

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2023

(With Independent Auditor's Report Thereon)

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Heat and Warmth Fund
(A Nonprofit Organization)

Opinion

We have audited the financial statements of The Heat and Warmth Fund, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Heat and Warmth Fund 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 opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases as of July 1, 2022. Our opinion is not modified with respect to this matter.

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 Heat and Warmth Fund's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 The Heat and Warmth Fund'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 Heat and Warmth Fund'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.

Report on Summarized Comparative Information

We have previously audited The Heat and Warmth Fund's (A Nonprofit Organization) June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
November 13, 2023

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2022**

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 14,356,002	\$ 12,609,664
Investment securities (note 3)	1,145,221	1,072,032
Accounts receivable, less allowance for doubtful accounts of \$-0- in 2023 and \$3,574 in 2022	-	110,028
Grants receivable, current portion	1,360,729	3,069,210
Prepaid expenses and other current assets	60,036	88,662
Total current assets	16,921,988	16,949,596
Equipment, software & leasehold improvements:		
At cost, less accumulated depreciation of \$1,210,729 in 2023 and \$1,145,078 in 2022 (note 4)	1,583,926	465,836
Grant receivable, net of current portion and discount (note 1)	144,030	-
Other assets		
Right-of-use asset, operating lease (notes 2 and 10)	502,426	-
Intangible assets, less accumulated amortization of \$14,218 in 2023 and \$-0- in 2022 (note 8)	199,020	-
Total other assets	701,446	-
Total assets	\$ 19,351,390	\$ 17,415,432
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 540,585	\$ 478,632
Accrued wages and other accrued liabilities (note 1)	206,448	623,476
Current portion of deferred rent	-	22,021
Lease liability - operating, current portion (notes 2 and 10)	202,988	-
Other liabilities - current portion (note 9)	50,972	-
Deferred income	570,552	138,210
Total current liabilities	1,571,545	1,262,339
Long-term liabilities		
Deferred rent	-	112,352
Lease liability - operating, net of current portion (notes 2 and 10)	411,790	-
Other liabilities - net of current portion (note 9)	149,463	-
Total long-term liabilities	561,253	112,352
Net assets:		
Without donor restrictions	11,808,381	10,498,336
With donor restrictions (note 12)	5,410,211	5,542,405
Total net assets	17,218,592	16,040,741
Total liabilities and net assets	\$ 19,351,390	\$ 17,415,432

See accompanying notes to financial statements

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue and support from operations:				
Public and corporate support	\$ 2,239,607	\$ -	\$ 2,239,607	\$ 1,560,926
DTE Energy	-	-	-	750,000
DTE Gas	-	-	-	1,500,000
Grant revenue	1,400,368	-	1,400,368	712,771
Federal grants	-	205,526	205,526	3,642,547
State of Michigan grants	-	6,461,723	6,461,723	6,461,723
Foundation grant and contribution support	167,762	1,140,000	1,307,762	1,482,870
Investment return, net of fees	124,754	-	124,754	(128,543)
Special events revenue	853,668	48,433	902,101	1,173,005
Service fee revenue	-	-	-	1,086,826
Miscellaneous income	53,659	-	53,659	51,773
In-kind contributions (note 6)	1,670,250	-	1,670,250	98,109
	<u>6,510,068</u>	<u>7,855,682</u>	<u>14,365,750</u>	<u>18,392,007</u>
Total revenue and support from operations				
Functional expenses:				
Program services	10,960,637	-	10,960,637	13,791,735
Supporting services	2,227,262	-	2,227,262	2,256,204
	<u>13,187,899</u>	<u>-</u>	<u>13,187,899</u>	<u>16,047,939</u>
Total functional expenses (note 1)				
Release of net assets from restrictions	<u>7,987,876</u>	<u>(7,987,876)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,310,045	(132,194)	1,177,851	2,344,068
Net assets - beginning	<u>10,498,336</u>	<u>5,542,405</u>	<u>16,040,741</u>	<u>13,696,673</u>
Net assets - ending	<u>\$ 11,808,381</u>	<u>\$ 5,410,211</u>	<u>\$ 17,218,592</u>	<u>\$ 16,040,741</u>

