
United Way for Southeastern Michigan

Financial Report
September 30, 2023

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Independent Auditor's Report

To the Board of Directors
United Way for Southeastern Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Way for Southeastern Michigan (UWSEM), which comprise the statement of financial position as of September 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 UWSEM as of September 30, 2023 and the changes in its net assets, functional expenses, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of UWSEM and to meet our 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.

Emphasis of Matter

As described in Note 2 to the financial statements, UWSEM adopted the provisions of Financial Accounting Standards Board Accounting Standard Update No. 2016-02, *Leases*, as of October 1, 2022. Our opinion is not modified with respect to this matter.

As described in Note 17 to the financial statements, on October 1, 2023, UWSEM entered into a significant transaction with United Way of Washtenaw County.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 UWSEM's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

To the Board of Directors
United Way for Southeastern Michigan

Auditor's 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 auditor's 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 and *Government 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 UWSEM'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 UWSEM'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024 on our consideration of United Way for Southeastern Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way for Southeastern Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way for Southeastern Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 3, 2024

United Way for Southeastern Michigan

Statement of Financial Position

September 30, 2023

Assets	
Cash	\$ 1,390,623
Investments (Note 4)	39,733,563
Receivables - Net of allowance:	
Pledges (Note 5)	5,898,025
Grants and other (Note 5)	3,153,041
Beneficial interest (Notes 4 and 6)	1,221,111
Prepaid expenses and other assets	1,484,062
Right-of-use operating lease assets (Note 7)	5,687,277
Capital assets - Net (Note 8)	484,275
	<u> </u>
Total assets	<u><u>\$ 59,051,977</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued liabilities	\$ 3,422,589
Undistributed grants to community impact partners (Note 9)	6,869,876
Undistributed donor designations	2,481,192
Refundable advances	146,921
Operating lease liabilities (Note 7)	6,221,991
	<u> </u>
Total liabilities	19,142,569
Net Assets	
Without donor restrictions:	
Undesignated	(1,489,228)
Board designated (Note 10)	27,874,841
	<u> </u>
Total without donor restrictions	26,385,613
With donor restrictions (Note 11)	13,523,795
	<u> </u>
Total net assets	39,909,408
	<u> </u>
Total liabilities and net assets	<u><u>\$ 59,051,977</u></u>

United Way for Southeastern Michigan

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Annual campaigns	\$ 19,496,226	\$ 2,682,816	\$ 22,179,042
Less donor designations	(5,527,062)	-	(5,527,062)
Less provision for uncollectible pledges	(1,736,289)	-	(1,736,289)
Net assets released from campaign restrictions	6,064,219	(6,064,219)	-
Net campaign results	18,297,094	(3,381,403)	14,915,691
Federal grants	7,748,699	-	7,748,699
State grants	6,941,003	-	6,941,003
Foundation grants	-	7,694,376	7,694,376
Administrative fees and fee for service	2,771,378	-	2,771,378
County grants	1,386,983	-	1,386,983
Other contributions	1,000,802	1,010,680	2,011,482
In-kind gifts revenue (Note 13)	539,060	-	539,060
Miscellaneous income	24,311	-	24,311
Change in value of beneficial interest	123,159	-	123,159
Net realized and unrealized gains on investments	2,108,931	49,009	2,157,940
Interest and dividend income - Net of investment fees	1,522,243	34,882	1,557,125
Net assets released from restrictions	7,515,805	(7,515,805)	-
Total noncampaign support and revenue	31,682,374	1,273,142	32,955,516
Total public support and revenue	49,979,468	(2,108,261)	47,871,207
Expenses			
Program services:			
Gross grants to community impact partners	36,365,060	-	36,365,060
Less donor designations	(5,707,301)	-	(5,707,301)
Net funds awarded	30,657,759	-	30,657,759
Other program services	16,537,846	-	16,537,846
Total program services	47,195,605	-	47,195,605
Support services:			
Management and general	4,301,653	-	4,301,653
Fundraising	4,905,416	-	4,905,416
Unallocated state and national dues	637,155	-	637,155
Total expenses	57,039,829	-	57,039,829
Decrease in Net Assets	(7,060,361)	(2,108,261)	(9,168,622)
Net Assets - Beginning of year	33,445,974	15,632,056	49,078,030
Net Assets - End of year	\$ 26,385,613	\$ 13,523,795	\$ 39,909,408

