



United Way
of Southwest Michigan

ANNUAL REPORT
December 31, 2024



United Way of Southwest Michigan

St. Joseph, Michigan

ANNUAL REPORT

December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Southwest Michigan
St. Joseph, MI

Opinion

We have audited the accompanying financial statements of United Way of Southwest Michigan (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Southwest Michigan as of December 31, 2024 and 2023, and the changes in its net assets and its 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 United Way of Southwest Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 United Way of Southwest Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 United Way of Southwest Michigan'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 United Way of Southwest Michigan'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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
September 18, 2025

United Way of Southwest MichiganSt. Joseph, Michigan

STATEMENTS OF FINANCIAL POSITION

December 31, 2024

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash, cash equivalents, and restricted cash	558,988	542,380
Investments	1,376,691	1,612,180
Pledges receivable, net	1,874,081	2,726,730
Other receivables	7,538	27,826
Prepaid expenses	37,515	62,866
Other current assets	1,061	318
Total Current Assets	3,855,874	4,972,300
PROPERTY AND EQUIPMENT		
Building	350,963	423,686
Building improvements	452,473	452,473
Furniture and equipment	196,541	201,536
Vehicles	18,136	18,136
Total	1,018,113	1,095,831
Accumulated Depreciation	464,939	439,336
Net Property and Equipment	553,174	656,495
OTHER ASSETS		
Beneficial interest in assets held at Community Foundations	234,472	215,106
TOTAL ASSETS	4,643,520	5,843,901
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	75,863	69,829
Allocations and other pledges payable	1,537,028	1,460,250
Due to designated agencies	89,815	76,351
Other accruals	35,931	38,377
TOTAL LIABILITIES	1,738,637	1,644,807
NET ASSETS		
Without donor restrictions	1,022,035	1,252,455
With donor restrictions	1,882,848	2,946,639
TOTAL NET ASSETS	2,904,883	4,199,094
TOTAL LIABILITIES AND NET ASSETS	4,643,520	5,843,901

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Michigan

St. Joseph, Michigan

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Program service fees	36,664	0	36,664
Campaign and related contributions of financial assets	20,828	2,669,686	2,690,514
Less: donor designations	<u>0</u>	<u>(27,181)</u>	<u>(27,181)</u>
Net campaign and related contributions of financial assets	20,828	2,642,505	2,663,333
Other contributions of financial assets	171,265	0	171,265
Grants, other	0	380,182	380,182
Investment return, net	136,347	0	136,347
Donor designation fees	0	4,054	4,054
Change in beneficial interest in assets held by Community			
Foundations	12,440	0	12,440
Gain on disposal of assets	20,162	0	20,162
Total Public Support and Revenues	397,706	3,026,741	3,424,447
Net assets released from restrictions:			
Satisfaction of restrictions	4,090,532	(4,090,532)	0
FUNCTIONAL EXPENSES			
Program	3,561,060	0	3,561,060
Administrative	597,658	0	597,658
Fundraising	475,873	0	475,873
Communication and marketing	<u>84,067</u>	<u>0</u>	<u>84,067</u>
Total Functional Expenses	4,718,658	0	4,718,658
CHANGE IN NET ASSETS	(230,420)	(1,063,791)	(1,294,211)
NET ASSETS, BEGINNING OF YEAR	1,252,455	2,946,639	4,199,094
NET ASSETS, END OF YEAR	1,022,035	1,882,848	2,904,883

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Michigan

St. Joseph, Michigan

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Program service fees	160,076	0	160,076
Campaign and related contributions of financial assets	0	3,603,674	3,603,674
Less: donor designations	<u>0</u>	<u>(67,544)</u>	<u>(67,544)</u>
Net campaign and related contributions of financial assets	0	3,536,130	3,536,130
Other contributions of financial assets	185,428	0	185,428
Grants, other	0	207,551	207,551
Investment return, net	159,716	0	159,716
Donor designation fees	0	7,109	7,109
Change in beneficial interest in assets held by Community			
Foundations	23,391	0	23,391
Loss on disposal of assets	(1,334)	0	(1,334)
<hr/>			
Total Public Support and Revenues	527,277	3,750,790	4,278,067
<hr/>			
Net assets released from restrictions:			
Satisfaction of restrictions	4,644,732	(4,644,732)	0
FUNCTIONAL EXPENSES			
Program	4,239,652	0	4,239,652
Administrative	734,940	0	734,940
Fundraising	439,418	0	439,418
Communication and marketing	47,976	0	47,976
<hr/>			
Total Functional Expenses	5,461,986	0	5,461,986
<hr/>			
CHANGE IN NET ASSETS	(289,977)	(893,942)	(1,183,919)
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NET ASSETS, BEGINNING OF YEAR	1,542,432	3,840,581	5,383,013
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NET ASSETS, END OF YEAR	1,252,455	2,946,639	4,199,094