See accompanying notes to financial statements

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2022**

	Supporting Services				2023	2022
	Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and fringes	\$ 1,338,641	\$ 751,522	\$ 228,763	\$ 980,285	\$ 2,318,926	\$ 2,230,742
Assistance to individuals (note 7)	6,942,829	-	-	-	6,942,829	10,237,109
Promotional	-	1,003	170,510	171,513	171,513	187,077
Printing and postage	177,651	14,689	37,026	51,715	229,366	204,059
Contractual services	407,625	611,052	37,225	648,277	1,055,902	2,077,405
Travel and meetings	7,673	5,248	1,264	6,512	14,185	17,300
Depreciation and amortization	35,801	30,326	7,158	37,484	73,285	25,690
Telephone	179,582	21,685	5,918	27,603	207,185	328,019
Space rental	151,786	48,230	10,483	58,713	210,499	359,800
Supplies	4,709	7,058	2,233	9,291	14,000	62,013
License and fees	3,499	85	-	85	3,584	3,169
Equipment and software	46,418	56,845	8,714	65,559	111,977	100,962
Web expense	42,553	10,629	1,370	11,999	54,552	37,666
Dues and subscriptions	-	21,754	588	22,342	22,342	39,807
Support maintenance services	3,191	4,967	781	5,748	8,939	6,663
Bank fees	590	699	28,722	29,421	30,011	24,591
Insurance	26,297	18,920	4,183	23,103	49,400	30,873
Miscellaneous	(26,351)	25,120	385	25,505	(846)	26,885
In-kind expense (note 1)	1,618,143	-	52,107	52,107	1,670,250	48,109
Total functional expenses	\$ 10,960,637	\$ 1,629,832	\$ 597,430	\$ 2,227,262	\$ 13,187,899	\$ 16,047,939

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,177,851	\$ 2,344,068
Adjustments:		
Depreciation and amortization	73,285	25,690
Net realized and unrealized gain (loss) on investments	(91,002)	146,504
Donated software	-	(50,000)
Decrease/(increase) in assets:		
Grants receivable	1,564,451	(2,362,310)
Accounts receivable	110,028	504,243
Prepaid expenses and other current assets	28,626	(36,030)
Increase/(decrease) in liabilities:		
Accounts payable	(299,729)	(240,049)
Right-of-use asset and liabilities, operating leases	112,352	-
Other liabilities	200,435	-
Accrued liabilities	(417,028)	237,965
Deferred rent	(134,373)	134,373
Deferred income	432,342	(577,953)
Total adjustments	1,579,387	(2,217,567)
Net cash provided from operating activities	2,757,238	126,501
Cash flows from investing activities:		
Acquisition of intangible assets	(213,238)	-
Proceeds from sale of investments	163,731	100,308
Purchases of investments	(145,918)	(166,076)
Purchase of equipment and software	(815,475)	(199,671)
Net cash used in investing activities	(1,010,900)	(265,439)
Net increase (decrease) in cash and cash equivalents	1,746,338	(138,938)
Cash and cash equivalents - beginning	12,609,664	12,748,602
Cash and cash equivalents - ending	\$ 14,356,002	\$ 12,609,664
<u>Noncash Information</u>		
Purchase of software through accounts payable	\$ 361,682	\$ -

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

The Heat and Warmth Fund (A Nonprofit Organization) (THAW” or “Organization”) is a community organization that was established in December 1985 to provide utility assistance for Michigan residents in need. THAW currently provides assistance with heat, electricity and water. They also provide energy efficiency education and energy efficiency upgrades in the home, as well as case management and referral services to help stabilize and empower families with long-term solutions.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of THAW and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of THAW and/or the passage of time.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Revenue Recognition

Revenue is recorded when earned as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Payments under cost-reimbursable contracts are recognized in the period in which the related services are performed, or expenditures are incurred, respectively. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give 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 more than one year are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. All revenue is considered to be without donor restrictions unless specifically restricted by the funding source.

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Support that is restricted by the funding source is reported as an increase in net assets with donor restrictions. When support is expended to satisfy the restricted purpose, net assets with donor restrictions are classified to net assets without donor restrictions. See Note 9 for the breakdown of net assets with donor restrictions.

The Organization also has program service fee revenue from contracts with customers. The transaction price is the contracted service fee for the utilization of the call center and software end user licenses. The Organization bills the entities at the end of each month for service fees incurred over the course of the month. Revenue is recognized over the course of the month that services are performed.

Special event revenue is generated through ticket sales and sponsorship agreements associated with the event. Revenue is recognized upon the event occurring. Any revenues received in advance of the event are reported as deferred revenue.

Income Taxes

The Heat and Warmth Fund is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2019 - 2022.

Equipment and Software

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for equipment and software over \$5,000. Leasehold improvements are depreciated over the lesser of the length of the related lease or their estimated useful life.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

THAW receives a substantial portion of its contributions from companies in the southeastern Michigan geographical region and from the State of Michigan. Revenue from the State of Michigan amounted to approximately 52% and 35% of total revenue for the years ended June 30, 2023 and 2022, respectively.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include highly liquid investments with original maturities of three months or less. THAW places its temporary cash investments with high credit quality financial institutions. THAW's cash balance in excess of the FDIC insurance limit at June 30, 2023 and 2022 was approximately \$13,862,900 and \$12,039,500, respectively. All cash and cash equivalents are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain cash and cash equivalents, it is at least reasonably possible that changes in the values of cash and cash equivalents could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Organization also maintains an investment account with a stock brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash in 2023 and 2022, by the Securities Investor Protection Corporation ("SIPC"). At June 30, 2023 and 2022, \$645,221 and \$572,032, respectively, were in excess of the SIPC insurance limit.

