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# Heart of West Michigan United Way

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**Financial Report  
with Additional Information  
June 30, 2023**

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## Independent Auditor's Report

To the Board of Directors  
Heart of West Michigan United Way

### Report on the Audits of the Financial Statements

#### **Opinion**

We have audited the financial statements of Heart of West Michigan United Way (the "Organization"), which comprise the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the Organization'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 Audits 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 audits 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  
Heart of West Michigan United Way

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



September 6, 2023

Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 1,607,893	\$ 2,362,788
Investments (Notes 4 and 8)	20,124,318	18,977,740
Receivables - Net of allowances:		
Pledges receivable (Note 3)	2,768,623	2,862,188
Grants receivable	1,244,406	598,835
Other accounts receivable	328,624	521,234
Subrecipient advances	108,834	4,462,036
Beneficial interest in assets held by foundations and trusts (Notes 7 and 8)	1,758,730	1,747,270
Prepaid expenses and other assets	142,460	133,124
Property and equipment - Net (Note 5)	2,187,868	2,264,052
	<b>\$ 30,271,756</b>	<b>\$ 33,929,267</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 171,318	\$ 46,914
Other accrued liabilities	371,690	482,131
Grants payable	484,721	455,540
Due to designated agencies - Net of allowance for uncollectible pledges of \$64,875 and \$111,386 in 2023 and 2022, respectively	843,523	821,443
Allocations payable	-	985,500
Refundable advance	197,437	5,322,690
	<b>2,068,689</b>	<b>8,114,218</b>
<b>Net Assets</b>		
Without donor restrictions	8,557,112	8,236,323
With donor restrictions (Note 6)	19,645,955	17,578,726
	<b>28,203,067</b>	<b>25,815,049</b>
	<b>\$ 30,271,756</b>	<b>\$ 33,929,267</b>

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Campaign net assets released from restrictions	\$ 4,831,375	\$ (4,831,375)	\$ -	\$ 5,402,962	\$ (5,402,962)	\$ -
2023/2022 campaign revenue for next year's expenses	-	457,900	457,900	-	211,657	211,657
2022/2021 campaign revenue for next year's expenses	-	6,589,509	6,589,509	-	7,227,884	7,227,884
Less donor designations	(325,513)	(1,297,496)	(1,623,009)	-	(1,901,258)	(1,901,258)
Less allowance for uncollectible pledges	-	(339,265)	(339,265)	-	(319,975)	(319,975)
Contributions adjustments and recoveries from prior campaigns	620,599	-	620,599	96,076	-	96,076
<b>Total campaign revenue</b>	<b>5,126,461</b>	<b>579,273</b>	<b>5,705,734</b>	<b>5,499,038</b>	<b>(184,654)</b>	<b>5,314,384</b>
Administration fees earned on designations	83,598	-	83,598	93,279	-	93,279
Net investment income (loss)	433,360	799,605	1,232,965	(788,285)	(1,287,754)	(2,076,039)
Change in beneficial interest in assets held by foundations and trusts	68,631	15,423	84,054	94,097	(234,682)	(140,585)
Noncampaign contributions and miscellaneous income	232,381	325,465	557,846	63,791	442,518	506,309
Grants	-	10,143,826	10,143,826	1,652	46,809,712	46,811,364
2-1-1 revenue and miscellaneous contract revenue	1,824,168	1,594	1,825,762	992,605	-	992,605
Gift-in-kind contribution	104,569	-	104,569	56,337	-	56,337
Other net assets released from restrictions	9,797,957	(9,797,957)	-	47,754,504	(47,754,504)	-
<b>Total revenue and support</b>	<b>17,671,125</b>	<b>2,067,229</b>	<b>19,738,354</b>	<b>53,767,018</b>	<b>(2,209,364)</b>	<b>51,557,654</b>
<b>Expenses</b>						
Program services:						
Community services	4,988,042	-	4,988,042	4,734,659	-	4,734,659
Agency impact	723,198	-	723,198	730,871	-	730,871
COVID-19 Emergency Rental Assistance (CERA)	6,829,433	-	6,829,433	43,699,532	-	43,699,532
Partner agency allocations	2,582,991	-	2,582,991	3,222,009	-	3,222,009
<b>Total program services</b>	<b>15,123,664</b>	<b>-</b>	<b>15,123,664</b>	<b>52,387,071</b>	<b>-</b>	<b>52,387,071</b>
Support services:						
Administration	893,038	-	893,038	971,520	-	971,520
Resource development and marketing	1,333,634	-	1,333,634	1,263,859	-	1,263,859
<b>Total expenses</b>	<b>17,350,336</b>	<b>-</b>	<b>17,350,336</b>	<b>54,622,450</b>	<b>-</b>	<b>54,622,450</b>
<b>Increase (Decrease) in Net Assets</b>	<b>320,789</b>	<b>2,067,229</b>	<b>2,388,018</b>	<b>(855,432)</b>	<b>(2,209,364)</b>	<b>(3,064,796)</b>
<b>Net Assets - Beginning of year</b>	<b>8,236,323</b>	<b>17,578,726</b>	<b>25,815,049</b>	<b>9,091,755</b>	<b>19,788,090</b>	<b>28,879,845</b>
<b>Net Assets - End of year</b>	<b>\$ 8,557,112</b>	<b>\$ 19,645,955</b>	<b>\$ 28,203,067</b>	<b>\$ 8,236,323</b>	<b>\$ 17,578,726</b>	<b>\$ 25,815,049</b>