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Michigan

St. Joseph, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

	Program Services	Supporting Services			Total Supporting Services	Total Expenses
		Administrative	Fundraising	Communication and Marketing		
Salaries	405,283	343,282	294,531	21,658	659,471	1,064,754
Employee health and retirement benefits	40,575	40,633	45,200	1,537	87,370	127,945
Payroll taxes and other employee costs	30,485	26,380	22,393	1,612	50,385	80,870
Allocations and grants	2,603,630	0	0	0	0	2,603,630
Supplies	345,022	5,020	38,347	312	43,679	388,701
Telephone	722	1,287	459	0	1,746	2,468
Postage	1,471	776	1,314	0	2,090	3,561
Occupancy	14,679	21,709	11,317	0	33,026	47,705
Equipment	13,228	5,561	34,098	2,933	42,592	55,820
Local travel	5,714	2,099	2,052	48	4,199	9,913
Volunteer and staff developments/training	1,926	798	0	0	798	2,724
Marketing and public relations	4,102	2,137	8,182	55,192	65,511	69,613
Organizational dues	4,680	54,206	2,392	775	57,373	62,053
Professional fees	75,452	82,201	6,429	0	88,630	164,082
Interest	0	266	0	0	266	266
Depreciation	14,091	11,303	9,159	0	20,462	34,553
Total Expenses	3,561,060	597,658	475,873	84,067	1,157,598	4,718,658

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Michigan

St. Joseph, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

	Program Services	Supporting Services			Total Supporting Services	Total Expenses
		Administrative	Fundraising	Communication and Marketing		
Salaries	582,563	498,914	272,741	0	771,655	1,354,218
Employee health and retirement benefits	80,035	64,914	35,962	0	100,876	180,911
Payroll taxes and other employee costs	45,929	37,966	21,310	0	59,276	105,205
Allocations and grants	2,936,183	0	0	0	0	2,936,183
Southwest Michigan Cares expenses	12,000	0	0	0	0	12,000
Supplies	347,314	2,581	19,511	17	22,109	369,423
Telephone	1,654	1,599	945	0	2,544	4,198
Postage	3,355	371	3,382	0	3,753	7,108
Occupancy	17,309	19,744	9,734	0	29,478	46,787
Equipment	20,288	12,924	29,992	2,237	45,153	65,441
Local travel	7,452	1,605	1,359	103	3,067	10,519
Volunteer and staff developments/training	6,038	15,624	69	99	15,792	21,830
Marketing and public relations	21,051	2,101	13,243	44,715	60,059	81,110
Organizational dues	27,596	26,113	14,104	805	41,022	68,618
Professional fees	113,647	34,108	7,586	0	41,694	155,341
Interest	81	77	44	0	121	202
Depreciation	17,157	16,299	9,436	0	25,735	42,892
Total Expenses	4,239,652	734,940	439,418	47,976	1,222,334	5,461,986

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest MichiganSt. Joseph, Michigan

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(1,294,211)	(1,183,919)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	34,553	42,892
Unrealized gains on investments	(71,617)	(113,510)
Realized (Gain)/loss on investments	(222)	21
Gain (Loss) on disposal of assets	(20,162)	1,332
Change in beneficial interest in assets held by Community Foundations	(12,440)	(23,391)
Adjustments for changes in operating assets and liabilities:		
Pledges receivable, net	852,649	113,362
Other receivables	20,288	461,546
Prepaid expenses	25,351	(15,145)
Other current assets	(743)	524
Accounts payable	6,034	2,231
Allocations and other pledges payable	76,778	(2,500)
Due to designated agencies	13,464	(2,961)
Other accruals	(2,446)	(2,532)
Net Cash Flows used in Operating Activities	(372,724)	(722,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	92,885	0
Purchase of property and equipment	(3,955)	0
Proceeds from sale of investments	971,368	586,360
Purchase of investments	(670,966)	(684,441)
Net Cash Flows from (used in) Investing Activities	389,332	(98,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on financing lease liability	0	(5,332)
Net Cash Flows used in Financing Activities	0	(5,332)
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	16,608	(825,463)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	542,380	1,367,843
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	558,988	542,380
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Interest paid	266	121