Grants Receivable

Grants are recorded as receivable when earned. Revenue from conditional grant awards under expense reimbursement programs is recognized in the period during which the conditions are substantially met. In cases where the conditions are substantially met in advance of receiving the grant reimbursement, revenue and grants receivable are recorded. No allowance for uncollectible accounts has been provided. Management has evaluated the account based on historical experience and review of current status and believes it is collectible.

Grants receivables 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 a rate of 3.98% as of June 30, 2023.

Grants receivable consist of the following:

	2023	2022
Grants receivable	\$ 1,510,729	\$ 3,069,210
Less: Grants unamortized discount	(5,970)	-
Total	\$ 1,504,759	\$ 3,069,210
Amounts due in:		
Less than one year	\$ 1,360,729	\$ 3,069,210
Greater than one year	144,030	-
Total	\$ 1,504,759	\$ 3,069,210

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are carried at invoice amounts. The receivable consists of program fees at June 30, 2023 and 2022. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. At June 30, 2023 and 2022, the allowance for doubtful accounts amounted to \$-0- and \$3,574, respectively.

The following summarizes the balances for gross accounts receivable related to contracts with customers at June 30, 2023:

Accounts receivable - beginning	\$ 113,602
Accounts receivable - ending	-

Agency Transactions

The Organization acted as an agent through September 30, 2022 for St. Vincent DePaul (SVDP). Under the agency agreement, SVDP utilized THAW's SafetyNet software to facilitate their own grant. SVDP sent cash to THAW which was then distributed to recipients through use of THAW's SafetyNet software. As of June 30, 2023 and 2022, there was \$-0- and \$39,103, respectively, of cash received in excess of payments made for SVDP recipients, which was included in accrued wages and other accrued liabilities.

Investment Securities

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

GAAP establishes a fair value 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 and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Basis of Fair Value Measurements

- 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 in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Basis of Fair Value Measurements (Continued)

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to their fair value measurement. All mutual funds and debt securities are measured using Level 1 inputs.

Leases

The Organization recognizes right-of-use assets and lease liabilities for leases with terms greater than 12 months. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the lease (operating leases). The Organization's right-of-use assets and lease liabilities relate to its office facility. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised.

Right-of-use assets and lease liabilities are recorded at the net present value of future lease payments and include any initial direct costs incurred at lease commencement. The Organization has elected to use a risk-free discount rate to determine the net present value of the lease when the rate implicit in the lease is not readily determinable. Right-of-use assets under finance leases are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis. Right-of-use assets under operating leases are reduced as lease expense is incurred.

Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the lease term.

Related Party Transactions

Certain members of the Organization's Board of Directors are employed by utility companies for which the Organization remits direct assist payments for individuals in need. See Note 7 for a schedule of assistance payment made for the years ended June 30, 2023 and 2022.

Intangible Assets

Intangible assets are evaluated whenever events or changes in circumstances indicate that the carry value of the asset may be impaired. The intangible assets will be amortized utilizing a straight-line method over the length of the contract.

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. As a result, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include space rental and depreciation which are allocated on a square foot basis for fiscal year end 2022 and on budgeted head count allocation for fiscal year end 2023. The modification of allocation method was deemed necessary due to staff entering a hybrid work schedule and square footage was no longer an appropriate methodology. Salaries and related expenses are allocated on the basis of the actual or estimated time devoted to those activities. All other expenses have been allocated on the basis of actual or estimates of time and effort attributable to the program or supporting function, as determined by management.

Expenses reported under program services represent the cost of providing energy assistance, energy efficiency activities, case management, and referral services. Expenses reported under supporting services include costs relating to the operations of the Organization, general recordkeeping, accounting, general board activities, fundraising and other related costs. The salaries and expenses of the Chief Executive Officer, Chief Operating Officer, and Chief Administrative Officer are allocated to program services for time spent directly supervising program activities.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 13, 2023, which is the date the financial statements were available to be issued.

Note 2 - Adoption of New Accounting Standard

On July 1, 2022, the Organization adopted new guidance under Accounting Standards Codification (ASC) Topic 842, Leases. Under the new guidance the Organization recognizes right-of-use assets and lease liabilities for leases with terms greater than 12 months. Leases are now classified as either finance or operating leases which dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization adopted Topic 842 using the modified retrospective method. Accordingly, the new guidance was applied retrospectively to leases that existed as of July 1, 2022 (the date of initial application). As a result, the Organization recorded right-of-use assets of \$668,440 and lease liabilities of \$802,813. The adoption did not have a significant impact on the Organization's net assets, results of activities or cash flows.

