,467	10,203,126
Sponsorships	52,372	-	52,372
Investment loss, net	(314,445)	-	(314,445)
Distributions from Community Foundations	227,929	-	227,929
Change in value of beneficial interest in funds held by Community Foundations	(289,221)	-	(289,221)
Other contributions	42,203	-	42,203
Other revenue	386,708	-	386,708
Net assets released from restrictions	12,147,504	(12,147,504)	-
Total revenue, gains (losses) and other support	**18,433,731**	**(821,350)**	**17,612,381**
Expenses			
Program expenses:			
Allocations and grants	5,454,258	-	5,454,258
Community impact	4,654,013		4,654,013
Community service	323,380		323,380
Grants and initiatives	5,588,242	-	5,588,242
Total program expenses	16,019,893	-	16,019,893
Supporting services:			
Management and general	1,918,894	-	1,918,894
Fundraising	1,249,364	-	1,249,364
Total supporting services	3,168,258	-	3,168,258
Total expenses	**19,188,151**	**-**	**19,188,151**
Change in net assets	**(754,420)**	**(821,350)**	**(1,575,770)**
Net assets, beginning of year	12,727,431	15,926,021	28,653,452
Net assets, end of year	**$ 11,973,011**	**$ 15,104,671**	**$ 27,077,682**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY OF SOUTH CENTRAL MICHIGAN

Consolidated Statement of Functional Expenses

Year Ended March 31, 2023

	Program Expenses					Supporting Services			
	Allocations and Grants	Community Impact	Community Service	Grants and Initiatives	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total Expenses
Funds awards	$ 6,976,392	$ -	$ -	$ 5,588,242	$ 12,564,634	$ -	$ -	$ -	$ 12,564,634
Less donor designations	(1,522,134)	-	-	-	(1,522,134)	-	-	-	(1,522,134)
Net funds awards	**5,454,258**	**-**	**-**	**5,588,242**	**11,042,500**	**-**	**-**	**-**	**11,042,500**
Personnel expenses									
Salaries and wages	-	1,732,165	162,126	-	1,894,291	889,413	670,679	1,560,092	3,454,383
Employee benefits	-	355,173	22,702	-	377,875	173,399	123,250	296,649	674,524
Payroll taxes	-	124,238	9,035	-	133,273	62,643	49,849	112,492	245,765
Total personnel expenses	**-**	**2,211,576**	**193,863**	**-**	**2,405,439**	**1,125,455**	**843,778**	**1,969,233**	**4,374,672**
Other expenses									
Contracted services	-	1,272,622	16,305	-	1,288,927	221,923	123,472	345,395	1,634,322
Supplies	-	25,667	1,632	-	27,299	19,857	5,204	25,061	52,360
Technology	-	378,189	38,438	-	416,627	121,353	50,264	171,617	588,244
Telephone	-	32,628	5,699	-	38,327	6,850	9,847	16,697	55,024
Postage and shipping	-	1,965	975	-	2,940	7,075	1,901	8,976	11,916
Printing, publications and promotions	-	33,017	8,764	-	41,781	10,194	99,211	109,405	151,186
Occupancy	-	65,016	14,766	-	79,782	34,556	21,746	56,302	136,084
Equipment rental and maintenance	-	79,035	17,859	-	96,894	29,143	27,204	56,347	153,241
Insurance	-	17,833	5,596	-	23,429	8,794	8,395	17,189	40,618
Special events	-	23,250	192	-	23,442	2,325	4,525	6,850	30,292
Transportation	-	22,249	2,603	-	24,852	15,233	10,595	25,828	50,680
Conferences and trainings	-	24,139	788	-	24,927	7,958	1,868	9,826	34,753
Membership dues	-	6,474	766	-	7,240	282,034	1,578	283,612	290,852
Sponsorships	-	11,512	500	-	12,012	1,678	-	1,678	13,690
Program	-	105,205	-	-	105,205	-	-	-	105,205
Bad debt	-	182,168	-	-	182,168	-	-	-	182,168
Depreciation	-	107,980	10,983	-	118,963	17,840	16,472	34,312	153,275
Other	-	53,488	3,651	-	57,139	6,626	23,304	29,930	87,069
Total other expenses	**-**	**2,442,437**	**129,517**	**-**	**2,571,954**	**793,439**	**405,586**	**1,199,025**	**3,770,979**
Total expenses	**$ 5,454,258**	**$ 4,654,013**	**$ 323,380**	**$ 5,588,242**	**$ 16,019,893**	**$ 1,918,894**	**$ 1,249,364**	**$ 3,168,258**	**$ 19,188,151**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY OF SOUTH CENTRAL MICHIGAN