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Michigan

St. Joseph, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NATURE OF BUSINESS

The mission of United Way of Southwest Michigan ("United Way" or the "Organization") is to improve lives by mobilizing the caring power of our communities. Through generous giving, advocating and volunteering of individuals, family and corporate partners, United Way is able to create long-term sustainable impact in the areas of Education, Income, Health and Basic Needs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor 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 Board of Directors (the "Board").

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balances to exceed the insured limit.

United Way of Southwest Michigan

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NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable is presented net of the allowance for credit losses (doubtful accounts). Management considers historical and forward-looking factors in its determination of the allowance including historical and anticipated customer performance, an aged analysis of receivables, current economic conditions and reasonable and supportable forecasts of future events and economic conditions. Any customer account with an unpaid balance after the due date on the customer invoice is considered past due and is addressed in accordance with the Organization's written procedures for past due accounts. Interest is not normally charged on past due accounts. Currently, management has determined the value of an allowance for credit losses (doubtful accounts) is immaterial and the recording of such balance is not considered necessary.

PLEDGES RECEIVABLE

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be received after one year are recorded at net present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met. For each annual campaign, any remaining uncollectible pledge balances are written off after two years.

INVESTMENTS

In accordance with the requirements of Accounting for Certain Investments Held by Not-for-Profit Organizations Topic of FASB ASC 958-320, the Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statements of Financial Position. Gains and losses are reflected as increases or decreases in the net assets without donor restrictions unless the donor or relevant laws place restrictions on the gains and losses. Donated securities are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received.

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

United Way of Southwest Michigan

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NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair market value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time. The Organization did not receive donated assets for the years ended December 31, 2024 and 2023, respectively.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. The Organization's fixed asset capitalization policy is to capitalize long-lived assets with a cost greater than \$1,000. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$34,553 and \$42,892 for the years ended December 31, 2024 and 2023, respectively.

A summary of the range of lives by asset category follows:

Buildings	39 years
Building improvements	5 - 30 years
Furniture and equipment	3 - 15 years
Vehicles	7 years

REVENUE RECOGNITION

Contract Services:

The Organization generates contract revenue from fees for providing services in accordance with contracts made with several other nonprofit organizations. The Organization recognizes revenue from these contracts on a ratable basis over the contract term beginning on the date service commences. Such income is reported as "Program" in the Revenues section of the Statements of Activities. The contract terms generally are on an annual basis that matches the reporting period and are billed in installments. Any amounts that are earned but not yet collected by year-end are reported in "Other receivables".

CONTRIBUTIONS OF FINANCIAL ASSETS

Contributions, including promises to give, are recorded when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the year in which the contributions are received.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Deferred revenue for grants is recorded when cash payments are being received in advance of the Organization's performance.

DONOR DESIGNATIONS

Annual campaign gifts in which the Organization agrees to transfer the gift to another beneficiary, as designated by the donor, constitute agency transactions and are deducted from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements, these designations are presented as part of gross campaign contributions and gross allocations to agencies on the Statements of Activities, but are then deducted to arrive at the Organization's actual revenue and expense under GAAP.

CONCENTRATIONS

One donor source (Whirlpool Corporation) accounted for approximately 36% and 43% of total pledges for 2024 and 2023, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based on personnel time and space utilized for the related activities.

Expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages, employee benefits, payroll taxes, other employee costs	Time and effort
Supplies, occupancy, equipment, volunteer and staff development/training, marketing and public relations, organizational dues, professional fees, depreciation	Estimated actual usage

All other expenses are allocated based on estimated actual usage or direct assignment.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service ("IRS") has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. ASC 740 requires an entity to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2021 through 2023 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of December 31, 2024 and 2023, the Organization has working capital of \$2,117,237 and \$3,327,493, and average days cash on hand of 45 and 37 at December 31, 2024 and 2023, respectively.

