
United Way for Southeastern Michigan

Financial Report
September 30, 2022

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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, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the 15-month period ended September 30, 2022, 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 UWSEM as of September 30, 2022 and the changes in its net assets, functional expenses, and cash flows for the 15-month period ended September 30, 2022 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.

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.

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.

To the Board of Directors
United Way for Southeastern Michigan

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, 2023 on our consideration of UWSEM'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 UWSEM'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 UWSEM's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 3, 2023

United Way for Southeastern Michigan

Statement of Financial Position

September 30, 2022

Assets	
Cash	\$ 7,846,188
Investments (Note 4)	46,506,387
Receivables - Net of allowance: (Note 5)	
Pledges	6,560,703
Grants and other	3,735,865
Beneficial interest (Notes 4 and 6)	1,161,629
Prepaid expenses and other assets	919,854
Capital assets - Net (Note 7)	448,789
	<u> </u>
Total assets	<u><u>\$ 67,179,415</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued liabilities	\$ 5,134,036
Undistributed grants to community impact partners (Note 8)	8,022,689
Undistributed donor designations	3,017,084
Refundable advances	1,927,576
	<u> </u>
Total liabilities	18,101,385
Net Assets	
Net assets without donor restrictions:	
Undesignated	6,907,984
Board designated (Note 9)	26,537,990
Net assets with donor restrictions (Note 10)	15,632,056
	<u> </u>
Total net assets	49,078,030
	<u> </u>
Total liabilities and net assets	<u><u>\$ 67,179,415</u></u>

United Way for Southeastern Michigan

Statement of Activities and Changes in Net Assets

Fifteen-month Period Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Annual campaigns	\$ 23,715,569	\$ 14,227,550	\$ 37,943,119
Less donor designations	(7,569,967)	-	(7,569,967)
Less provision for uncollectible pledges	(1,660,043)	-	(1,660,043)
Net assets released from campaign restrictions	9,580,366	(9,580,366)	-
Net campaign results	24,065,925	4,647,184	28,713,109
Federal grants	14,189,808	-	14,189,808
State grants	8,281,186	-	8,281,186
Foundation grants	60,000	3,295,617	3,355,617
Administrative fees and fee for service	3,116,746	-	3,116,746
County grants	1,413,812	-	1,413,812
Other contributions	347,423	470,575	817,998
In-kind gifts revenue (Note 12)	714,392	-	714,392
Miscellaneous income	29,119	-	29,119
Change in value of beneficial interest	(203,631)	-	(203,631)
Net realized and unrealized losses on investments	(8,319,020)	(209,441)	(8,528,461)
Interest and dividend income - Net of investment fees	2,739,051	61,662	2,800,713
Net assets released from restrictions	4,744,562	(4,744,562)	-
Total noncampaign support and revenue	27,113,448	(1,126,149)	25,987,299
Total public support and revenue	51,179,373	3,521,035	54,700,408
Expenses			
Program services:			
Gross grants to community impact partners	48,037,492	-	48,037,492
Less donor designations	(7,569,967)	-	(7,569,967)
Net funds awarded	40,467,525	-	40,467,525
Other program services	19,909,791	-	19,909,791
Total program services	60,377,316	-	60,377,316
Support services:			
Management and general	5,046,248	-	5,046,248
Fundraising	5,218,282	-	5,218,282
Unallocated state and national dues	1,011,235	-	1,011,235
Total expenses	71,653,081	-	71,653,081
(Decrease) Increase in Net Assets	(20,473,708)	3,521,035	(16,952,673)
Net Assets - Beginning of period	53,919,682	12,111,021	66,030,703
Net Assets - End of period	\$ 33,445,974	\$ 15,632,056	\$ 49,078,030

Statement of Functional Expenses

Fifteen-month Period Ended September 30, 2022

	Support Services					Total
	Program Services	Management and General	Fundraising	Unallocated State and National Dues	Total	
Gross grants to community impact partners	\$ 48,037,492	\$ -	\$ -	\$ -	\$ -	\$ 48,037,492
Less donor designations	(7,569,967)	-	-	-	-	(7,569,967)
Net allocations/awards	40,467,525	-	-	-	-	40,467,525
Salaries	10,884,417	2,792,155	2,608,671	-	5,400,826	16,285,243
Employee benefits	1,750,242	429,116	389,815	-	818,931	2,569,173
Payroll taxes and insurance	868,902	214,366	204,881	-	419,247	1,288,149
Total salaries and related expenses	13,503,561	3,435,637	3,203,367	-	6,639,004	20,142,565
Professional fees and contract services	3,234,865	917,899	1,014,323	-	1,932,222	5,167,087
Occupancy	950,949	168,084	167,059	-	335,143	1,286,092
Dues	6,418	12,122	3,455	1,011,235	1,026,812	1,033,230
Equipment expenses	366,783	77,633	290,746	-	368,379	735,162
Printing and publications	504,656	147,273	79,707	-	226,980	731,636
In-kind expenses	573,753	32,555	108,084	-	140,639	714,392
Meeting and event cost	132,140	88,559	194,105	-	282,664	414,804
Depreciation	228,095	40,070	40,071	-	80,141	308,236
Communication	183,467	11,997	59,985	-	71,982	255,449
Insurance	60,518	43,421	31,602	-	75,023	135,541
Miscellaneous	55,733	54,804	22,401	-	77,205	132,938
Supplies	108,853	16,194	3,377	-	19,571	128,424
Total functional expenses	\$ 60,377,316	\$ 5,046,248	\$ 5,218,282	\$ 1,011,235	\$ 11,275,765	\$ 71,653,081