Consolidated Statements of Cash Flows

Year Ended March 31, 2023

Cash flows from operating activities	
Change in net assets	$ (1,575,770)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loans written off	250,168
Loans converted to grants	140,756
Depreciation	153,275
Amortization of right-of-use assets	47,428
Net realized and unrealized losses on investments	585,452
Change in value of beneficial interest in funds held by Community Foundations	289,221
Change in discount on loans receivable	(15,969)
Change in allowance for uncollectible on pledges receivable	(730,219)
Change in allowance for uncollectible on loans receivable	(68,000)
Changes in operating assets and liabilities which (used) provided cash:	
Pledges receivable	1,069,375
Grants receivable	1,258,104
Other receivables	(283,840)
Employee retention tax credit receivable	162,388
Prepaid expenses and other assets	103,762
Accounts payable	(384,857)
Donor designations payable	348,393
Allocations and grants payable	(313,601)
Accrued liabilities	(105,262)
Refundable advances on conditional contributions	666,267
Operating lease obligations	(60,155)
Accrued postretirement benefit	(22,754)
Net cash provided by operating activities	**1,514,162**
Cash flows from investing activities	
Redemption of certificate of deposit	283,324
Purchases of investments	314,445
Proceeds from sales of investments	(500,235)
Distributions from beneficial interest	261,082
Purchase of property and equipment	(194,186)
Issuance of loans receivable	(546,750)
Payments received on loans receivable	453,314
Net cash used in investing activities	**70,994**
Net change in cash and cash equivalents	1,585,155
Cash and cash equivalents, beginning of year	7,103,990
Cash and cash equivalents, end of year	**$ 8,689,146**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED WAY OF SOUTH CENTRAL MICHIGAN

Notes to Consolidated Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The ***United Way of South Central Michigan*** (the "Organization") is a nonprofit charitable entity, incorporated on April 1, 2022, governed by a volunteer Board of Directors (the "Board"). The Organization licenses its name and trademark from United Way Worldwide and operates autonomously. This means that funds raised stay in, and support, local programming, initiatives and efforts for Calhoun, Clinton, Eaton, Ingham, Jackson, and Kalamazoo counties.

The Organization drives impact by leading shared efforts that engage diverse people, ideas, and resources, taking on the complex social issues that no single organization can solve alone. It raises funds, builds partnerships, recruits volunteers, invests in programs, and advocates for people in need in the south central Michigan region. The Organization focuses on delivering meaningful, measurable, sustainable, and equitable change for vulnerable individuals and families by achieving strategic goals in education, financial stability, health, and basic needs.

Effective April 1, 2022, Capital Area United Way ("CAUW"), United Way of Jackson County and Subsidiaries ("UWJC"), and United Way of the Battle Creek And Kalamazoo Region ("UWBCKR") merged into a newly created not-for-profit organization named the United Way of South Central Michigan. Through the merger, the organizations seeks to further their common mission through accessing new funding, creating new partnerships and achieving economies of scale and other synergies. As of April 1, 2022, the major classes of assets, liabilities and net assets were as follows:

	Statements of Financial Position as of April 1, 2022			
	United Way of the Battle Creek and Kalamazoo Region	Capital Area United Way	United Way of Jackson County and Affiliates	Total United Way of South Central Michigan
Assets:				
Cash and cash equivalents	$ 2,640,120	$ 501,305	$ 3,962,565	$ 7,103,990
Certificate of deposit	261,928	467,114	-	729,042
Investments	10,345,922	-	85,223	10,431,145
Receivables	6,733,569	806,393	480,657	8,020,619
Right-of-use assets	-	402,172	89,337	491,509
Prepaid expenses and other assets	56,174	12,939	72,100	141,213
Beneficial interest in assets held at Community Foundations	1,052,627	3,220,129	228,853	4,501,609
Property and equipment, net	825,340	10,622	1,279,357	2,115,319
Total assets	**$ 21,915,680**	**$ 5,420,674**	**$ 6,198,092**	**$ 33,534,446**