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year end:

	<u>2024</u>	<u>2023</u>
Assets limited to use:		
Cash - donor restricted	558,988	542,380
Pledges receivable, net - donor restricted	1,874,081	2,726,730
Beneficial interest in assets held by the Community Foundations	234,472	215,106
Investments - donor restricted	1,376,691	1,612,180
Financial assets available to meet general expenditures within one year:	4,044,232	5,096,396

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations (Note 8). Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of campaign and community impact initiative contributions. The receivable consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Receivables in less than one year - pledges	1,956,769	2,870,247
Less: allowance for uncollectible pledges	(82,688)	(143,517)
Net unconditional promises to give	1,874,081	2,726,730

NOTE 4 - ALLOCATIONS AND OTHER PLEDGES PAYABLE

In June 2023, the Organization made unconditional pledges to agency programs to be paid for the period beginning July 1, 2023 through June 30, 2024. Additionally, the Organization made other pledge commitments to non-agency programs. Accordingly, a liability of \$1,537,028 and \$1,460,250 existed as of December 31, 2024 and 2023, respectively, representing unconditional amounts pledged and not yet paid as of that date.

United Way of Southwest Michigan

St. Joseph, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 5 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization utilized the market approach to approximate its value of Level 3 investments. Given a pool of assets whose total is known, the Organization can approximate its share of the total pooled investments value using rates of return applied to known contribution amounts. The Organization used fund statements provided by Berrien Community Foundation and Michigan Gateway Community Foundation (together, the "Community Foundations") that include detail of contributions and withdrawals to adjust the fair value of its assets. The Organization is familiar with the Community Foundations and their investment base which includes a variety of investments including domestic and global equities, private equity and real estate, fixed income securities, cash, and other investments. The investments are classified as Level 3 since the fund agreements provide for the irrevocable transfer of assets to the Community Foundations. The Organization's methodologies did not change for the years ended December 31, 2024 and 2023.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2024:

	Quoted Prices In Active Markets (Level 1)	Prices With Other Observable (Level 2)	Prices With Unobservable Inputs (Level 3)	Total
Investments				
Mutual funds	1,376,691	0	0	1,376,691
Beneficial interest in assets held by Community Foundations	0	0	234,472	234,472
Total	1,376,691	0	234,472	1,611,163

United Way of Southwest Michigan

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NOTES TO FINANCIAL STATEMENTS

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The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 2023:

	Quoted Prices In Active Markets (Level 1)	Prices With Other Observable (Level 2)	Prices With Unobservable Inputs (Level 3)	Total
Investments				
Mutual funds	1,612,180	0	0	1,612,180
Beneficial interest in assets held by Community Foundations	0	0	215,106	215,106
Total	1,612,180	0	215,106	1,827,286

Investment return for the years ended December 31:

	2024	2023
Interest and dividends	79,504	58,888
Realized gains (losses)	222	(21)
Unrealized gains	71,617	113,510
Investment management fees	(14,996)	(12,661)
Total	136,347	159,716

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATIONS

The Organization has established charitable agency endowed funds with both Community Foundations. The funds are designated to promote and enhance the program activities in the area served by the Organization. The established funds will provide a mechanism for receiving and maintaining gifts to continue the growth of the endowment funds and their earnings.

The Organization is following FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets or both to another entity that is specified by the donor.

The statement specifically requires that if a not-for-profit organization ("NPO") establishes a fund at a Community Foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must account for the transfer of such assets as a beneficial interest in the funds held by the Community Foundations. The Community Foundations refer to such funds as agency funds.

The Community Foundations maintain variance power and legal ownership of agency endowed and non-endowed funds and as such continues to report the funds as assets of the Community Foundations. However, in accordance with the statement, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of the future payment expected to be received by the Organization.

The Community Foundations also hold donor advised endowment funds contributed by others in the Organization's name. However, these funds are assets of the Community Foundations and, as such, are not included in the financial statements of the Organization. The fair value of those funds was \$74,851 and \$68,021 as of December 31, 2024 and 2023.

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The Organization has recorded additions and reductions to the agency endowment and nonendowment funds through Revenues.

