
United Way of the Battle Creek and Kalamazoo Region

Financial Report
March 31, 2021

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Independent Auditor's Report

To the Board of Directors
United Way of the Battle Creek
and Kalamazoo Region

We have audited the accompanying financial statements of United Way of the Battle Creek and Kalamazoo Region (the "Organization"), which comprise the statement of financial position as of March 31, 2021 and 2020 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Battle Creek and Kalamazoo Region as of March 31, 2021 and 2020 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.

Emphasis of Matter

As described in Note 2 to the financial statements, the Organization has evaluated the impact of the coronavirus pandemic on its operations. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

July 14, 2021

United Way of the Battle Creek and Kalamazoo Region

Statement of Financial Position

March 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 4,977,419	\$ 1,658,714
Certificate of deposit	261,361	256,346
Investments (Note 5)	9,347,283	8,535,821
Receivables - Net of allowances:		
Pledges receivable (Note 3)	2,693,466	4,513,654
Grants receivable (Note 4)	5,292,760	1,509,895
Prepaid expenses and other assets	20,647	34,589
Loans receivable (Note 6)	735,847	-
Beneficial interest in funds held at community foundations (Note 11)	866,758	662,524
Property and equipment - Net (Note 7)	708,699	747,136
	<u>\$ 24,904,240</u>	<u>\$ 17,918,679</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 147,133	\$ 51,073
Bank line of credit (Note 16)	-	510,000
Donor designations payable	449,807	893,575
Allocations and grants payable	1,314,654	1,586,681
Accrued liabilities	195,328	156,233
Accrued postretirement benefit (Note 13)	249,140	260,838
	<u>2,356,062</u>	<u>3,458,400</u>
Net Assets		
Without donor restrictions (Note 10)	7,831,090	5,772,361
With donor restrictions (Note 8)	14,717,088	8,687,918
	<u>22,548,178</u>	<u>14,460,279</u>
	<u>\$ 24,904,240</u>	<u>\$ 17,918,679</u>

United Way of the Battle Creek and Kalamazoo Region

Statement of Activities and Changes in Net Assets

Years Ended March 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ -	\$ 7,571,767	\$ 7,571,767	\$ -	\$ 8,561,522	\$ 8,561,522
Donor designations	-	(993,813)	(993,813)	-	(1,223,042)	(1,223,042)
Allowance for uncollectible pledges	-	(398,000)	(398,000)	-	(599,529)	(599,529)
Net campaign results	-	6,179,954	6,179,954	-	6,738,951	6,738,951
Campaign results - Prior year - Net	725,210	-	725,210	190,217	-	190,217
Campaign results - Future year	-	26,525	26,525	-	2,000	2,000
Sponsorships	71,810	-	71,810	238,587	-	238,587
Foundation and corporate grants	1,167,500	10,862,204	12,029,704	683,483	2,135,788	2,819,271
Other contributions	119,003	-	119,003	239,249	-	239,249
Service fees	111,225	-	111,225	129,584	-	129,584
Net realized and unrealized gains (losses) on investments	1,369,047	-	1,369,047	(220,260)	-	(220,260)
Net investment income	168,932	-	168,932	169,482	-	169,482
Distribution from community foundations	262,225	-	262,225	219,970	-	219,970
Rental income	20,125	-	20,125	30,730	-	30,730
Miscellaneous income	450,120	-	450,120	8,588	-	8,588
Total revenue, gains, and other support	4,465,197	17,068,683	21,533,880	1,689,630	8,876,739	10,566,369
Net Assets Released from Restrictions	11,039,513	(11,039,513)	-	8,438,016	(8,438,016)	-
Total revenue, gains, other support, and net assets released from restrictions	15,504,710	6,029,170	21,533,880	10,127,646	438,723	10,566,369
Expenses						
Program services:						
Gross allocations to agencies	6,340,501	-	6,340,501	7,285,734	-	7,285,734
Less donor designations	(993,813)	-	(993,813)	(1,223,042)	-	(1,223,042)
Net allocations paid/distributed	5,346,688	-	5,346,688	6,062,692	-	6,062,692
Community impact	1,713,431	-	1,713,431	1,089,988	-	1,089,988
Community service	634,450	-	634,450	765,478	-	765,478
Grants and initiatives	4,145,468	-	4,145,468	719,338	-	719,338
Total program services	11,840,037	-	11,840,037	8,637,496	-	8,637,496
Support services:						
Management and general	691,055	-	691,055	591,343	-	591,343
Fundraising	914,889	-	914,889	1,145,440	-	1,145,440
Total expenses	13,445,981	-	13,445,981	10,374,279	-	10,374,279
Increase (Decrease) in Net Assets	2,058,729	6,029,170	8,087,899	(246,633)	438,723	192,090
Net Assets - Beginning of year	5,772,361	8,687,918	14,460,279	6,018,994	8,249,195	14,268,189
Net Assets - End of year	\$ 7,831,090	\$ 14,717,088	\$ 22,548,178	\$ 5,772,361	\$ 8,687,918	\$ 14,460,279