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Support Services		Total
	Partner Agency Allocation	Community Services	Agency Impact	CERA	Administration	Resource Development and Marketing	
Salaries	\$ -	\$ 1,650,279	\$ 430,426	\$ 20,717	\$ 539,971	\$ 795,123	\$ 3,436,516
Employee benefits	-	346,323	97,008	4,693	132,300	143,440	723,764
Payroll taxes and insurance	-	128,101	31,937	1,786	36,418	60,821	259,063
Contract staff	-	680,943	13,449	-	-	11,857	706,249
<b>Total salaries and related expenses</b>	<b>-</b>	<b>2,805,646</b>	<b>572,820</b>	<b>27,196</b>	<b>708,689</b>	<b>1,011,241</b>	<b>5,125,592</b>
Allocations and grants	2,582,991	810,425	-	6,269,890	-	-	9,663,306
Professional fees	-	575,101	53,286	526,186	84,151	143,286	1,382,010
General and promotional expenses	-	137,357	17,246	85	10,181	66,224	231,093
Occupancy	-	115,600	22,980	2,338	35,529	30,404	206,851
Equipment expense	-	41,678	1,065	113	887	1,932	45,675
Special events	-	157,268	2,035	-	587	15,954	175,844
Conferences and meetings	-	69,256	8,718	1,681	17,921	8,991	106,567
Membership dues	-	20,034	4,859	-	9,663	6,534	41,090
United Way of America dues	-	74,735	17,185	-	10,256	23,765	125,941
Donated expenses	-	104,569	-	-	-	-	104,569
Miscellaneous	-	2,463	5,034	33	211	453	8,194
Depreciation	-	73,910	17,970	1,911	14,963	24,850	133,604
<b>Total functional expenses</b>	<b>\$ 2,582,991</b>	<b>\$ 4,988,042</b>	<b>\$ 723,198</b>	<b>\$ 6,829,433</b>	<b>\$ 893,038</b>	<b>\$ 1,333,634</b>	<b>\$ 17,350,336</b>

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Support Services		Total
	Partner Agency Allocation	Community Services	Agency Impact	CERA	Administration	Resource Development and Marketing	
Salaries	\$ -	\$ 1,361,845	\$ 403,644	\$ 52,099	\$ 515,597	\$ 679,098	\$ 3,012,283
Employee benefits	-	322,597	85,953	9,791	130,682	140,366	689,389
Payroll taxes and insurance	-	101,865	29,023	3,754	46,000	52,220	232,862
Contract staff	-	304,901	963	-	61,355	12,779	379,998
<b>Total salaries and related expenses</b>	<b>-</b>	<b>2,091,208</b>	<b>519,583</b>	<b>65,644</b>	<b>753,634</b>	<b>884,463</b>	<b>4,314,532</b>
Allocations and grants	3,222,009	1,547,393	142,079	42,069,758	-	-	46,981,239
Professional fees	-	419,010	15,390	1,539,429	104,706	222,817	2,301,352
Supplies	-	5,837	53	-	415	397	6,702
Telephone	-	13,243	632	-	1,502	2,161	17,538
Postage and shipping	-	1,825	241	-	1,582	3,306	6,954
Occupancy	-	50,639	6,367	-	17,179	21,754	95,939
Equipment	-	24,047	347	-	823	1,184	26,401
Printing and publications	-	119,247	923	12,437	7,249	34,308	174,164
Out-of-town meetings	-	14,628	69	-	5,295	2,612	22,604
Local meetings	-	94,804	12,868	-	3,313	8,542	119,527
Membership dues	-	1,981	275	-	4,784	438	7,478
United Way of America dues	-	94,786	12,804	-	30,410	39,836	177,836
Donated media expenses	-	49,352	6,985	-	-	-	56,337
Miscellaneous	-	137,385	2,494	12,264	17,446	8,691	178,280
Depreciation	-	69,274	9,761	-	23,182	33,350	135,567
<b>Total functional expenses</b>	<b>\$ 3,222,009</b>	<b>\$ 4,734,659</b>	<b>\$ 730,871</b>	<b>\$ 43,699,532</b>	<b>\$ 971,520</b>	<b>\$ 1,263,859</b>	<b>\$ 54,622,450</b>



Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 2,388,018	\$ (3,064,796)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	133,604	135,567
Bad debt expense	264,134	302,900
Net realized and unrealized (gain) loss on investments	(807,460)	2,530,267
Net change in beneficial interest in assets held by foundations and trusts	(84,054)	140,585
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Pledges receivable	(170,569)	305,273
Grants receivable	(645,571)	300,499
Other receivables	192,610	(284,753)
Prepaid expenses and other assets	(9,336)	76,067
Accounts payable and other accrued liabilities	13,963	(498,033)
Grants and allocations payable	(956,319)	(180,055)
Due to designated agencies	22,080	(455,688)
Subrecipient advances	4,353,202	635,163
Refundable advance	(5,125,253)	(18,731)
Net cash and cash equivalents used in operating activities	(430,951)	(75,735)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(57,420)	(38,155)
Proceeds from sales and investments	8,777,411	8,487,585
Purchases of investments	(9,116,529)	(8,749,858)
Distributions from beneficial interest in assets held by foundations and trusts	72,594	71,940
Net cash and cash equivalents used in investing activities	(323,944)	(228,488)
<b>Net Decrease in Cash and Cash Equivalents</b>	(754,895)	(304,223)
<b>Cash and Cash Equivalents - Beginning of year</b>	2,362,788	2,667,011
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,607,893</b>	<b>\$ 2,362,788</b>

June 30, 2023 and 2022

### Note 1 - Nature of Business

Heart of West Michigan United Way (United Way or the "Organization") is a nonprofit corporation whose vision is to create a thriving community for all of Kent County, Michigan's residents. It unites community resources to invest in solutions that reduce poverty in western Michigan. To achieve this mission, the Organization has developed the following objectives:

- Energize and inspire people and organizations to make a difference through donations and volunteerism.
- Build relationships with local service agencies, community partners, organizations, and initiatives.
- Provide leadership in crafting human care agendas as a leader or as a member of a collaborative driving systemic change that eradicates inequities.
- Research, evaluate, measure, communicate, advocate, and learn from United Way's impact efforts.
- Reflect the diversity of the communities we serve.
- Sponsor services that support the human care network.

The Organization is an independent and autonomous organization governed by a volunteer board of directors.

### Note 2 - Significant Accounting Policies

#### *Method of Accounting*

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Organization are maintained on an accrual basis.

#### *Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### *Investments*

Investments are recorded at fair value. Investments received as donations are recorded at their fair value on the date of receipt. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities and changes in net assets. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Also included in investments are certificates of deposit in other financial institutions, which are carried at cost, except for the negotiated certificates of deposits, which are recorded at fair value. All certificates of deposit in other financial institutions had balances less than \$250,000 and, as such, were fully insured by the FDIC.

#### *Pledges Receivable*

Contributions generated in the annual fund drive are recorded as receivables in the year pledged. All pledges are expected to be collected by the end of the calendar year following the fall campaign. The pledges are reported net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management using a rolling average adjusted for economic conditions, which, for the years ended June 30, 2023 and 2022, approximated 6 percent. Additionally, campaign pledges are 100 percent allowed if the balance remains 12 months after the campaign has ended.

**Note 2 - Significant Accounting Policies (Continued)**

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

***Property and Equipment***

Property and equipment are recorded at cost or, if donated, at fair value on the date of the donation. Assets are depreciated on a straight-line basis over their estimated useful lives. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

***Grants Payable***

Grant funds are received under agreements that designate funds to specific beneficiary organizations. The agreements do not give the Organization variance power. These grants are agency transactions; therefore, revenue and expenses have not been recognized related to these grants. Grants payable are recorded when the agreements are approved, and this account is reduced when grants are made to the beneficiary organizations.

***Allocations Payable***

Allocations payable represent amounts approved for allocation for future years' grant payment cycles.