NOTE 7 - BOARD DESIGNATED NET ASSETS

Included in net assets without donor restrictions are assets that have been board designated for the following at December 31:

	<u>2024</u>	<u>2023</u>
Investments	787,563	1,037,349
Beneficial interest in assets held by Community Foundations	234,472	215,106
Total	1,022,035	1,252,455

The Organization has adopted an operating reserve policy that requires the Board to set aside a portion of available unrestricted net assets at the end of each fiscal year to fund a Board designated operating reserve. The policy also establishes a target balance of the reserve as follows:

- A. Target balance for UWSM Administration Budget – reserve is net assets of 50% (6 months) of prior fiscal year expenses.
- B. Target balance for Community Impact – Funded Partners – reserve is net assets of 25% (3 months) of prior fiscal year expenses.
- C. Target balance for Community Impact – Core Funding – reserve is net assets of 25% (3 months) of prior fiscal year expenses.

The current amount of Board designated investments exceeds the targeted operating reserve.

Additional designations have been determined by the Board and represent amounts that are to be used for the specified purpose. The designations for the Impact Fund for 2024 were designated on January 1, 2024, and represent amounts approved to be distributed to grantee agencies at the discretion of management.

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Monies collected for pledges	0	506,942
Pledges receivable, net	1,874,081	2,371,514
Less: Due to designated agencies	(89,815)	(76,351)
Other cash with donor restrictions:		
Southwest Michigan Cares	43,354	43,354
Disaster relief	1,136	1,136
Emergency relief	758	758
Hull Park project - Gast	0	32,217
Health Endowment Fund	6,186	6,182
Kellogg's - Hunger Program	1,000	1,000
Charles River Labs - For Feeding America	0	10,000
Be Healthy Berrien - For Advertising	0	746
AEP - For Galaxy Software	0	5,000
McLoughlin Foundation - For DPIL	0	25,000
BCAN - For CTE Project	1,281	19,141
Hopeful Home Fund	4,346	0
2025 Event Sponsorship	27,217	0
Subtotal	1,869,544	2,946,639

NOTE 9 - ENDOWMENTS

The Organization's endowments consist of board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors has interpreted the State Prudent Management Investment Fiduciary Act ("SPMIFA") as requiring realized and unrealized gains of net assets with donor restrictions invested in perpetuity (if any) to be retained in a restricted net asset classification until appropriated by the board of directors for expenditure unless explicitly stated otherwise in the gift instrument. In addition, the board of directors has interpreted SPMIFA to appropriate as much of net appreciation of net assets with donor restrictions invested in perpetuity (if any) as is prudent considering the duration and preservation of the endowment fund, the purposes of the Organization and endowment fund, general economic conditions, effect of inflation or deflation, expected total return on its investments, and the investment policy of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to support a portion of operations under the specified terms of the underlying endowment agreements, while seeking to preserve the endowment assets in perpetuity. In establishing this policy, the Organization considered the long term expected return on its endowments. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Asset allocation policies at Berrien Community Foundation ("BCF") and Michigan Gateway Community Foundation ("MGCF") include the following assets classes: equities, fixed income securities, real estate and other diversifying investments as defined.

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All such endowed funds are considered Board designated net assets and are included in Net Assets Without Donor Restrictions in the Statement of Financial Position as of December 31, 2024.

The following table summarizes the activity in the funds during the year ended December 31, 2024:

	Michigan Gateway	Berrien Community Foundation	Total
Beginning balance	183,405	31,701	215,106
Interest and dividends	6,091	751	6,842
Realized gains	10,341	436	10,777
Unrealized gains	11,166	3,063	14,229
Grants/Scholarships	(9,937)	0	(9,937)
Administrative fees	(2,257)	(288)	(2,545)
Ending balance	198,809	35,663	234,472

The following table summarizes the activity in the funds during the year ended December 31, 2023:

	Michigan Gateway	Berrien Community Foundation	Total
Beginning balance	164,339	27,376	191,715
Interest and dividends	5,535	686	6,221
Realized gains	467	413	880
Unrealized gains	24,961	3,483	28,444
Grants/Scholarships	(9,875)	0	(9,875)
Administrative fees	(2,022)	(257)	(2,279)
Ending balance	183,405	31,701	215,106

NOTE 10 - RETIREMENT PLAN

The Organization maintains a qualified pension plan under section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees. Contributions are at the discretion of the Board. The Organization incurred expenses of \$37,208 and \$51,568 for the years ended December 31, 2024 and 2023, respectively.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at several financial institutions, and deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, the Organization maintains some idle cash in a sweep account that is collateralized by AAA rated U.S. Treasury securities. The Organization's uninsured and uncollateralized cash and certificates of deposit balances was \$0 and \$181,486 as of December 31, 2024 and 2023.

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NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 18, 2025, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.