Statement of Functional Expenses

Year Ended September 30, 2023

	Support Services					Total	Total
	Program Services	Management and General	Fundraising	Unallocated State and National Dues	Total		
Gross grants to community impact partners	\$ 36,365,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,365,060
Less donor designations	(5,707,301)	-	-	-	-	-	(5,707,301)
Net allocations/awards	30,657,759	-	-	-	-	-	30,657,759
Salaries	9,459,090	2,554,941	2,760,114	-	5,315,055	14,774,145	
Employee benefits	1,604,864	194,988	427,100	-	622,088	2,226,952	
Payroll taxes and insurance	751,397	228,224	214,339	-	442,563	1,193,960	
Total salaries and related expenses	11,815,351	2,978,153	3,401,553	-	6,379,706	18,195,057	
Professional fees and contract services	2,409,840	481,525	495,744	-	977,269	3,387,109	
Occupancy	741,997	142,216	146,338	-	288,554	1,030,551	
Dues	7,118	9,399	3,178	637,155	649,732	656,850	
Equipment expenses	279,479	80,074	308,835	-	388,909	668,388	
Printing and publications	336,134	189,044	47,229	-	236,273	572,407	
In-kind expenses	288,364	126,559	124,137	-	250,696	539,060	
Meeting and event cost	218,803	94,639	257,917	-	352,556	571,359	
Depreciation	134,598	25,797	26,546	-	52,343	186,941	
Communication	59,912	8,663	42,162	-	50,825	110,737	
Insurance	45,279	40,730	24,656	-	65,386	110,665	
Miscellaneous	89,453	50,100	2,625	-	52,725	142,178	
Supplies	57,200	12,896	3,952	-	16,848	74,048	
Postage and shipping	18,566	31,119	9,040	-	40,159	58,725	
Sponsorships and awards	35,752	30,739	11,504	-	42,243	77,995	
Total functional expenses	<u>\$ 47,195,605</u>	<u>\$ 4,301,653</u>	<u>\$ 4,905,416</u>	<u>\$ 637,155</u>	<u>\$ 9,844,224</u>	<u>\$ 57,039,829</u>	

Statement of Cash Flows

Year Ended September 30, 2023

Cash Flows from Operating Activities

Decrease in net assets	\$ (9,168,622)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	186,941
Provision for uncollectible pledge	1,736,289
Change in value of beneficial interest	(123,159)
Realized and unrealized gains on investments	(2,157,940)
Noncash lease expense	534,714
Changes in operating assets and liabilities that (used) provided cash:	
Pledges receivable	(1,073,611)
Grants and other receivable	582,824
Prepaid expenses and other assets	(564,208)
Accounts payable and accrued liabilities	(1,711,447)
Undistributed grants to community impact partners	(1,152,813)
Undistributed donor designations	(535,892)
Refundable advance	(1,780,655)
Net cash used in operating activities	(15,227,579)

Cash Flows from Investing Activities

Purchases of investments	(24,295,978)
Proceeds from sales of investments	33,226,742
Purchases of capital assets	(222,427)
Distributions from beneficial interest	63,677
Net cash provided by investing activities	8,772,014

Net Decrease in Cash

(6,455,565)

Cash - Beginning of year

7,846,188

Cash - End of year

\$ 1,390,623

September 30, 2023

Note 1 - Nature of Business

United Way for Southeastern Michigan (UWSEM or the "Organization") is a Michigan nonprofit corporation dedicated to mobilizing the caring power of Detroit and southeastern Michigan to improve communities and individual lives in measurable and lasting ways.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of UWSEM have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

UWSEM places its cash and certain investments with high credit quality financial institutions. UWSEM's cash balances include bank balances on deposit that exceed FDIC limits.

Investments

Investments are recorded at fair value, as described in Note 4. Investment income, including net realized and unrealized gains and losses, are reflected in the statement of activities and changes in net assets as a change in noncampaign support and revenue. Interest and dividend income is recorded on the accrual basis.

The Organization's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the financial statements.