***Grant Refundable Advances and Subrecipient Advances***

During 2023 and 2022, the Organization received COVID-19 Emergency Relief funding through the Michigan State Housing Development Authority (MSHDA). The award granted the Organization funding to provide services per the grant agreement. The agreement has barriers that must be overcome for revenue recognition and represents a conditional grant. The Organization and its subrecipients had not spent the full pre-distribution funding as of June 30, 2023 and 2022. This resulted in a receivable from subrecipient advances in the amount of \$108,834 and \$4,462,036 for funding that the Organization had distributed and not spent on allowable expenses by the subrecipients as of June 30, 2023 and 2022, respectively. The Organization had a liability for refundable advances in the amount of \$197,437 and \$5,322,690 for amounts not fully expended by June 30, 2023 and 2022, respectively.

***Classification of Net Assets***

Net assets of the Organization are distinguished between contributions with donor-imposed restrictions and without donor-imposed restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor-imposed restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets of the Organization received from donors who have specified the purpose for which or the timing of when the funds are to be spent and related earnings, as restricted for the intended purpose of the original donation, result in net assets with donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, related net assets are released to net assets without donor-imposed restrictions.

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.

**Note 2 - Significant Accounting Policies (Continued)**

***Board-designated Net Assets***

Board-designated net assets are net assets without donor restrictions that are designated by the board of directors primarily for endowment growth, operating reserves, stabilization funding, and capital improvements. These designations are based on board actions, which can be altered or revoked at a future time by the board. As of June 30, 2023 and 2022, total board-designated net assets amounted to \$3,140,389 and \$3,081,071, respectively.

***Contributions***

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and are 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, 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 recipients under the contract.

Contributions without donor-imposed restrictions are recorded as support without donor-imposed restrictions. Other restricted gifts are reported as those with donor-imposed restrictions.

***Grants***

Grants received determined to be unconditional are reported as revenue when the promise to give is received. Grants received determined to be conditional contributions are recognized as revenue when services are provided (i.e., as barriers are overcome). Grant money received in excess of that earned is recorded as refundable advances on the statement of financial position. Grant revenue earned in excess of that received is recorded as grants receivable. There is no allowance for doubtful collections on grants receivable since it is the opinion of management that these receivables are fully collectible. As of June 30, 2023 and 2022, the Organization recorded \$108,834 and \$4,462,036, respectively, of subrecipient advances receivable, representing dollars disbursed to subrecipients in advance of the subrecipients overcoming barriers.

In addition, the Organization receives conditional promises to give that are not recognized as assets in the statement of financial position. As of June 30, 2023 and 2022, conditional promises to give total approximately \$673,000 and \$15,700,000, respectively, and will be recorded as revenue as the barriers within the grant agreements are overcome. The majority of the June 30, 2023 and 2022 conditional promise relates to Michigan State Housing Development Authority grant agreements. The barriers are mainly to spend dollars on eligible expenses.

***Designations to Agencies***

The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contribution revenue, and the related disbursements to specified agencies are excluded from allocations in the statement of activities and changes in net assets.

***Donated Services and Assets***

Donated materials and marketable securities are recorded at fair value at the date of gift. In 2023 and 2022, approximately \$38,000 and \$56,000, respectively, of donated media marketing from United Way Worldwide (UWW) was recorded within the statement of activities and changes in net assets. UWW manages several relationships that provide for donated airtime to run advertising that promotes the United States Network's shared mission on nationally broadcast television. UWW acts as an agent of the US Network of United Ways, and the local United Ways receive the benefit. The value of donated media is based on the NAB standards for valuation of market impressions.

**Note 2 - Significant Accounting Policies (Continued)**

During 2023, donated materials included donations of approximately \$67,000 in athletic shoes from Gazelle Sports for United Way's Volunteer Center, whose purpose is to connect resources to those in need. The shoes were distributed to schools in Kent County.

During both 2023 and 2022, a substantial number of volunteers donated significant amounts of time to the Organization's program services and its fundraising campaign. These volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

***Revenue Recognition***

The Organization has revenue from contract services. The Organization performs service obligations through taking phone calls for the state and other counties' 2-1-1 emergency telephone lines.

For contract services, the Organization has a performance obligation for telephone hotline services. The performance obligation is satisfied over time as the services are provided. The Organization utilizes the output method to measure services provided by utilizing time or quantities of services, such as hours of services provided or number of intake calls.