See notes to financial statements.

United Way of the Battle Creek and Kalamazoo Region

Statement of Functional Expenses

Year Ended March 31, 2021

	Program Services				Support Services			
	Allocations and Grants	Community Impact	Community Service	Grants and Initiatives	Total	Management and General	Fundraising	Total
Salaries	\$ -	\$ 832,876	\$ 219,311	\$ 51,311	\$ 1,103,498	\$ 175,952	\$ 446,057	\$ 1,725,507
Employee benefits	-	133,748	42,245	7,339	183,332	40,798	84,175	308,305
Payroll taxes	-	61,076	16,926	3,619	81,621	13,620	33,573	128,814
Total salaries and related expenses	-	1,027,700	278,482	62,269	1,368,451	230,370	563,805	2,162,626
Net funds awarded	5,346,688	-	-	3,886,214	9,232,902	-	-	9,232,902
Contributions expense	-	-	-	196,159	196,159	-	-	196,159
Contract and professional fees	-	380,951	1,552	326	382,829	265,459	103,448	751,736
211 contractual expenses	-	-	287,040	-	287,040	-	-	287,040
Supplies	-	812	565	-	1,377	2,467	980	4,824
Telephone	-	14,023	5,170	459	19,652	6,529	10,723	36,904
Postage and shipping	-	679	402	-	1,081	703	1,372	3,156
Occupancy costs	-	21,302	10,806	-	32,108	19,337	22,421	73,866
Travel	-	8,550	1,424	41	10,015	2,709	3,081	15,805
Board/Staff development	-	9,139	(109)	-	9,030	35,380	3,157	47,567
Printing, publicity, and promotion	-	102,633	821	-	103,454	3,488	76,320	183,262
Other organization dues	-	16,801	7,181	-	23,982	12,502	15,231	51,715
Rental and maintenance of equipment	-	68,693	9,335	-	78,028	24,467	48,163	150,658
Miscellaneous	-	5	2	-	7	33,801	364	34,172
Interest expense	-	1,042	526	-	1,568	902	1,088	3,558
Depreciation	-	19,433	10,021	-	29,454	16,777	20,722	66,953
United Way Worldwide dues	-	41,668	21,232	-	62,900	36,164	44,014	143,078
Total functional expenses	\$ 5,346,688	\$ 1,713,431	\$ 634,450	\$ 4,145,468	\$ 11,840,037	\$ 691,055	\$ 914,889	\$ 13,445,981