Receivables

UWSEM's receivables consist of pledges and grants and other receivables.

Pledges receivable are associated with UWSEM's total annual campaign fundraising for UWSEM and other partnering agencies. A provision for uncollectible pledges is estimated based on an assessment of the prior year annual campaign pledges, which remain unpaid, and current market observations. All amounts deemed uncollectible are charged against the provision for uncollectible pledges in the period that determination is made.

Grants and other receivables include receivables for services rendered by UWSEM in accordance with grant contracts and reimbursements that have not been received as of year end. Grants and other receivables also include contributions made to UWSEM outside of the annual campaign. An allowance for doubtful accounts has not been established, as all grants and other receivables are deemed collectible.

Capital Assets

Capital assets are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 10 years. Costs of maintenance and repairs are charged to expense when incurred.

Note 2 - Significant Accounting Policies (Continued)

UWSEM reports gifts of capital assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long the capital assets must be maintained, UWSEM reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired capital assets.

Leases

UWSEM has an operating lease for office space. UWSEM recognizes expense for operating leases on a straight-line basis over the lease term. UWSEM made a policy election not to separate lease and nonlease components.

UWSEM elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate.

Classification of Net Assets

Net assets of UWSEM are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of UWSEM.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UWSEM or by the passage of time when net assets are reclassified to net assets without donor restrictions. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board for various purposes. These designations are based on board actions, which can be altered or revoked at a future time by the board of directors (see Note 10).

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Annual campaigns, federal grants, state grants, foundation grants, and other contributions are revenue items reported on the statement of activities and changes in net assets using these revenue recognition principles. Grants received determined to be unconditional are reported as revenue when the promise to give is received. As of September 30, 2023, federal grants awarded but not yet spent totaled \$3,426,620. Grants received determined to be conditional contributions are recognized as revenue when services are provided (i.e., as barriers are overcome).

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

September 30, 2023

Note 2 - Significant Accounting Policies (Continued)

Concentration Risks

A significant portion of UWSEM's campaign revenue and pledges receivable is derived from employee contributions and corporate gifts or grants from the Detroit-based original auto equipment manufacturers. This amount is approximately \$9.5 million of gross revenue for the year ended September 30, 2023 and \$3.6 million of gross pledges receivable at September 30, 2023. The current and future economic health of the domestic automotive industry impacts collection of this revenue and future contribution levels and could result in a severe near-term negative impact to UWSEM.

Agent Transactions

UWSEM follows standards for accounting for transfers of assets to a not-for-profit organization that raises or holds contributions for others. These standards affect transactions in which UWSEM accepts contributions from a donor and transfers those assets to another entity that is specified by the donor. UWSEM refers to such funds as donor designations. Agency transactions are reported as an obligation to the specified beneficiary rather than as annual campaign revenue to UWSEM. Amounts due to beneficiary organizations are reported as undistributed donor designations on the statement of financial position.

In-kind and Contributed Services Revenue

UWSEM receives services from a large number of volunteers who give significant amounts of their time to UWSEM's programs, fundraising campaigns, and management. Such services may include those that (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been recorded for types of donated services that do not meet these requirements. The value of recorded contributed services is determined based on the estimated fair values of such services.

Revenue Recognition - Administrative Fees and Fee for Service

UWSEM receives administrative fees and fee for service revenue for services provided to others, which are recognized using revenue recognition principles under Accounting Standards Codification (ASC) 606.

For administrative fees and fee for service revenue, UWSEM has performance obligations for services that are provided based on contracts established between the customer and the Organization. Services provided include administering the annual workplace giving campaigns, administering the 2-1-1 call center, and various other programs for the benefit of local area organizations. These services are provided over time based on the contract terms.

Under the typical payment terms, the customer is billed based on the rate structure of the service provided, as stated in the contract. There are no price concessions or finance arrangements associated with these services.