For the purpose of determining the transaction price, the Organization assumes that the services will be transferred to the customer as promised in accordance with existing terms and the contracts will not be canceled, renewed, or modified. The Organization's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

The Organization does not offer discounts if the customer pays some or all of an invoiced amount prior to the due date.

There are no contract liabilities associated with these contracts recorded as of June 30, 2023 and 2022. Other accounts receivable of approximately \$315,000 and \$238,000 are recorded as of June 30, 2023 and 2022, respectively. Other accounts receivable of approximately \$217,000 are recorded as of July 1, 2021.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs, including salaries and related expenses, have been allocated between the various program and support services primarily based on time and effort. Indirect costs are allocated based on estimates of time employees spend supporting the respective function. All other costs are charged directly to the functional area based on actual purpose. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Income Taxes***

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

***Concentration of Credit Risk***

The Organization maintains cash balances at two banks, and the accounts are insured up to \$250,000 per bank. At times during the year, cash balances may exceed FDIC insurance limits.

June 30, 2023 and 2022

**Note 2 - Significant Accounting Policies (Continued)*****Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including September 6, 2023, which is the date the financial statements were available to be issued.

**Note 3 - Pledges Receivable**

Pledges receivable consisted of unconditional promises to give at June 30 as follows:

	2023	2022
Campaign pledges for current and prior years	\$ 3,050,202	\$ 3,379,327
Campaign pledges for next year	100,000	350,030
Multiyear pledges	450,000	100,000
Less allowance for uncollectible contributions	(831,579)	(960,269)
Less present value discount	-	(6,900)
Net contributions receivable	<u>\$ 2,768,623</u>	<u>\$ 2,862,188</u>
Amounts due in:		
Less than one year	\$ 3,600,202	\$ 3,729,357
One to five years	-	100,000
Total	<u>\$ 3,600,202</u>	<u>\$ 3,829,357</u>

**Note 4 - Investments**

Investments consisted of the following at June 30:

	2023	2022
Cash and cash equivalents	\$ 605,450	\$ 484,047
Certificate of deposits - Negotiable	2,145,603	2,086,202
Certificate of deposits - Bank	500,000	-
Preferred stock	85,420	-
Bond funds	1,944,025	1,683,885
Equity funds	8,147,385	7,496,036
Commodity funds	37,582	90,482
U.S. government obligations	1,618,771	1,323,367
Municipal bonds	1,140,539	1,574,860
Corporate bonds	3,578,822	3,902,246
Alternative strategies	92,506	126,232
Real estate investments	228,215	210,383
Total	<u>\$ 20,124,318</u>	<u>\$ 18,977,740</u>

June 30, 2023 and 2022

**Note 4 - Investments (Continued)**

Net investment income (loss) reported on the statement of activities and changes in net assets for the years ended June 30 consists of the following:

	2023	2022
Interest income	\$ 461,823	\$ 493,455
Net realized gains	253,442	766,069
Net unrealized gains (losses)	554,018	(3,296,336)
Investment fees	(36,318)	(39,227)
Total	<u>\$ 1,232,965</u>	<u>\$ (2,076,039)</u>

**Note 5 - Property and Equipment**

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Land	\$ 453,326	\$ 453,326	-
Buildings	3,747,508	3,851,836	40
Building improvements	175,856	156,121	20
Furniture and fixtures	127,988	1,380,544	3 - 10
Computer equipment and software	25,000	25,000	-
Total cost	4,529,678	5,866,827	
Accumulated depreciation	2,341,810	3,602,775	
Net property and equipment	<u>\$ 2,187,868</u>	<u>\$ 2,264,052</u>	

Depreciation expense was \$133,604 and \$135,567 for the years ended June 30, 2023 and 2022, respectively.

**Note 6 - Net Assets with Donor-imposed Restrictions**

Net assets with donor-imposed restrictions at June 30, 2023 and 2022 are restricted for the following:

	2023	2022
Net campaign balance - Time restricted	\$ 3,553,390	\$ 3,050,913
Cumulative endowment earnings - Time restricted (Note 9)	2,262,148	1,875,760
Purpose restricted for Essential Needs Task Force	1,157,091	149,468
Purpose restricted for miscellaneous programs	-	166,625
Purpose restricted for Great Start Collaborative	202,204	270,981
Purpose restricted for Doulas of Color	157,479	361,416
Purpose restricted for Transformation Strategy	1,925,689	1,363,983
Purpose restricted for capacity building initiatives	3,323,151	3,290,200
Endowment corpus to be held in perpetuity (Note 9)	5,644,537	5,644,537
Sackner Foundation beneficial interest held in perpetuity (Note 7)	1,420,266	1,404,843
Total net assets with donor-imposed restrictions	<u>\$ 19,645,955</u>	<u>\$ 17,578,726</u>

**Note 7 - Beneficial Interest in Assets Held by Foundations and Trusts**

Certain funds donated by outside donors for the benefit of the Organization are held and managed by third parties. The Organization has accounted for the transfer of such assets as a beneficial interest in funds held by other foundations. An asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization.