Notes to Consolidated Financial Statements

	Statements of Financial Position as of April 1, 2022			
	United Way of the Battle Creek and Kalamazoo Region	Capital Area United Way	United Way of Jackson County and Affiliates	Total United Way of South Central Michigan
Liabilities:				
Accounts payable and accrued liabilities	$ 704,128	$ 129,656	$ 1,170,909	$ 2,004,693
Donor designations payable	386,486	255,745	30,800	673,031
Allocations and grants payable	1,457,145	93,730	100,625	1,651,500
Operating lease obligations	-	463,840	87,930	551,770
	2,547,759	942,971	1,390,264	4,880,994
Net Assets:				
Net assets without restrictions	7,642,338	3,759,683	1,325,410	12,727,431
Net assets with restrictions	11,725,583	718,020	3,482,418	15,926,021
	19,367,921	4,477,703	4,807,828	28,653,452
Total liabilities and net assets	**$ 21,915,680**	**$ 5,420,674**	**$ 6,198,092**	**$ 33,534,446**

On the date of the merger, UWBCKR had conditional promises to give of approximately $77,000 and UWJC had conditional promises to give of approximately $521,000, which were not recorded as liabilities as barriers had not been met.

There were no material transactions between CAUW, UWJC or UWBCKR prior to the merger and there were no material adjustments to conform the accounting policies of the combining organizations.

Risks and Economic Uncertainties

The COVID-19 pandemic and the global constraints it has created have impacted and may continue to create challenges for the Organization. The extent of the ultimate impact of these global events on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on members, funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. While management reasonably expects the global events to impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration continue to be uncertain.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Consolidation

The consolidated financial statements include the accounts of United Way of South Central Michigan and its affiliates, United Way of Jackson County II, LLC ("UWJCII"), United Way of Jackson County III, Inc. ("UWJCIII"), and United Way Ventures, LLC ("Ventures"). All affiliates are nonprofit entities where the Organization has control through sole membership or through a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, gains, losses and support are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction

Net assets available for use in general operations and are not subject to donor (or certain grantor) restrictions or donor-imposed restrictions that have expired. The Organization has board-designated net assets, which are net assets without donor restrictions that have been set aside for specific purposes by the Board, as reported within Note 10.

Net Assets With Donor Restriction

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions in the consolidated statement of activities.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net realizable value of pledges and loans receivable, allocation of expenses by function and nature, determining the components of net periodic benefit cost and accrued postretirement benefits payable, and the useful lives of depreciable property and equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and investments with original maturities when purchased of less than three months. The Organization maintains its deposits in several local financial institutions, which at times may exceed federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

Investments

Investments securities purchased are initially recorded at cost. Thereafter, the carrying values of such investments are adjusted to fair values which are determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Certificate of deposits are valued at cost and have original maturities of twelve months. Net investment loss is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in these consolidated financial statements.

Beneficial Interest in Funds Held at Community Foundations

Beneficial interest in funds held at Community Foundations includes amounts held by the Battle Creek Community Foundation ("BCCF"), Capital Region Community Foundation ("CRCF"), Jackson Community Foundation ("JCF") and the Kalamazoo Community Foundation ("KCF") (collectively, the "Community Foundations") for the benefit of the Organization. The fair value of the beneficial interest is determined by the Community Foundations. The unrealized appreciation (depreciation) in fair value is reflected on the consolidated statement of activities as change in value of beneficial interest.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1:	Valuation is based upon quoted prices for identical instruments traded in active markets.
Level 2:	Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all-significant assumptions are observable in the market.
Level 3:	Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 3 to the consolidated financial statements.