Statement of Cash Flows

Fifteen-month Period Ended September 30, 2022

Cash Flows from Operating Activities

Decrease in net assets	\$ (16,952,673)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	308,236
Realized and unrealized losses on investments	8,528,461
Change in value of beneficial interest	203,631
Provision for uncollectible pledges	1,660,043
Changes in operating assets and liabilities that provided (used) cash:	
Pledges receivable	1,243,142
Grants and other receivable	949,051
Prepaid expenses and other assets	(88,418)
Accounts payable and accrued liabilities	(719,469)
Undistributed grants to community impact partners	(3,883,128)
Undistributed donor designations	(4,545,974)
Refundable advances	<u>1,413,512</u>
Net cash used in operating activities	(11,883,586)

Cash Flows from Investing Activities

Purchases of capital assets	(68,033)
Purchases of investments	(56,049,738)
Proceeds from sales of investments	57,786,785
Distributions from beneficial interest	<u>58,817</u>
Net cash provided by investing activities	<u>1,727,831</u>

Net Decrease in Cash

(10,155,755)

Cash - Beginning of period

18,001,943

Cash - End of period

\$ 7,846,188

September 30, 2022

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. During 2022, the fiscal year end of the Organization changed from June 30 to September 30. Accordingly, the current financial statements are presented for the 15-month period from July 1, 2021 through September 30, 2022.

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.

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 9).

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, 2022, federal grants awarded but not yet spent totaled \$1,927,577. Grants received determined to be conditional contributions are recognized as revenue when services are provided (i.e., as barriers are overcome). Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the contribution is received are both reported as contributions without donor restrictions.

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 \$15.1 million of gross revenue for the 15-month period ended September 30, 2022 and \$4.2 million of gross pledges receivable at September 30, 2022. 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.

Note 2 - Significant Accounting Policies (Continued)

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

During the 15-month period ended September 30, 2022, in-kind gifts revenue largely relates to the Organization's COVID-19 response, including donations of personal protective equipment and media airtime for vaccination efforts. In addition, 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.

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).

September 30, 2022

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

For the 15-month period ended September 30, 2022, UWSEM adopted Financial Accounting Standards Board Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets. It also adds disclosure requirements for contributed nonfinancial assets, including qualitative information such as whether the contribution was monetized or utilized, how it was utilized, the Organization's policy for monetizing vs. utilizing, a description of any donor-imposed restrictions, and a description of how the fair value was determined.

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. 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. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for UWSEM's year ending September 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the year of adoption. Upon adoption of the new standard, UWSEM expects to record long-term assets and lease liabilities of approximately \$13 million. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 3, 2023, which is the date the financial statements were available to be issued.

September 30, 2022

Note 3 - Liquidity and Availability of Resources

The Organization's financial assets available within one year of September 30, 2022 for general expenditures are as follows:

Cash	\$ 7,846,188
Investments	46,506,387
Pledges receivable - Net of allowance	6,560,703
Grants and other receivables	3,735,865
Beneficial interest	<u>1,161,629</u>
Financial assets - At year end	65,810,772
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Long-term portion of pledges receivable	250,000
Restricted by Community Foundation of Southeastern Michigan	1,161,629
Restricted by donors with purpose restrictions	14,184,050
Restricted by donors for endowment	790,515
Undistributed grants to community impact partners	8,022,689
Undistributed donor designations	<u>3,017,084</u>
Total amounts unavailable for general expenditure within one year	27,425,967
Board designations:	
Board designated for emergency and stabilization	4,159,401
Board designated for quasi endowment	<u>20,616,589</u>
Total amounts unavailable to management without board's approval	<u>24,775,990</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 13,608,815</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, 2023, the board has authorized \$980,000 from the emergency and stabilization fund and \$782,000 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, 2022

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, 2022 and the valuation techniques used by UWSEM to determine those fair values.