UWSEM administers the Water Residential Assistance Program (WRAP) for Oakland County customers of Great Lakes Water Authority (GLWA). This program provides assistance to eligible, low-income households who receive water service from GLWA member communities. During the year ended September 30, 2023, UWSEM distributed \$575,796 in WRAP funds on behalf of GLWA. These funds are accounted for as agency transactions and are, therefore, not recognized in the statement of activities and changes in net assets. UWSEM recognized revenue of \$133,958 during the year ended September 30, 2023 related to its administrative fee for the program.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Total salaries and related expenses are allocated on the basis of time and effort. Marketing and information technology expenses are allocated based on internally conducted time studies. Other expenses utilized by all employees, such as occupancy and depreciation, are allocated on the basis of employee head count. All other expenses are allocated based on specific identification of third-party invoices or grant agreements. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

UWSEM is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Adoption of New Accounting Pronouncement

As of October 1, 2022, UWSEM adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. UWSEM elected to adopt the ASU using the modified retrospective method as of October 1, 2022 and applied the following practical expedients:

- The Organization did not reassess if expired or existing contracts are or contain a lease.
- The Organization did not reassess the lease classification for expired or existing leases.
- The Organization did not reassess initial direct costs for any existing leases.
- The Organization used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, UWSEM recorded a right-of-use asset of \$6,438,869 and a lease liability of \$7,056,915 as of October 1, 2022 for existing operating leases, and deferred rent liability of \$618,046 was relieved as of October 1, 2022. There was no impact to net assets previously reported as a result of the adoption.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 3, 2024, which is the date the financial statements were available to be issued. See Note 17 for further details.

September 30, 2023

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of September 30, 2023 for general expenditures are as follows:

Cash	\$ 1,390,623
Investments	39,733,563
Pledges receivable - Net of allowance	5,898,025
Grants and other receivables	3,153,041
Beneficial interest	<u>1,221,111</u>
Financial assets - At year end	51,396,363
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Long-term portion of pledges receivable	160,000
Assets held at Community Foundation of Southeastern Michigan (Note 6)	1,221,111
Restricted by donors with purpose restrictions	12,528,280
Restrictions by donors for endowment	787,855
Undistributed grants to community impact partners	6,869,876
Undistributed donor designations	<u>2,481,192</u>
Total amounts unavailable for general expenditures within one year	24,048,314
Board designations:	
Board designated for emergency and stabilization	3,862,595
Board designated for quasi endowment	<u>22,349,246</u>
Total amounts unavailable to meet cash needs for general expenditures within one year	<u>26,211,841</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,136,208</u></u>

As part of the Organization's liquidity management, it 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 excess of daily requirements in short-term investments.

Additionally, the Organization has board-designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than identified, the amounts could be made available for current operations with board approval if necessary. The board-designated net assets consist of an emergency and stabilization fund and funds functioning as an endowment.

In the budget for the upcoming fiscal year ending September 30, 2024, the board has authorized \$490,000 from the emergency and stabilization fund and \$1,173,000 from the quasi endowment to stabilize programs in the upcoming year.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that UWSEM has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

September 30, 2023

Note 4 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. UWSEM’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following table presents information about UWSEM’s assets measured at fair value on a recurring basis at September 30, 2023 and the valuation techniques used by UWSEM to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2023
Assets				
Investments:				
Money market funds	\$ 953,860	\$ -	\$ -	\$ 953,860
Mutual funds - Equity	12,864,475	-	-	12,864,475
Mutual funds - Debt	9,248,581	-	-	9,248,581
Certificate of deposit	-	125,989	-	125,989
Corporate bonds	-	11,365,588	-	11,365,588
Foreign bonds	-	1,293,369	-	1,293,369
Collective trust fund - Measured at net asset value				2,144,437
Total investments	23,066,916	12,784,946	-	37,996,299
Beneficial interest	-	-	1,221,111	1,221,111
Total assets	\$ 23,066,916	\$ 12,784,946	\$ 1,221,111	\$ 39,217,410

As of September 30, 2023, the investments balance on the statement of financial position includes \$1,737,264 in cash and accrued interest, which is not included in the table above.

The fair value of bonds and the certificate of deposit at September 30, 2023 was determined primarily based on Level 2 inputs. UWSEM estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions, 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 assumptions, as well as other relevant economic measures.

The fair value of UWSEM’s beneficial interest in funds held at the Community Foundation for Southeastern Michigan (CFSEM) was determined primarily based on Level 3 inputs. UWSEM estimates the fair value of these investments based upon UWSEM’s relative share of assets held and reported by CFSEM unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

The net change in value of the beneficial interest is recognized in the statement of activities and changes in net assets. See further discussion in Note 6.