United Way of the Battle Creek and Kalamazoo Region

Statement of Functional Expenses

Year Ended March 31, 2020

	Program Services				Support Services			
	Allocations and Grants	Community Impact	Community Service	Grants and Initiatives	Total	Management and General	Fundraising	Total
Salaries	\$ -	\$ 543,433	\$ 229,556	\$ 30,091	\$ 803,080	\$ 241,343	\$ 555,790	\$ 1,600,213
Employee benefits	-	104,034	39,455	5,211	148,700	49,561	102,446	300,707
Payroll taxes	-	39,947	16,521	183	56,651	17,367	39,855	113,873
Total salaries and related expenses	-	687,414	285,532	35,485	1,008,431	308,271	698,091	2,014,793
Net funds awarded	6,062,692	-	-	676,109	6,738,801	-	-	6,738,801
Contract and professional fees	-	73,039	23,538	338	96,915	141,259	98,842	337,016
211 contractual expenses	-	-	305,361	-	305,361	-	-	305,361
Supplies	-	5,435	3,255	5,107	13,797	3,059	5,193	22,049
Telephone	-	6,458	3,470	-	9,928	5,316	7,112	22,356
Postage and shipping	-	995	552	100	1,647	1,002	2,684	5,333
Occupancy costs	-	40,444	25,848	-	66,292	29,229	40,406	135,927
Travel	-	11,202	10,394	2,010	23,606	14,270	27,568	65,444
Board/Staff development	-	350	3,125	-	3,475	6,993	6,890	17,358
Printing, publicity, and promotion	-	157,507	54,392	189	212,088	2,853	158,548	373,489
Other organizational dues	-	16,778	7,488	-	24,266	12,708	15,877	52,851
Rental and maintenance of equipment	-	39,144	14,500	-	53,644	21,368	30,902	105,914
Miscellaneous	-	22	47	-	69	1,460	425	1,954
Interest expense	-	4,100	2,594	-	6,694	5,463	5,383	17,540
Depreciation	-	17,518	8,885	-	26,403	15,235	18,437	60,075
United Way Worldwide dues	-	29,582	16,497	-	46,079	22,857	29,082	98,018
Total functional expenses	\$ 6,062,692	\$ 1,089,988	\$ 765,478	\$ 719,338	\$ 8,637,496	\$ 591,343	\$ 1,145,440	\$ 10,374,279

United Way of the Battle Creek and Kalamazoo Region

Statement of Cash Flows

Years Ended March 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	\$ 8,087,899	\$ 192,090
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	66,953	60,075
Change in discount on grants receivable	133,000	-
Change in discount on notes receivable	103,159	-
Loans converted to grants	195,000	-
Loan written off	5,000	-
Change in beneficial interest	(240,009)	72,514
Net realized and unrealized (gain) loss on investment	(1,129,038)	147,746
Change in allowance for uncollectible pledges	(372,325)	299,151
Change in allowance for uncollectible loans receivable	93,000	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges receivable	2,192,513	(150,857)
Grants receivable	(3,915,865)	(1,509,895)
Prepaid expenses and other assets	13,942	3,314
Accounts payable	96,060	(138,495)
Donor designations payable	(443,768)	(129,415)
Accrued and other liabilities	39,095	33,582
Pensions and postretirement benefits	(11,698)	(4,406)
Allocations and grants payable	(272,027)	(149,552)
Refundable advance	-	(38,240)
Net cash and cash equivalents provided by (used in) operating activities	4,640,891	(1,312,388)
Cash Flows from Investing Activities		
Purchase of property and equipment	(28,516)	(50,577)
Purchase of investments	(1,676,204)	(403,893)
Proceeds from sales and maturities of investments	1,988,765	-
Distributions from beneficial interest	35,775	78,030
Distributions on notes receivable	(1,321,500)	-
Payments received on notes receivable	189,494	-
Net cash and cash equivalents used in investing activities	(812,186)	(376,440)
Cash Flows from Financing Activities		
Proceeds from line of credit	750,000	1,010,000
Payments on line of credit	(1,260,000)	(500,000)
Net cash and cash equivalents (used in) provided by financing activities	(510,000)	510,000
Net Increase (Decrease) in Cash and Cash Equivalents	3,318,705	(1,178,828)
Cash and Cash Equivalents - Beginning of year	1,658,714	2,837,542
Cash and Cash Equivalents - End of year	\$ 4,977,419	\$ 1,658,714
Supplemental Cash Flow Information - Cash paid for interest	\$ 4,655	\$ 15,974

Note 1 - Nature of Entity

United Way of the Battle Creek and Kalamazoo Region (the "Organization") is a nonprofit organization striving for a vibrant community where all people realize their full potential. The Organization drives impact by leading shared efforts that engage diverse people, ideas, and resources, taking on the complex social issues that no single organization can solve alone. It raises funds, builds partnerships, recruits volunteers, invests in programs, and advocates for people in need in the Battle Creek and Kalamazoo region. The Organization focuses on delivering meaningful, measurable, sustainable, and equitable change for vulnerable individuals and families by achieving strategic goals in education, financial stability, health, and basic needs.