Pledges Receivable

Contributions generated in the annual fund drive are recorded as receivables in the year pledged. These contributions are recognized as support in the year for which the contributions were received. All pledges are expected to be collected by the end of the calendar year following the fall campaign. The pledges are reported net of allowance for uncollectible pledges. The allowance for uncollectible pledges is estimated by management based in part on prior collection history relating to the three-prior year's campaigns. Additionally, campaign pledges are 100 percent allowed for if the balance remains 12 months after the campaign has ended.

Grants Receivable

The Organization has received unconditional commitments, which will be payable over a number of years. The funds are primarily to be used for operations, community impact, community service, disaster relief, and 211 support. Grants are recorded as support when the unconditional commitment is received. Upon initial recognition, the grants were discounted to present value using a discount rate of 2.5 percent. Management believes the receivables are fully collectible and, therefore, has not recorded an allowance as of March 31, 2023.

Loans Receivable

Loans receivable are reported at original issue amount plus accrued interest, less principal repaid. These loans receivable have been discounted at 10 percent. Interest income (amortization of the discount) is recorded over the lives of the loans receivable. If applicable, an allowance for loan losses is determined based on a specific assessment of all loans that are delinquent or determined to be doubtful to be collected. Loans are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. The Organization has recorded an allowance for loans losses in the amount of $124,000 in the accompanying consolidated financial statements as of March 31, 2023.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return or right of release - are not recognized until the conditions on which they depend on have been met. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. When donor restrictions expire in the same reporting period as the contributions are received, the contributions are reported as without donor restrictions.

Conditional contributions are not recognized until the barriers are overcome by the Organization. As of March 31, 2023, conditional grants total approximately $5,254,000 and will be recorded as support as the barriers within the agreements are met. Cash received in advance of barriers being met is recorded as a liability until the barriers are overcome by the Organization. As of March 31, 2023, the Organization reported refundable advances on conditional contributions of $1,098,339 on the consolidated statement of financial position.

Donor Designations Payable

Donor designations payable represent amounts received with specific donor designations to external organizations. Designated pledges are excluded from gross campaign support, and the related disbursements to specified agencies are excluded from allocations in the consolidated statement of activities. As required by GAAP, such amounts are reported as a liability until forwarded to the designated agency or other qualifying organization.

Contributed Services and Nonfinancial Assets

Contributed services and nonfinancial assets are recorded at fair value at the date of gift. No such contributions were received during the year ended March 31, 2023; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and its fundraising campaign. A total of approximately 5,000 volunteer hours were received by the Organization during the year.

Notes to Consolidated Financial Statements

Property and Equipment

Property and equipment is recorded at cost when purchased or at fair value at the date of donation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Depreciation

Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the related assets or lease term, which range from three to 30 years.

Leases

The Organization's lease arrangements primarily relate to real estate, including corporate offices and, to a lesser extent, certain equipment and other assets. The Organization's leases generally have initial terms ranging from three to fifteen years and may include renewal or early-termination options. The Organization is typically required to make fixed minimum rent payments, variable rent payments, or a combination thereof, relating to its right to use an underlying leased asset. The Organization is also often required to pay for certain other costs that do not relate specifically to its right to use an underlying leased asset, but that are associated with the asset, including common area maintenance fees and/or certain other costs (referred to collectively herein as "non-lease components"), which may be fixed or variable in amount, depending on the terms of the respective lease agreement.

Management determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Organization's use. The Organization's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Organization is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. Management also determines lease classification as either operating or finance (formerly referred to as "capital") at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the statements of activities over the lease term.

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Organization's statement of financial position at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. The Organization includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as it elects to account for lease and non-lease components together as a single lease component. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases, if any, are presented separate from those associated with operating leases, and are included within net property and equipment on the Organization's consolidated statement of financial position. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Organization uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the consolidated statement of financial position. Variable lease cost, if any, is recognized as incurred for all leases.

Management reviews these ROU assets for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable.

Income Taxes

The Organization and the related affiliates are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Organization and affiliates were granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business income". The Organization has not been classified as a private foundation.