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2022			
	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, 2022
Assets				
Investments:				
Money market funds and certificates of deposit	\$ 3,647,856	\$ -	\$ -	\$ 3,647,856
Mutual funds - Equity	11,102,266	-	-	11,102,266
Mutual funds - Debt	9,254,776	-	-	9,254,776
Commercial paper - Foreign	-	2,078,083	-	2,078,083
Commercial paper - Domestic	-	1,892,399	-	1,892,399
Corporate bonds	-	13,642,875	-	13,642,875
Foreign bonds	-	2,977,357	-	2,977,357
Collective trust fund - Measured at net asset value				1,790,054
Total investments	24,004,898	20,590,714	-	46,385,666
Beneficial interest	-	-	1,161,629	1,161,629
Total assets	<u>\$ 24,004,898</u>	<u>\$ 20,590,714</u>	<u>\$ 1,161,629</u>	<u>\$ 47,547,295</u>

As of September 30, 2022, the investments balance on the statement of financial position includes \$120,721 in cash and accrued interest which is not included in the table above.

The fair value of commercial paper and bonds at September 30, 2022 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 of 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.

Note 4 - Fair Value Measurements (Continued)

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.

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, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Collective trust fund	\$ 1,790,054	\$ -	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, 2022. 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, 2022 consist of pledges receivable and grants receivable.

Included in pledges receivable are unconditional promises to give generated from the annual campaign.

Pledges receivable are expected to be collected as follows:

Gross promises to give	\$ 8,658,601
Less allowance for uncollectible pledges	<u>(2,097,898)</u>
Net pledges receivable	<u>\$ 6,560,703</u>
Amounts due in:	
Less than one year	\$ 8,408,601
One to five years	<u>250,000</u>
Total	<u>\$ 8,658,601</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	\$ 128,223
Promises to give - Grants	3,235,966
Other receivables	<u>371,676</u>
Grants and other receivables	<u>\$ 3,735,865</u>

September 30, 2022

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 the 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 \$1,161,629 as of September 30, 2022 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.

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 \$10,000 at September 30, 2022. 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 - Capital Assets

The cost of capital assets is summarized as follows:

Leasehold improvements	\$ 300,324
Furniture and equipment	1,949,217
	<hr/>
Total cost	2,249,541
Accumulated depreciation	1,800,752
	<hr/>
Net property and equipment	<u>\$ 448,789</u>

Depreciation expense for the 15-month period ended September 30, 2022 was \$308,236.

Note 8 - Undistributed Grants to Community Impact Partners

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

The following summarizes the changes in undistributed grants to community impact partners:

Undistributed grants to community impact partners - As of July 1, 2021	\$ 11,905,816
Grants approved	14,686,746
Payments made	<u>(18,569,873)</u>
Undistributed grants to community impact partners - As of September 30, 2022	<u>\$ 8,022,689</u>

Undistributed grants to community impact partners at September 30, 2022 are scheduled for payment in 2023.

Note 9 - Board-designated Net Assets

Board-designated net assets at September 30, 2022 consist of the following:

Board-designated net assets:	
Emergency and stabilization	\$ 5,139,401
Funds functioning as endowment (Note 11)	21,398,589
	<hr/>
Total	<u>\$ 26,537,990</u>

September 30, 2022

Note 9 - Board-designated Net Assets (Continued)

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. A recent example of utilization of this fund was in March 2020, the Organization approved \$2,000,000 to seed a COVID-19 fund. The original goal to raise \$10,000,000 was surpassed, with total contributions exceeding \$36,000,000, which was ultimately passed through to other grant partners.

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. Treasuries, commercial paper, bank obligations, corporate bonds, taxable municipal securities, and money market funds.

The table below summarizes the account activity. Investment losses incurred during the 15-month period ended September 30, 2022 related primarily to unrealized losses on bonds held during a period of rising interest rates. It is UWSEM's intention to hold these bonds to maturity.

Beginning of period	\$ 4,338,668
Investment income	69,223
Unrealized loss on investments	(168,490)
Transfer from board-designated endowment	642,000
Transfer from operations	258,000
	<u>5,139,401</u>
End of period	<u>\$ 5,139,401</u>

Note 10 - 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	\$ 6,374,523
Economic mobility and family finances	2,094,427
Ride United	1,615,821
Early childhood	1,502,630
Education	1,449,659
Basic needs and other	1,176,952
Community information exchange	302,529
	<u>14,516,541</u>
Total subject to expenditures for a specified purpose	14,516,541
Subject to the passage of time - Pledges receivable for future operations	325,000
Subject to the Organization's spending policy and appropriation - Endowment:	
Original donor corpus	787,855
Accumulated endowment earnings	2,660
	<u>790,515</u>
Total subject to the Organization's spending policy and appropriation - Endowment	790,515
Total	<u>\$ 15,632,056</u>

Note 11 - 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.