The Organization is an independent and autonomous organization governed by a volunteer board of directors. The financial statements have been prepared in accordance with the accounting principles and financial statement format set forth in the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for-Profit Organizations*. The financial statements of the Organization are maintained on an accrual basis.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Certificates of deposit are valued at cost.

Investments in debt and equity securities are recorded at fair value based on quoted market prices. Investments sold are valued using the specific identification method.

Pledges Receivable

Contributions generated in the annual fund drive are recorded as receivables in the year pledged. These contributions are recognized as revenue in the year for which the contributions were received. All pledges are expected to be collected by the end of the calendar year following the fall campaign. The pledges are reported net of allowance for doubtful accounts. The allowance for doubtful accounts is estimated by management using a 10-year rolling average adjusted for economic conditions, which, for the years ended March 31, 2021 and 2020, approximated 6 and 5 percent, respectively. Additionally, campaign pledges are 100 percent allowed for if the balance remains 12 months after the campaign has ended.

Grants Receivable

The Organization has received unconditional commitments, which will be payable over a number of years. The funds are primarily to be used for operations, community impact, community service, disaster relief, and 211 support. Grant revenue is recorded as revenue when the unconditional commitment is received. During 2021, the grants, upon initial recognition, were discounted to present value using a discount rate of 2.5 percent. Management believes the receivables are fully collectible, and, therefore, has not recorded an allowance for the years ended March 31, 2021 and 2020.

Note 2 - Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable are reported at original issue amount plus accrued interest, less principal repaid. These loans receivable have been discounted at 10 percent. Interest income (amortization of the discount) is recorded over the lives of the loans receivable. If applicable, an allowance for loan losses is determined based on a specific assessment of all loans that are delinquent or determined to be doubtful to be collected. Loans are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. The Organization has recorded an allowance for loans losses in the amount of \$93,000 in the accompanying financial statements as of March 31, 2021.

Property and Equipment

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

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

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 contributions 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. No amounts have been recorded in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and its fundraising campaign.

Functional Allocation of Expenses

The 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 require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Occupancy is allocated on the basis of employee time and effort. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Classification of Net Assets

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

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization. In addition, the Organization also has board-designated net assets, which are net assets without donor restrictions that have been set aside for specific purposes by the board, as reported within Note 10.

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

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

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board primarily for the Organization's mission. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Income Taxes

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

Concentrations of Credit Risk

The Organization maintains cash balances at three banks, and the accounts are insured for up to \$250,000 per bank. In addition, the Organization maintains accounts at investment companies that are insured for up to \$500,000 (with a limit of \$100,000 for cash equivalents) by the Securities Investor Protection Corporation. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

The Organization's annual fundraising campaigns are concentrated in the City of Battle Creek, Michigan and Kalamazoo County, Michigan. Approximately 43 percent and 41 percent of the Organization's 2021 and 2020 campaign revenue, respectively, and 29 percent and 43 percent of the Organization's 2021 and 2020 campaign pledges receivable, respectively, were donated by three companies and their employees.

In addition, approximately 31 percent and 58 percent of the Organization's other contributions and 20 percent and 74 percent of the Organization's grants receivable as of March 31, 2021 and 2020, respectively, were granted by one organization.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. On March 23, 2020, a shelter-in-place order became effective in Michigan.