June 30, 2023 and 2022

**Note 7 - Beneficial Interest in Assets Held by Foundations and Trusts (Continued)**

Beneficial interest in assets held by foundations includes United Way's interest in The Wade E. and Viola Sackner Foundation (the "Sackner Foundation"). The Sackner Foundation annually distributes a percentage of the net income to various agencies, including the Organization. The Organization's beneficial interest in assets held by the Sackner Foundation was \$1,420,266 and \$1,404,843 at June 30, 2023 and 2022, respectively. There was approximately \$72,600 and \$72,000 of distributions recorded during 2023 and 2022, respectively.

Beneficial interest in assets held by foundations include the Grand Rapids Community Foundation (GRCF) as an endowment established for the benefit of the Organization. The endowment agreement permits GRCF to substitute another beneficiary in the place of the Organization in the event the Organization ceases to exist or for other various reasons in accordance with GRCF's bylaws. Distributions of the spendable income are made to the Organization upon written request. The Organization's beneficial interest in assets held by GRCF was \$312,132 and \$316,481 at June 30, 2023 and 2022, respectively. There were no distribution amounts during the years ended June 30, 2023 and 2022.

The Organization has an endowment fund that is administered by GRCF for the benefit of the Organization. The Organization does not control the fund at GRCF because GRCF maintains variance power and legal ownership by the agreement. Therefore, the Organization does not record an asset representing the fair value of the fund at year end. The value of the fund as of June 30, 2023 and 2022 was \$270,817 and \$312,278, respectively.

Beneficial interest in assets held by trusts includes the Organization's interest in the trust asset of the Peter VanWingen Irrevocable Trust. The provisions of the trust are that the income will be paid out to the designated beneficiaries over the life of the trust. Distributions of the earnings are paid to the various agencies, including the Organization. The Organization's beneficial interest in assets held by the trust was \$26,332 and \$25,946 at June 30, 2023 and 2022, respectively. Amounts received from the trust totaled approximately \$0 and \$1,400 during the years ended June 30, 2023 and 2022, respectively.

**Note 8 - 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 the Organization 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.

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. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.



## Notes to Financial Statements

June 30, 2023 and 2022

## Note 8 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 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 June 30, 2023
Investments:				
Negotiable certificates of deposit	\$ -	\$ 2,145,603	\$ -	\$ 2,145,603
Preferred stock	85,420	-	-	85,420
Mutual funds:				
Domestic stock - Small cap	401,907	-	-	401,907
Domestic stock - Large cap	3,353,585	-	-	3,353,585
Bonds	1,944,025	-	-	1,944,025
International stock - Developed markets	1,188,738	-	-	1,188,738
International stock - Emerging markets	550,176	-	-	550,176
Commodity	37,582	-	-	37,582
Exchange-traded funds:				
International stock - Emerging markets	387,513	-	-	387,513
International stock - Developed markets	397,886	-	-	397,886
Domestic stock - Small cap	244,242	-	-	244,242
Domestic stock - Mid cap	323,189	-	-	323,189
Domestic stock - Large cap	1,300,149	-	-	1,300,149
Real estate investments	228,215	-	-	228,215
Alternative strategies	92,506	-	-	92,506
Bonds:				
Short term	-	1,140,301	-	1,140,301
Intermediate term	-	5,197,831	-	5,197,831
Beneficial interest in assets held by others	-	-	1,758,730	1,758,730
Total assets	\$ 10,535,133	\$ 8,483,735	\$ 1,758,730	\$ 20,777,598