The Organization and affiliates analyze their income tax filing positions in the federal and state jurisdictions where they are required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization and affiliates treat interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

The Organization has evaluated its income tax filing positions of the merged organizations for fiscal years 2019 through 2022, the years which remain subject to examination as of March 31, 2023. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's consolidated financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next 12 months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at March 31, 2023, and is not aware of any claims for such amounts by federal or state income tax authorities.

Notes to Consolidated Financial Statements

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Occupancy is allocated on the basis of employee time and effort. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Concentrations

The Organization's annual fundraising campaigns are concentrated in the south central counties of Michigan. Approximately 31 percent of the Organization's campaign revenue was donated by one company and their employees and 32 percent of the Organization's campaign pledges receivable are made up of two companies and their employees.

In addition, approximately 66 percent of the Organization's grants for the year ended March 31, 2023 were granted by two organizations and 96 percent of the Organization's grants receivable as of March 31, 2023 were granted by four organizations.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2023, the date of the consolidated statement of financial position presented herein, through August 14, 2023, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified.

Notes to Consolidated Financial Statements

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at March 31, 2023:

Cash and cash equivalents	$ 8,689,146
Certificate of deposit	445,718
Investments	10,031,483
Pledges receivable, net	3,030,110
Grants receivable	2,306,576
Other receivables	575,330
Loans receivable, net	419,276
Beneficial interest in funds held at Community Foundation	3,951,306
Financial assets - at year end	29,448,945
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	15,104,671
Loans receivable greater than one year	152,497
Board designated net assets	6,161,921
Total financial assets available for general use within one year	**$ 8,029,856**

The Organization is substantially supported by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Although the Organization does not intend to spend from board designated net assets for operations, certain board designated amounts could be made available, if necessary.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in various short-term investments, including mutual funds.

The Organization has a committed line of credit, which it could draw upon if needed, as further described in Note 9.

Notes to Consolidated Financial Statements

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Investments in money markets, mutual funds, and exchange traded funds are classified as Level 1 since the values are based on quoted prices in active markets.

The fair values of U.S. government obligations and U.S. corporate obligations were determined primarily based on Level 2 inputs. The Organization estimates the fair values of these investments using quoted prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

The beneficial interest in funds held by Community Foundations are further described in Note 12. The Organization is allocated its portion of the total fair values of the underlying securities held by the Community Foundations. The underlying securities held by the Community Foundations are classified as Level 3.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of investments could result in a different fair value measurement at the reporting date.

Notes to Consolidated Financial Statements

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of March 31, 2023:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money markets	$ 309,422	$ -	$ -	$ 309,422
U.S. equity exchange traded funds	1,648,204	-	-	1,648,204
U.S. equity mutual funds	406,072	-	-	406,072
U.S. fixed-income mutual funds	2,137,252	-	-	2,137,252
Foreign equity mutual funds	442,573	-	-	442,573
Foreign fixed-income mutual funds	55,658	-	-	55,658
U.S. government obligations	-	2,206,741	-	2,206,741
U.S. corporate obligations	-	2,825,561	-	2,825,561
Beneficial interest in funds held by Community Foundations	-	-	3,951,306	3,951,306
Total assets at fair value	**$ 4,999,181**	**$ 5,032,302**	**$ 3,951,306**	**$ 13,982,789**

There were no purchases, issuances or transfers into or out of level 3 investments during the year ended March 31, 2023.

4. PLEDGES RECEIVABLE

Pledges receivable are related to capital campaign contributions with donor restrictions, and as of March 31, 2023 are expected to be collected as follows:

Pledges:	
Current campaign	$ 3,337,356
First prior campaign	431,862
Second prior campaign	460,932
Total pledges	4,230,150
Allowance for uncollectible pledges	
Current campaign	(352,871)
First prior campaign	(386,237)
Second prior campaign	(460,932)
Total allowance for uncollectible pledges	(1,200,040)
Net pledges receivable	**$ 3,030,110**

Notes to Consolidated Financial Statements

5. GRANTS RECEIVABLE

The Organization has received unconditional commitments, which will be payable over a number of years. The funds are to be primarily used for operations, community impact, community service, disaster relief, and 211 support. Upon initial recognition, the grants were discounted to present value using a discount rate of 2.5%.