Note 2 - Significant Accounting Policies (Continued)

As a result of the pandemic, the Organization was able to repurpose and secure additional grant funds to meet the needs of the local business community. The Organization disbursed loans totaling \$1,321,500 to eligible small businesses (see Note 6). The Organization also received approximately \$8,100,000 of private grants and disbursed approximately \$3,200,000 in grants for disaster relief, eviction diversion, and other small business grants to eligible small businesses. This amount is included within grants and initiatives on the statement of activities and changes in net assets. The Organization received a Paycheck Protection Program (PPP) term note that was forgiven in 2021. The Organization continues to evaluate the impacts the pandemic and health protocols are having on its operations. No impairments of assets have been recorded as a result of the pandemic as of the statement of financial position date. Due to significant volatility in financial markets, there is uncertainty regarding the long-term impact on the value of the Organization's investment portfolio and collectibility of loans receivable.

Paycheck Protection Program

During the year ended March 31, 2021, the Organization received a PPP loan in the amount of \$350,120. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years from the date of disbursement, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. The Organization received notification from the SBA of forgiveness of the entire loan on February 24, 2021. Accordingly, the Organization has recognized \$350,120 received under the PPP loan program as miscellaneous income on the statement of activities and changes in net assets.

Although management considers it probable that the Organization was initially eligible for the loan and subsequent forgiveness, the SBA has the ability to review the Organization's loan file for a period subsequent to the date the loan was forgiven and could request additional documentation to support the Organization's initial eligibility for the loan and the request for forgiveness. In the event the SBA subsequently determines the Organization did not meet the initial eligibility requirements for the PPP loan or did not qualify for forgiveness, the SBA may pursue legal remedies at its discretion.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 14, 2021, which is the date the financial statements were available to be issued.

Adoption of New Accounting Pronouncement

As of April 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements*. The amendments in this update modify certain disclosure requirements of fair value measurements. The adoption of this guidance resulted in changes to certain fair value measurement disclosures and does not have a material impact on the financial statements. The standard is applied retrospectively to all periods presented upon the effective date.

United Way of the Battle Creek and Kalamazoo Region

Notes to Financial Statements

March 31, 2021 and 2020

Note 3 - Pledges Receivable

Pledges receivable consist of the following:

	2021	2020
Pledges:		
Current campaign	\$ 3,091,466	\$ 4,905,830
First prior campaign	319,467	830,624
Second prior campaign	599,843	466,835
Total pledges	4,010,776	6,203,289
Less allowance for uncollectible pledges:		
Current campaign	398,000	599,529
First prior campaign	319,467	623,271
Second prior campaign	599,843	466,835
Total allowance for uncollectible pledges	1,317,310	1,689,635
Net pledges receivable	\$ 2,693,466	\$ 4,513,654

Note 4 - Grants Receivable

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

	2021	2020
Grants receivable expected to be collected in:		
Less than one year	\$ 1,898,760	\$ 1,509,895
Over one year	3,527,000	-
Discount to present value	(133,000)	-
Total	\$ 5,292,760	\$ 1,509,895

Note 5 - Investments

The details of the Organization's investments stated at fair value at March 31 are as follows:

	2021	2020
Corporate bonds	\$ 3,249,334	\$ 3,638,673
Foreign bonds	39,239	37,017
Governmental securities	1,792,434	2,211,856
Mutual funds	2,619,980	1,919,023
Exchange-traded funds	1,646,296	729,252
Total	\$ 9,347,283	\$ 8,535,821

The primary objective of the Organization's investment policy is to provide capital preservation, with appropriate income generation and conservative growth as secondary concerns. This objective is designed to safeguard the portfolio's assets and preserve real purchasing power, while earning investment returns that are commensurate with a determined risk tolerance and sufficient to meet the Organization's operational requirements. Liquidity is a primary concern in an effort to allow for funds to be deposited and withdrawn based on campaign receipts and operational needs.