Note 4 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

UWSEM holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at September 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Collective trust fund	\$ 2,144,437	\$ -	Daily	Daily

The collective trust fund is designed to provide investment results that correspond to the price and yield performance of publicly traded common stocks of large-sized domestic companies, as represented by Standard & Poor's 500 Growth Index. The trust invests approximately 100 percent in equities as of September 30, 2023. Net asset value of the trust is determined daily, and units are issued and redeemed at the calculated net asset value.

Note 5 - Receivables

Receivables as of September 30, 2023 consist of pledges receivable, grants receivable, and other.

Gross promises to give	\$ 9,783,392
Less allowance for uncollectible pledges	(3,885,367)
Net pledges receivable	<u>\$ 5,898,025</u>
Amounts due in:	
Less than one year	\$ 9,623,392
One to five years	160,000
Total	<u>\$ 9,783,392</u>

The table below represents balances included in grants and other receivables. All amounts are expected to be collected within one year.

Promises to give - Campaign	\$ 43,612
Promises to give - Grants	2,317,924
Other receivables	791,505
Total	<u>\$ 3,153,041</u>

Note 6 - Community Foundation Endowment Fund

UWSEM acquired an endowment fund held by the Community Foundation for Southeastern Michigan as part of a merger between UWSEM and United Way of Oakland County (UWOC) during 2005. The endowment was originally created using funds without donor restrictions and, therefore, is shown within net assets without donor restrictions on the financial statements. However, UWSEM does not have the ability to draw on the corpus of the endowment unless approval is granted by CFSEM. The recorded amount of approximately \$1,221,111 as of September 30, 2023 represents the present value of the estimated future income stream from the underlying endowment assets. The investment is recorded at fair market value. The purpose of the endowment fund is to provide operating support for UWSEM from endowment earnings.

Note 6 - Community Foundation Endowment Fund (Continued)

In addition, certain funds donated by outside donors for the benefit of UWSEM are held and managed by CFSEM. Such contributions are subject to variance power maintained by CFSEM. The fair market value of these funds is approximately \$11,000 at September 30, 2023. Earnings are available for distribution to UWSEM at the discretion of CFSEM; therefore, interest and principal balances are not reflected in the financial statements.

Note 7 - Leases

UWSEM is obligated under an operating lease for office space, expiring in February 2030. The right-of-use asset and related lease liability have been calculated using a discount rate of 3.97 percent. The lease requires UWSEM to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under the lease was \$1,016,668 for 2023. Cash paid for the lease during 2023 was \$1,100,000.

Future minimum annual commitments under the operating lease are as follows:

Years Ending September 30	Amount
2024	\$ 1,100,000
2025	1,100,000
2026	1,100,000
2027	1,100,000
2028	1,100,000
Thereafter	<u>1,558,333</u>
Total	7,058,333
Less amount representing interest	<u>836,342</u>
Present value of net minimum lease payments	<u>\$ 6,221,991</u>

Note 8 - Capital Assets

The cost of capital assets is summarized as follows:

Leasehold improvements	\$ 300,324
Furniture and equipment	<u>1,832,656</u>
Total cost	2,132,980
Accumulated depreciation	<u>1,648,705</u>
Net property and equipment	<u>\$ 484,275</u>

Depreciation expense for 2023 was \$186,941.

Note 9 - Undistributed Grants to Community Impact Partners

Unconditional grants are recognized as an expense at the time the grant is awarded.

Undistributed grants to community impact partners - As of October 1, 2022	\$ 8,022,689
Grants approved	12,610,128
Payments made	<u>(13,762,941)</u>
Undistributed grants to community impact partners - As of September 30, 2023	<u>\$ 6,869,876</u>

September 30, 2023

Note 9 - Undistributed Grants to Community Impact Partners (Continued)

Undistributed grants to community impact partners at September 30, 2023 are scheduled for payment in 2024.