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

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
- The investment policies of UWSEM

Endowment Net Asset Composition by Type of Fund
as of September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 790,515	\$ 790,515
Board-designated endowment funds	21,398,589	-	21,398,589
Total	<u>\$ 21,398,589</u>	<u>\$ 790,515</u>	<u>\$ 22,189,104</u>

Changes in Endowment Net Assets for the Fifteen-
month Period Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of period	\$ 28,347,775	\$ 790,515	\$ 29,138,290
Investment return:			
Investment income	2,207,591	61,662	2,269,253
Net depreciation (realized and unrealized)	(7,201,998)	(209,441)	(7,411,439)
Total investment return	(4,994,407)	(147,779)	(5,142,186)
Appropriation of endowment assets for expenditure	(1,165,000)	-	(1,165,000)
Transfer to emergency and stabilization	(642,000)	-	(642,000)
Other changes	(147,779)	147,779	-
Endowment net assets - End of period	<u>\$ 21,398,589</u>	<u>\$ 790,515</u>	<u>\$ 22,189,104</u>

September 30, 2022

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

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.

Note 12 - In-kind Gifts Revenue

In-kind donations recognized by UWSEM for the 15-month period ended September 30, 2022 are:

Advertising	\$ 518,822
Computers	162,383
Sanitizer	31,837
Other	<u>1,350</u>
Total in-kind donations	<u><u>\$ 714,392</u></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.

Donated sanitizer was valued based on the purchase price available from online retailers. UWSEM distributed the sanitizer to a local school district.

None of the in-kind donations received during the 15-month period ended September 30, 2022 were subject to donor-imposed restrictions other than the computers, which were restricted by the donor for distribution to schools in need of equipment.

September 30, 2022

Note 13 - Postretirement Benefit Plan

As a result of the merger of UWOC and United Way Community Services in 2005, UWSEM assumed a UWOC defined benefit plan covering substantially all former full-time UWOC employees. Benefits were based on years of service and the employee's compensation during the final year of employment. Plan benefit accruals were frozen effective April 30, 2006. The plan was amended effective October 15, 2021 to initiate termination of the plan. As part of the plan termination, participants were offered a lump-sum payment or an annuity benefit. Lump-sum termination elections were available through January 21, 2022 and were calculated as of February 1, 2022. The liability for remaining annuity payments was transferred to an insurance company, and the plan was terminated effective April 25, 2022.

The net periodic benefit cost and effect of plan termination for the 15-month period ended September 30, 2022 was a net loss of \$109,131, which is included in employee benefits expense on the statement of functional expenses.

Changes in the benefit obligation and plan assets were as follows for the 15-month period ended September 30, 2022:

Change in Benefit Obligation	
Benefit obligation - Beginning of period	\$ 1,126,208
Periodic benefit cost and effect of termination	151,226
Expense charges	(4,239)
Annuities purchased and benefits paid	<u>(1,273,195)</u>
Benefit obligation - End of period	<u><u>\$ -</u></u>
 Change in Plan Assets	
Fair value of plan assets - Beginning of period	\$ 990,206
Actual return on plan assets	42,095
Employer contributions	256,900
Annuities purchased and benefits paid	(1,273,195)
Expenses paid	(4,239)
Reverted to employer	<u>(11,767)</u>
Fair value of plan assets - End of period	<u><u>\$ -</u></u>

Note 14 - Operating Leases

UWSEM leases its main administrative headquarters under an 11-year noncancelable operating lease expiring in March 2030. Additionally, UWSEM leases various office equipment under leases that expire in September 2024 and January 2025.

The following is a schedule of the future minimum rental payments for the above noncontingent leases for fiscal years ending September 30:

2023	\$ 1,044,942
2024	1,044,942
2025	1,018,331
2026	1,016,664
2027	1,016,664
Thereafter	<u>2,456,938</u>
Total	<u><u>\$ 7,598,481</u></u>

Total rent expense on noncontingent lease agreements was approximately \$1,306,177 for the 15-month period ended September 30, 2022.

September 30, 2022

Note 15 - 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 \$311,859 for the 15-month period ended September 30, 2022.

Note 16 - Related Party Transactions

Related party expenses include payments to entities that are affiliated with UWSEM board members of approximately \$11,100,000 during the 15-month period ended September 30, 2022. Included within accounts payable were payments due to affiliated agencies of approximately \$288,000 as of September 30, 2022. Payments totaling approximately \$10,100,000 made during the 15-month period ended September 30, 2022 related to contracted services to support UWSEM's mission. All other amounts related to health insurance, legal, consulting, and advertising 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 \$4,000 during the 15-month period ended September 30, 2022. Included within liabilities were payments due to the agencies of approximately \$20,000 as of September 30, 2022. 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 \$16,400,000 for the 15-month period ended September 30, 2022.

Note 17 - 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, 2023.

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.