Notes to Financial Statements

March 31, 2021 and 2020

Note 5 - Investments (Continued)

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

Note 6 - Loans Receivable

During 2021, the Organization awarded 73 unsecured loans to local businesses to assist with the impact of the COVID-19 pandemic with an aggregate outstanding principal amount of \$932,006 at March 31, 2021. Individual loan balances range from \$5,000 to \$50,000. Monthly principal and interest payments begin in November 2020, December 2020, March 2021, July 2021, August 2021, September 2021, or October 2021. The loans bear interest at 1 percent through the lives of the loans. Unamortized discounts are amortized using the effective interest rate method over the life of the loan at a 10 percent interest rate.

Due to the pandemic, the Organization provided a modification program to certain borrowers that included payment deferrals. The Organization granted pandemic-related modifications of loans to 38 borrowers, with outstanding loans at March 31, 2021 totaling \$575,518. The Organization continues to apply policies for accruing interest and classifying loans as impaired.

Loans receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. Provisions for losses on loans receivable are determined based on loss experience, known or inherent risks in loans held, and current economic conditions. The Organization has recorded an allowance for loans losses in the amount of \$93,000 in the accompanying financial statements as of March 31, 2021.

The Organization considers a loan receivable to be impaired when, based upon current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individual loans are evaluated for impairment based on the following factors: (1) changes in regional and local economic conditions and (2) changes in borrower-specific financial condition. The Organization did not consider any loans to be impaired as of March 31, 2021.

The balance of the above receivables matures as follows:

Years Ending March 31	Amount
2022	\$ 385,359
2023	481,363
2024	65,284
Allowance for loan losses	(93,000)
Unamortized debt discount	(103,159)
Total	\$ 735,847

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Note 7 - Property and Equipment

The cost of property and equipment and depreciable lives are summarized as follows:

	2021	2020	Depreciable Life - Years
Land	\$ 170,666	\$ 170,666	-
Buildings and building improvements	1,843,703	1,841,703	3-40
Land improvements	107,085	99,539	15-30
Furniture, fixtures, and equipment	718,938	699,968	3-10
Total cost	2,840,392	2,811,876	
Accumulated depreciation	2,131,693	2,064,740	
Net property and equipment	<u>\$ 708,699</u>	<u>\$ 747,136</u>	

Depreciation expense for 2021 and 2020 was \$66,953 and \$60,075, respectively.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions, which are restricted because of time or purpose restrictions, consist of the following as of March 31:

	2021	2020
Net campaign results	\$ 6,179,954	\$ 6,738,951
Current campaign results received in prior year	2,000	239,821
Future campaign results	26,525	2,000
Small business loan fund	1,482,729	-
Disaster relief	247,209	-
Community service programs	1,506,115	1,128,813
Grant receivable - Small business loan fund	3,115,500	-
Grant receivable - Disaster relief	489,684	-
Grant receivable - Community service programs	1,667,372	578,333
Total net assets	<u>\$ 14,717,088</u>	<u>\$ 8,687,918</u>

Note 9 - Release of Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of the passage of time or other events specified by donors for community service programs for the years ended March 31, 2021 and 2020 and totaled \$4,060,741 and \$700,388, respectively. Net assets released from restrictions relating to the net campaign results for the years ended March 31, 2021 and 2020 totaled \$6,978,772 and \$7,737,628, respectively.

Note 10 - Board-designated Net Assets

The Organization's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of March 31:

	2021	2020
Beneficial interest in assets held at community foundations	\$ 866,758	\$ 662,524
Property and equipment fund	1,128,417	1,166,855
Memorial funds	-	753,331
Herrick fund	-	250,000
United Way of the Battle Creek and Kalamazoo Region Endowment	998,892	-
Funds held for equity strategies	346,805	-
Total	\$ 3,340,872	\$ 2,832,710

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

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

The board-designated endowment funds are subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA) based on the Organization's policy. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has a policy of appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 20 quarters.

Note 11 - Community Foundations

Beneficial interest in funds held at community foundations includes amounts held by the Battle Creek Community Foundation (BCCF) and the Kalamazoo Community Foundation (KCF) for the benefit of the Organization. The board of directors approved contributions to the respective foundations from the above-mentioned board-designated net assets.