Note 10 - Board-designated Net Assets

Board-designated net assets at September 30, 2023 consist of the following:

Emergency and stabilization	\$ 4,352,595
Funds functioning as endowment (Note 12)	<u>23,522,246</u>
Total	<u>\$ 27,874,841</u>

The purpose of the emergency and stabilization fund is to have funds available that can be accessed during an economic downturn to maintain operations at a static level. These funds can also be allocated to special projects or initiatives at the discretion of the finance and executive committees with board approval.

The emergency and stabilization fund has an investment policy statement, the objectives of which include preserving principal, maintaining a diversified portfolio of low-risk investments, maintaining a degree of liquidity appropriate to investment objectives, delivering a return commensurate with UWSEM's risk tolerance, and observing prudent governance standards. This is achieved through a portfolio with maturities of no more than 48 months and includes U.S. Treasurys, commercial paper, bank obligations, corporate bonds, taxable municipal securities, and money market funds.

The table below summarizes the account activity. Investment gains incurred during September 30, 2023 related primarily to unrealized gains on bonds held during a period of rising interest rates. It is UWSEM's intention to hold these bonds to maturity.

Beginning of period	\$ 5,139,401
Investment income	79,166
Unrealized gain on investments	114,028
Transfer from board-designated endowment	<u>(980,000)</u>
Total	<u>\$ 4,352,595</u>

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of September 30 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Utility assistance	\$ 5,259,495
Economic mobility and family finances	1,272,897
Ride United	1,718,168
Early childhood	1,539,701
Community information exchange	111,945
COVID-19 and Crisis Relief	166,128
Education	1,238,940
Basic needs and other	466,104
Pledge receivable for future operation	<u>754,902</u>
Total subject to expenditures for a specified purpose	12,528,280
Subject to the passage of time - Pledges receivable for future operations	205,000
Subject to the Organization's spending policy and appropriation - Endowment:	
Original donor corpus	787,855
Accumulated endowment earnings	<u>2,660</u>
Total subject to the Organization's spending policy and appropriation - Endowment	<u>790,515</u>
Total	<u><u>\$ 13,523,795</u></u>

Note 12 - Donor-restricted and Board-designated Endowments

UWSEM's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

Interpretation of Relevant Law

The board of directors of UWSEM 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, UWSEM 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. Amounts are classified within net assets with donor restrictions until those amounts are appropriated for expenditure by UWSEM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWSEM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of UWSEM and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of UWSEM

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

- The investment policies of UWSEM

Endowment Net Asset Composition by Type of Fund as of September 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 790,515	\$ 790,515
Board-designated endowment funds	23,522,246	-	23,522,246
Total	\$ 23,522,246	\$ 790,515	\$ 24,312,761

Changes in Endowment Net Assets for the Year Ended September 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of period	\$ 21,398,589	\$ 790,515	\$ 22,189,104
Investment return:			
Investment income	1,173,282	34,882	1,208,164
Net appreciation (realized and unrealized)	1,648,484	49,009	1,697,493
Total investment return	2,821,766	83,891	2,905,657
Appropriation of endowment assets for expenditure	(782,000)	-	(782,000)
Other changes	83,891	(83,891)	-
Endowment net assets - End of period	\$ 23,522,246	\$ 790,515	\$ 24,312,761

Return Objectives and Risk Parameters

UWSEM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding in general support of UWSEM while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UWSEM must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the board of directors, UWSEM has established a total return objective to provide an average rate of return of approximately 7 percent annually over time. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UWSEM 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). UWSEM targets a diversified asset allocation of equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWSEM has a policy of appropriating for distribution each year up to 3 percent of its endowment fund's average fair value. According to the policy, additional earnings may be used over time with the total of annual support and additional spending limited to the cumulative earnings over a trailing five-year period. In establishing this policy, UWSEM considered the long-term expected return on its endowment. This is consistent with UWSEM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

September 30, 2023

Note 13 - In-kind Gifts Revenue

In-kind donations recognized by UWSEM for the year ended September 30, 2023 are:

Advertising	\$ 525,668
Computers	6,680
Other	<u>6,712</u>
Total in-kind donations	<u>\$ 539,060</u>

Advertising services were donated both by UWSEM's local marketing vendor and by United Way Worldwide (UWW). Local advertising was valued based on estimates provided by vendors for the cost of such advertising had it been purchased by UWSEM. UWW manages several relationships that provide for donated airtime to run advertising that promotes the United Way network's shared mission on nationally broadcast media outlets. The valuation method used by UWW to arrive at the total value of contributed advertising is based on records provided by media partners of the number of impressions recorded for the ads that appeared based on the National Association of Broadcasters' standards for valuation of marketing impressions.