Grants receivable are expected to be collected as follows at March 31, 2023:

Less than one year	$ 2,039,576
Over one year	315,000
Discount to present value	(48,000)
Total	**$ 2,306,576**

6. LOANS RECEIVABLE

The Organization awarded 23 unsecured loans totaling $546,750 in 2023 to local businesses with an aggregate outstanding principal amount of $616,769 at March 31, 2023. Individual loan balances range from $5,000 to $50,000. Monthly principal and interest payments begin on the first day of the sixth month following the effective date of the loan and continue for a 30-month term. The loans bear interest at one percent through the lives of the loans. Unamortized discounts are amortized using the effective interest rate method over the life of the loan at a 10 percent interest rate and total $73,493 as of March 31, 2023.

Loans receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Provisions for losses on loans receivable are determined based on loss experience, known or inherent risks in loans held, and current economic conditions. The Organization has recorded an allowance for loans losses in the amount of $124,000 in the accompanying consolidated financial statements as of March 31, 2023.

The Organization considers a loan receivable to be impaired when, based upon current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individual loans are evaluated for impairment based on the following factors: (1) changes in regional and local economic conditions and (2) changes in borrower specific financial condition. The Organization did not consider any loans to be impaired as of March 31, 2023.

Loans receivable are expected to be collected as follows at March 31, 2023:

Year	Amount
2024	$ 266,779
2025	253,436
2026	96,554
Total loans receivable	616,769
Unamortized debt discount	(73,493)
Allowance for loan losses	(124,000)
Loans Receivable, less allowance **for uncollectible loans**	**$ 419,276**

7. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at March 31, 2023:

Land	$ 609,364
Land improvements	568,589
Buildings	1,022,431
Buildings improvements	2,941,971
Furniture, fixtures, and equipment	1,089,235
Leasehold improvements	13,450
Total	6,245,040
Less accumulated depreciation	(4,088,810)
Net property and equipment	**$ 2,156,230**

Depreciation expense was $153,275 in 2023.

Notes to Consolidated Financial Statements

8. LEASES

The following table summarizes the composition of net lease cost during the year ended March 31, 2023:

Operating lease cost	$ 164,978
Short-term lease cost	23,549
Total lease cost	**$ 188,527**

The following table summarizes other information related to the Organization's leases during the year ended March 31, 2023:

Cash paid for amounts included in the measurement of lease obligations	
Operating cash flows from operating leases	$ 179,110
Right-of-use assets obtained in exchange for new operating lease obligations	103,582
Weighted-average remaining lease term - operating leases	3.06 years
Weighted-average discount rate - operating leases	2.60%

The following table presents a maturity analysis summary of the Organization's lease obligations recorded on the consolidated statement of financial position as of March 31, 2023:

Year	**Operating Leases**
2024	$ 189,515
2025	143,110
2026	116,110
2027	62,482
Total lease payments	511,217
Less discount to present value	19,602
Total lease obligations	**$ 491,615**

Notes to Consolidated Financial Statements

9. LINE OF CREDIT

The Organization has a line of credit agreement with a bank. The Organization has available borrowings of approximately $2,000,000. Interest is payable monthly at a rate of 0.75 percent below the prime rate (an effective rate of 7.5 percent at March 31, 2023) with a floor rate of 2.5 percent. The line of credit is unsecured. There was no outstanding balance at March 31, 2023. The line of credit is due on demand.

10. BOARD DESIGNATED NET ASSETS

Designated net assets are net assets without donor restrictions that have been designated by the Organization's board for certain purposes. These designations are based on board actions, which can be altered or revoked at a future date.

At March 31, 2023, the Organization had board designated net assets for the following purposes:

Beneficial interest in assets held at Community Foundations	$ 3,951,306
Property and equipment fund	1,245,060
United Way of Battle Creek and Kalamazoo Region Endowment	965,555
Total board designated net assets	**$ 6,161,921**

Changes in Board Designated Endowment Net Assets for the Year Ended March 31, 2023	
Beginning of year	$ 1,028,593
Net investment loss	(63,038)
End of year	**$ 965,555**

The finance committee determines the estimated amount to be distributed from board-designated net asset funds based on budgetary needs of the Organization and returns on the investments. This is consistent with the Organization's objective to avoid erosion of the board-designated funds.