The Organization has accounted for the transfer of such assets as a beneficial interest in funds held by community foundations. BCCF and KCF refer to such funds as agency fund endowments. Therefore, an asset has been established on the Organization's statement of financial position for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. The current value of these funds at March 31, 2021 and 2020 was \$866,758 and \$662,524, respectively, and is included in net assets without donor restrictions on the statement of financial position. The Organization received distributions from the agency funds totaling \$14,530 and \$21,245 from BCCF and KCF, respectively, during the year ended March 31, 2021. The Organization received distributions from the agency funds totaling \$14,030 and \$64,000 from BCCF and KCF, respectively, during the year ended March 31, 2020. The distributions are recorded as a reduction of the asset.

Note 11 - Community Foundations (Continued)

Several contributions have been made to these funds in addition to other funds held at BCCF and KCF to benefit the Organization. Contributions can be made to the funds, but only expendable income is available to the Organization. BCCF and KCF maintain variance power, which, as a result, requires that the assets they hold not be recorded as assets of the Organization. The fair market value of the funds held at BCCF and KCF for the benefit of the Organization was \$2,252,859 and \$4,349,249, respectively, at March 31, 2021. The fair market value of the funds held at BCCF and KCF for the benefit of the Organization was \$1,810,158 and \$2,996,788, respectively, at March 31, 2020. Earnings are available for distribution to the Organization at the discretion of the foundations and are, therefore, not reflected as revenue in the financial statements until received by the Organization. The Organization received distributions totaling \$97,583 and \$164,642 from BCCF and KCF, respectively, during the year ended March 31, 2021. The Organization received distributions totaling \$81,970 and \$138,000 from BCCF and KCF, respectively, during the year ended March 31, 2020. The distributions are included in the statement of activities and changes in net assets as distribution from community foundations.

Note 12 - Retirement Plan

Substantially all employees of the Organization participate in a defined contribution pension plan. Substantially all employees are immediately eligible under the plan and are fully vested after three years of service. Contributions, equal to 10 percent of compensation, as defined, amounted to approximately \$167,500 and \$156,200 for the years ended March 31, 2021 and 2020, respectively.

Note 13 - Postretirement Benefit Payable

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

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

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

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

	2021	2020
Service cost	\$ -	\$ -
Interest cost at 7 percent	17,043	17,351
Actual costs different than projected	<u>(11,370)</u>	<u>(4,386)</u>
Net postretirement benefit cost	5,673	12,965
Prior service cost (credit)	-	-
Current year premiums paid	<u>(17,371)</u>	<u>(17,371)</u>
Total	(11,698)	(4,406)
Accrued postretirement benefit payable - April 1	<u>260,838</u>	<u>265,244</u>
Accrued postretirement benefit payable - March 31	<u>\$ 249,140</u>	<u>\$ 260,838</u>

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Note 13 - Postretirement Benefit Payable (Continued)

The actuarial assumptions used to compute the plan's net postretirement benefit cost for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Weighted-average discount rate	2.62 percent	7.00 percent
Mortality	RP-2014 Mortality table	RP-2014 Mortality table
Health care trend rate:		
Assumed for next year	5.75% per annum	8% per annum
Rate to which rate declines	4.5% per annum	6% per annum
Year of ultimate rate	2026	2032

The effect of a 1 percentage point increase or decrease in the assumed health care trend rates for each future year will result in the following:

	2021	2020
1 percentage point increase:		
Service and interest cost	\$ 18,500	\$ 18,500
Accumulated postretirement benefit obligation	270,322	281,653
1 percentage point decrease:		
Service and interest cost	15,718	15,718
Accumulated postretirement benefit obligation	230,318	241,916

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

Years Ending	Amount
2022	\$ 17,299
2023	17,618
2024	17,832
2025	17,929
2026	17,899
2027-2031	84,629

Note 14 - 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.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at March 31, 2021 and 2020 and the valuation techniques used by the Organization to determine those fair values.

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.

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Note 14 - Fair Value Measurements (Continued)

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.