Donated computers were valued based on estimates of retail prices provided by the vendor. UWSEM distributed the computers to partner agencies and a local school district.

None of the in-kind donations received during the year ended September 30, 2023 were subject to donor-imposed restrictions other than the computers, which were restricted by the donor for distribution to schools in need of equipment.

Note 14 - Employee Benefit Plan

UWSEM's employees participate in a tax-deferred annuity plan. Under the terms of the thrift plan, employees can elect to contribute a percentage of their annual compensation. Automatic deferrals apply to all new participants and require that 4 percent of compensation be deferred unless a contrary election is made. In addition, each participant's pretax deferral election is automatically increased by 1 percent annually up to a maximum of 8 percent unless the participant opts out of automatic deferral percentage increases.

UWSEM matches 100 percent of the employees' contributions to the plan, not to exceed 2 percent of the employees' compensation. Employer contributions to the thrift plan amounted to \$272,418 for the year ended September 30, 2023.

Note 15 - Related Party Transactions

Related party expenses include payments to entities that employ UWSEM board members of approximately \$7,900,000 during the year ended September 30, 2023, approximately \$6,000,000 of which relates to a low-income energy assistance grant and approximately \$1,900,000 of which relates to employee health care expenses. Included within accounts payable were payments due to affiliated agencies of approximately \$240,000 as of September 30, 2023. Payments totaling approximately \$6,010,000 made during the year ended September 30, 2023 related to contracted services to support UWSEM's mission. All other amounts related to health insurance services provided to UWSEM.

Some members of UWSEM's board serve as executive directors for partnering nonprofit agencies. Total payments to these agencies were approximately \$15,000 during the year ended September 30, 2023. Executive directors excuse themselves from discussions and votes regarding agency funding.

Related party revenue includes contributions from entities that are affiliated with UWSEM board members or from UWSEM board members themselves and totaled approximately \$7,000,000 for the year ended September 30, 2023.

Note 16 - Commitments and Contingencies

UWSEM has employees who operate under a collective bargaining agreement that dictates salary, pension benefits, and funding, as well as working conditions and other terms. The employees are members of the UAW Technical, Office, and Professional Union, for which an agreement is in effect until June 30, 2026.

The Organization is subject to litigation and claims that are incidental to the ordinary course of its operations. Management does not believe a loss is probable; therefore, no provision has been made in the accompanying financial statements for losses that might result from the ultimate disposition of these matters. Management believes any possible loss related to these matters would be immaterial to the financial statements as a whole.

Note 17 - Transaction with United Way of Washtenaw County

On October 1, 2023, United Way of Washtenaw County (UWWC) combined with United Way for Southeastern Michigan. The purpose of the combination was to maximize impact for residents in Washtenaw County while streamlining operations across continuous service areas. Six members of the UWWC board joined the UWSEM board as of the combination date. UWSEM is the surviving entity and the UWSEM board maintains control of the combined entity. The combination qualifies as an acquisition under GAAP; thus, UWSEM will recognize the acquired assets and liabilities at fair market value as of October 1, 2023. The net assets acquired will be recognized as an inherent contribution to UWSEM on October 1, 2023. The table below shows the fair market value of UWWC's assets, liabilities, and net assets as of the transaction date:

Assets acquired:	
Cash and cash equivalents	\$ 864,353
Pledges receivable - Net	741,345
Investments	5,357,285
Net property and equipment	1,697,480
Prepaid and other assets	<u>69,396</u>
Total assets acquired	8,729,859
Liabilities assumed:	
Grants payable	509,996
Designations payable	225,401
Accrued expenses and other liabilities	<u>364,034</u>
Total liabilities assumed	1,099,431
Net assets acquired:	
Without donor restrictions	4,709,169
With donor restrictions	<u>2,921,259</u>
Total net assets acquired	<u><u>\$ 7,630,428</u></u>