June 30, 2023 and 2022

## Note 8 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 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 June 30, 2022
Investments:				
Certificates of deposit	\$ -	\$ 2,086,202	\$ -	\$ 2,086,202
Mutual funds:				
Domestic stock - Small cap	169,524	-	-	169,524
Domestic stock - Mid cap	177,613	-	-	177,613
Domestic stock - Large cap	3,144,302	-	-	3,144,302
Bonds	1,683,885	-	-	1,683,885
International stock - Developed markets	1,201,586	-	-	1,201,586
International stock - Emerging markets	540,381	-	-	540,381
Equity-related strategy	35,303	-	-	35,303
Commodity	90,482	-	-	90,482
Exchange-traded funds:				
International stock - Emerging markets	335,595	-	-	335,595
International stock - Developed markets	330,725	-	-	330,725
Domestic stock - Small cap	224,464	-	-	224,464
Domestic stock - Mid cap	277,811	-	-	277,811
Domestic stock - Large cap	1,058,732	-	-	1,058,732
Real estate investments	210,383	-	-	210,383
Alternative strategies	126,232	-	-	126,232
Bonds:				
Short term	-	923,625	-	923,625
Intermediate term	-	5,876,848	-	5,876,848
Beneficial interest in assets held by others	-	-	1,747,270	1,747,270
Total assets	<u>\$ 9,607,018</u>	<u>\$ 8,886,675</u>	<u>\$ 1,747,270</u>	<u>\$ 20,240,963</u>

As of June 30, 2023 and 2022, \$605,450 and \$484,047, respectively, of cash and cash equivalents is recorded at cost and, therefore, is not included within the fair value table above. As of June 30, 2023, the Organization had \$500,000 of certificate deposits in other financial institutions recorded at cost plus accrued interest and, therefore, are not included within the fair value table above.

The fair value of the certificates of deposit and corporate bonds at June 30, 2023 and 2022 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

The Organization holds a beneficial interest in the assets of other foundations, which was determined primarily based on Level 3 inputs. The Organization estimated the fair value of these investments based on the underlying value of the investments making up the investment pool. These investments include fixed-income, equity, and alternative investments.

Income from other foundations, which consists substantially of interest, dividends, and realized gains, is to be used for volunteer center purposes. The Organization has recorded an asset in the amount of the present value of future benefits, which approximates the fair value of the future other foundations' pooled investments. Annually, a percentage of the principal balance in the account becomes available to the Organization. Significant increase or decrease in any of the inputs would result in significantly lower or higher fair value measurements.

**Note 9 - Donor-restricted and Board-designated Endowments**

The Organization'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 endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of directors of the Organization 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, the Organization classifies as net assets with donor-imposed restrictions in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor-imposed restrictions in perpetuity is classified as net assets with donor-imposed time or purpose restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 the Organization 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 the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 200,000	\$ -	\$ 200,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	5,644,537	5,644,537
Accumulated investment earnings	(21,876)	2,262,148	2,240,272
Total	\$ 178,124	\$ 7,906,685	\$ 8,084,809

Notes to Financial Statements

June 30, 2023 and 2022

**Note 9 - Donor-restricted and Board-designated Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 169,652	\$ 7,520,297	\$ 7,689,949
Investment return:			
Investment income	3,598	157,132	160,730
Net appreciation (realized and unrealized)	13,863	608,673	622,536
Total investment return	17,461	765,805	783,266
Appropriation of endowment assets for expenditure	(8,989)	(379,417)	(388,406)
Endowment net assets - End of year	<u>\$ 178,124</u>	<u>\$ 7,906,685</u>	<u>\$ 8,084,809</u>

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 200,000	\$ -	\$ 200,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	5,644,537	5,644,537
Accumulated investment earnings	(30,348)	1,875,760	1,845,412
Total	<u>\$ 169,652</u>	<u>\$ 7,520,297</u>	<u>\$ 7,689,949</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 205,296	\$ 9,010,546	\$ 9,215,842
Investment return:			
Investment income	5,445	226,753	232,198
Net depreciation (realized and unrealized)	(32,588)	(1,358,543)	(1,391,131)
Total investment return	(27,143)	(1,131,790)	(1,158,933)
Appropriation of endowment assets for expenditure	(8,501)	(358,459)	(366,960)
Endowment net assets - End of year	<u>\$ 169,652</u>	<u>\$ 7,520,297</u>	<u>\$ 7,689,949</u>

The primary objective of the investments of the endowment funds is to provide for the long-term growth of principal and income without undue exposure to risk to enable United Way to support its operations and activities on a continuing and reasonable consistent basis. Therefore, the focus is on consistent long-term capital appreciation, with income generation as a secondary consideration. Moreover, emphasis is placed on maintaining real growth of assets, net of inflation, expenses, and fees. Liquidity of investments shall be contingent upon the annual distribution of spendable funds requirement.