Assets Measured at Fair Value on a Recurring Basis at March 31, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2021
Investments:				
U.S. equity mutual funds	\$ 855,882	\$ -	\$ -	\$ 855,882
Foreign equity mutual funds	576,284	-	-	576,284
U.S. fixed-income mutual funds	942,335	-	-	942,335
Fixed-income other private placement	-	34,865	-	34,865
Foreign fixed-income mutual funds	245,479	-	-	245,479
U.S. equity exchange-traded funds	1,611,431	-	-	1,611,431
Foreign bonds	-	39,239	-	39,239
U.S. government obligations	-	1,792,434	-	1,792,434
U.S. corporate obligations	-	3,249,334	-	3,249,334
Total investments	\$ 4,231,411	\$ 5,115,872	\$ -	\$ 9,347,283
Beneficial interest in funds held at community foundations	\$ -	\$ -	\$ 866,758	\$ 866,758
Assets Measured at Fair Value on a Recurring Basis at March 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2020
Investments:				
U.S. equity mutual funds	\$ 672,713	\$ -	\$ -	\$ 672,713
Foreign equity mutual funds	295,038	-	-	295,038
U.S. fixed-income mutual funds	766,361	-	-	766,361
Fixed-income other private placement	-	50,400	-	50,400
Foreign fixed-income mutual funds	184,911	-	-	184,911
U.S. equity exchange-traded funds	678,852	-	-	678,852
Foreign bonds	-	37,017	-	37,017
U.S. government obligations	-	2,211,856	-	2,211,856
U.S. corporate obligations	-	3,638,673	-	3,638,673
Total investments	\$ 2,597,875	\$ 5,937,946	\$ -	\$ 8,535,821
Beneficial interest in funds held at community foundations	\$ -	\$ -	\$ 662,524	\$ 662,524

Note 14 - Fair Value Measurements (Continued)

The fair values of foreign fixed-income bond funds, U.S. government obligations, and U.S. corporate obligations at March 31, 2021 and 2020 were determined primarily based on Level 2 inputs. The Organization estimates the fair values of these investments using quoted prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

The Organization holds a beneficial interest in the assets of community foundations, which was determined primarily based on Level 3 inputs. The Organization estimates 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 community foundations, which consists substantially of interest, dividends, and realized gains, is to be used for unrestricted 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 community foundations' pooled investments. Annually, a percentage of the principal balance in the account becomes available to the Organization. The Organization has a process in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. This process includes review of information and communications received from the community foundations. Significant increases or decreases in any of the inputs in isolation would result in significantly lower or higher fair value measurements.

Note 15 - Liquidity and Availability of Financial Resources

The following reflects the Organization's financial assets as of March 31, 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:

	2021	2020
Cash and cash equivalents	\$ 4,977,419	\$ 1,658,714
Certificate of deposit	261,361	256,346
Investments	9,347,283	8,535,821
Pledge receivable	2,693,466	4,513,654
Grants receivable	5,292,760	1,509,895
Loans and notes receivable	735,847	-
Beneficial interest in funds held at community foundations	866,758	662,524
	<u>24,174,894</u>	<u>17,136,954</u>
Financial assets - At year end		
Less those unavailable for general expenditures within one year due to -		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	8,535,134	1,709,146
Board designated without donor restrictions net assets	3,340,872	2,832,710
	<u>11,876,006</u>	<u>4,541,856</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,298,888</u>	<u>\$ 12,595,098</u>

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.

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

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Note 15 - Liquidity and Availability of Financial Resources (Continued)

The Organization has committed lines of credit, which it could draw upon if needed, as further described in Note 16.

The Organization has reduced financial assets by beneficial interest in funds held at community foundations due to the funds not being readily available for general expenditures.

Note 16 - Line of Credit

During 2019, the Organization entered into a line of credit agreement with a bank. The Organization has available borrowings of approximately \$2,000,000. Interest is payable monthly at a rate of 0.75 percent below the prime rate (an effective rate of 2.5 percent at March 31, 2021). The line of credit is unsecured. There was no outstanding balance at March 31, 2021. There was \$510,000 outstanding at March 31, 2020. The line of credit is due on demand.