The Organization has adopted investment and spending policies to support the creation of board-designated endowment funds. These policies attempt to provide assurance of the continuous financial solvency of the Organization and to provide flexibility for new organizational directions. The primary investment objective is to provide capital preservation, with appropriate income generation and conservative growth as secondary concerns. The policies adopted by the Organization work together to achieve this objective.

The board-designated endowment funds are subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA) based on the Organization's policy. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the Organization 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. The Organization has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 20 quarters.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following purpose restrictions as of March 31, 2023:

Net campaign results	$ 6,569,429
Future campaign results	37,258
Small business loan fund	2,893,276
Disaster relief efforts	446,817
Community impact	5,157,891
Total net assets with donor restrictions	**$ 15,104,671**

12. COMMUNITY FOUNDATIONS

The Organization has accounted for the transfer of such assets as a beneficial interest in funds held by Community Foundations. BCCF, CRCF, JCF, and KCF refer to such funds as agency fund endowments. Therefore, an asset has been established on the Organization's statement of financial position for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. The current value of these funds at March 31, 2023 was $3,951,306, and is included in net assets without donor restrictions on the consolidated statement of financial position. The Organization had distributions of $261,082 from the agency funds during the year ended March 31, 2023. The distributions were recorded as a reduction of the assets.

Several contributions have been made to these funds in addition to other funds held at the Community Foundations to benefit the Organization. Contributions can be made to the funds, but only expendable income is available to the Organization. The Community Foundations maintain variance power, which, as a result, requires that the assets they hold not be recorded as assets of the Organization. The fair market value of the funds held at Community Foundations for the benefit of the Organization was $5,978,617 at March 31, 2023. Earnings are available for distribution to the Organization at the discretion of the foundations and are, therefore, not reflected as revenue in the consolidated financial statements until received by the Organization. The Organization received distributions totaling $227,929 from the Community Foundations related to these funds during the year ended March 31, 2023. The distributions are included in the consolidated statement of activities as Distributions from Community Foundations.

13. RETIREMENT PLAN

Substantially all employees of the Organization participate in a defined contribution pension plan. Substantially all employees are immediately eligible under the plan and are fully vested after three years of service. Contributions, equal to 10 percent of compensation, as defined, amounted to approximately $298,000 for the year ended March 31, 2023.

14. POSTRETIREMENT BENEFIT PAYABLE

The Organization provides certain health care benefits for eligible retired employees. The Organization will pay the portion of the insurance premium equal to 80 percent of the cost of Medicare supplemental coverage from its general assets, with the remainder of the premium to be paid by the retiree.

The Organization has recognized the unfunded status of the postretirement plan in the consolidated statement of financial position. The Organization does not fund the obligation with any assets.

The plan obligations are measured as of the date of the employer's statement of financial position, as well as certain effects on net periodic benefit cost of the next fiscal year from the delayed recognition of the gains or losses and prior service costs or credits. The Organization's measurement date has historically been March 31. In addition, there are currently no amounts of estimated net loss or prior service cost for the plan that are required to be amortized.

The components of net periodic benefit cost and accrued postretirement benefit payable consist of the following:

Service cost	$ -
Interest cost at 7%	5,613
Actual costs different than projected	(11,003)
Net postretirement benefit cost	(5,390)
Current year premiums paid	(17,364)
Total	(22,754)
Accrued postretirement benefits payable - April 1	235,762
Accrued postretirement benefits payable - March 31	**$ 213,008**

The actuarial assumptions used to compute the plan's net postretirement benefit cost for the years ended March 31, 2023 are as follows:

Weighted-average discount rate	4.53%
Mortality	RP-2014 Mortality Table
Health care trend rate:	
Assumed for next year	5.5% per annum
Rate to which rate declines	4.5% per annum
Year of ultimate rate	2027

The estimated benefits expected to be paid in each of the next five fiscal years, and the aggregate for the five fiscal years thereafter, are as follows:

Year	Amount
2024	$ 19,441
2025	19,566
2026	19,549
2027	19,380
2028	19,054
2029-2033	85,778