June 30, 2023 and 2022

**Note 9 - Donor-restricted and Board-designated Endowments (Continued)**

The board of directors has the ability, subject to restrictions by the donor, to distribute annually sufficient funds to meet the supplemental operations needs of United Way or its agencies. Distributions from the endowment fund will be made only to the extent that distributions do not exceed 7.0 percent of the net assets with donor-imposed restrictions held in perpetuity of the fund. The goal is a distribution rate of 5.0 percent with board discretion to increase to a maximum of 7.0 percent or decrease to a minimum of 4.0 percent for unusual circumstances. This distribution amount will be calculated based upon the trailing 14 quarters ending on December 31 of the prior fiscal year.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

**Note 10 - Retirement Plan**

The Organization participates in a defined contribution retirement plan for the benefit of substantially all full-time professional and support staff. The Organization contributes a matching contribution each month and a discretionary annual contribution. Total organization contributions charged to retirement costs in 2023 and 2022 were approximately \$160,000 and \$140,000, respectively.

**Note 11 - Commitments**

As part of the annual allocation process, United Way has committed approximately \$2,600,000 to various agencies in western Michigan during the 12-month period beginning on July 1, 2023.

**Note 12 - Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2023	2022
Financial assets - At year end	\$ 27,941,428	\$ 31,532,091
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	7,606,129	6,798,512
Restricted by donors in perpetuity	5,644,537	5,644,537
Beneficial interests held in trust	1,758,730	1,747,270
Subrecipient advances	108,834	4,462,036
Agency allocations	-	985,500
Accumulated endowment earnings subject to appropriation, less board-approved draw for general expenditures	1,791,148	1,384,412
Board designations:		
Endowment	178,124	169,652
Amounts set aside for operating reserve and stability funding	2,067,745	2,067,745
Amounts set aside for capital improvements	894,520	843,674
	\$ 7,891,661	\$ 7,428,753

Financial assets available to meet cash needs for general expenditures within one year

**June 30, 2023 and 2022**

**Note 12 - Liquidity and Availability of Resources (Continued)**

Total financial assets include all assets of the Organization except for prepaids and other assets and property and equipment. The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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.

The board has established an operating reserve fund that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. The balance of this fund was \$2,067,745 as of June 30, 2023 and 2022.

The Organization also realizes there could be unanticipated liquidity needs.

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## Additional Information

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### Independent Auditor's Report on Additional Information

To the Board of Directors  
Heart of West Michigan United Way

We have audited the financial statements of Heart of West Michigan United Way as of and for the years ended June 30, 2023 and 2022 and have issued our report thereon dated September 6, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2023 financial statements as a whole. The allocations to agencies, grants, and other initiatives schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2023 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 financial statements as a whole.

*Plante & Moran, PLLC*

September 6, 2023



## Heart of West Michigan United Way

# Allocations to Agencies, Grants, and Other Initiatives

Year Ended June 30, 2023

A Glimpse of Africa	\$	10,000
A Mother's Touch		10,000
Aqume Foundation		27,500
Bethany Christian Services		90,000
Better Wiser Stronger, Inc		85,000
Camp Blodgett		91,000
Cherry Health Services		123,991
Community Rebuilders		40,000
Court Appointed Special Advocates of Kent County (CASA)		31,000
D.A. Blodgett for Children - St. John's		140,000
Delta Project		85,000
Disability Advocates		38,000
Endless Opportunities		10,000
Family Outreach Center		48,000
Family Promise of Grand Rapids		150,000
Genesis Non-Profit Housing Corporation		15,000
Girls Growing II Women, Inc.		10,000
Goodwill Industries of Greater Grand Rapids		110,000
Habitat for Humanity		70,000
HOAP, Inc		10,000
Hope Gain Network		10,000
Inner-City Christian Federation		50,000
K Connect - Community Convener for CoC		25,000
Kids Food Basket		15,000
Our Community's Children		190,000
Literacy Center of West Michigan		70,000
Meals on Wheels Western Michigan		45,000
Meaning in Colors		10,000
Michigan Migrant Legal Assistance Project		148,750
Michigan Rehabilitation Services		42,000
Pine Rest Christian Mental Health Services		74,500
Positive Impact for Life		10,000
Project Green		10,000
Puertas Abiertas, Inc.		10,000
R2H Secure Living		10,000
Refugee Education Center		115,000
Senior Neighbors		35,000
Steepleton Neighborhood Services		64,000
The Other Way Ministries		46,750
United Church Outreach Ministries		15,000
West Michigan Asian Association		22,500
West Michigan Center for Arts and Technology (WMCAT)		110,000
Women's Resources Center		50,000
Young Money Finance		110,000
YWCA West Central Michigan		100,000
Total allocations	\$	<u><u>2,582,991</u></u>