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 2 - Adoption of New Accounting Standard (Continued)

The Organization elected the following practical expedients and accounting policy elections:

1. Expired or existing contracts were not reassessed to determine whether they are or contain leases upon adoption.
2. Previous classification of existing leases (operating or finance) was retained as of the date of adoption.
3. Initial direct costs were not reassessed upon adoption.
4. Short-term leases (initial terms less than 12 months) are expensed on a straight-line basis over the lease term.
5. The risk-free discount rate is used to measure lease liabilities and right-of-use assets at lease commencement.

Note 3 - Investment Securities

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified in the following:

	As of June 30, 2023			
	Fair Value Based on			
Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)	
Mutual funds	\$ 848,408	\$ 848,408	\$ -	\$ -
Trading debt securities	296,813	296,813	-	-
Total investment securities	\$ 1,145,221	\$ 1,145,221	\$ -	\$ -

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 3 - Investment Securities (Continued)

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified in the following:

	As of June 30, 2022			
	Fair Value Based on			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Mutual funds	\$ 835,915	\$ 835,915	\$ -	\$ -
Trading debt securities	<u>236,117</u>	<u>236,117</u>	<u>-</u>	<u>-</u>
Total investment securities	<u>\$ 1,072,032</u>	<u>\$ 1,072,032</u>	<u>\$ -</u>	<u>\$ -</u>

For the above mutual funds and debt securities, the fair value was determined by reference to quoted market prices in active markets (Level 1) and other relevant information generated by market transactions.

A summary of investment earnings included in the change in net assets in the accompanying statements of activities is as follows:

	2023	2022
Net realized and unrealized gains (losses)	\$ 91,002	\$ (146,504)
Dividends and interest	38,617	23,331
Investment fees	<u>(4,865)</u>	<u>(5,370)</u>
Total	<u>\$ 124,754</u>	<u>\$ (128,543)</u>

**THE HEAT AND WARMTH FUND
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 4 - Equipment, Software & Leasehold Improvements

The principal categories of equipment and software as of June 30, 2023 and 2022 may be summarized as follows:

	2023	2022
Leasehold improvements	\$ 498,932	\$ 498,932
Office equipment	150,473	150,473
Software - other	1,646,810	10,813
Web-based system	190,220	190,220
TSN 2 web database	308,220	308,220
Construction in progress	-	452,256
Total cost	2,794,655	1,610,914
Less accumulated depreciation	(1,210,729)	(1,145,078)
Total undepreciated cost	\$ 1,583,926	\$ 465,836

Construction in progress represents expenditures for software development, which were placed in service during fiscal year June 30, 2023.

Note 5 - Line-of-Credit

THAW has an unsecured revolving line-of-credit of \$100,000 with Chase Bank bearing interest at prime plus 2%. At June 30, 2023 and 2022, there were no borrowings on the line-of-credit.

Note 6 - Contributions of Nonfinancial Assets

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased.

A substantial number of volunteers have donated time to the Organization. The value of these services is not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America. During 2023 and 2022, volunteers donated 393 and 342 hours, respectively, to the Organization.

The Organization recognized contributed nonfinancial assets within revenue including household goods, entertainment packages, advertising, personal protective equipment and gift cards. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 6 - Contributions of Nonfinancial Assets (Continued)

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities include:

	2023	2022
Items provided for special event auction lots	\$ 52,107	\$ 48,109
Donated software development services	1,618,143	50,000
Total	\$ 1,670,250	\$ 98,109

The items were recorded at the donor stated value at the time of donation, which is their assessment for the fair market value.

There were no donor-imposed restrictions on contributions of nonfinancial assets.

Note 7 - Assistance to Individuals

Assistance to individuals included in program expenses was provided in the form of direct payments for the years ended June 30, 2023 and 2022 as follows:

	2023	2022
DTE Energy	\$ 4,935,163	\$ 7,514,629
Consumers Energy	666,843	742,943
S.E.M.C.O. Energy	402,354	533,587
Energy efficiency assistance and education programs	825,020	611,887
Other fuel	30,350	107,399
Water assistance	83,099	726,664
Total assistance to individuals	\$ 6,942,829	\$ 10,237,109

Note 8 - Intangible Assets

Intangible assets consist of the following at June 30, 2023:

	Appraised Fair Value
Software licenses	\$ 213,238
Accumulated amortization	(14,218)
Net intangible assets	\$ 199,020

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 8 - Intangible Assets (Continued)

Amortization expense for the year ended June 30, 2023 was \$14,218 with accumulated amortization of \$14,218 for the year ended June 30, 2023.

The amortization expense to be incurred for the four years ending June 30, 2027 is as follows:

2024	\$ 54,122
2025	54,122
2026	54,122
2027	36,654

Note 9 - Other Liabilities

In connection with note 8, the Organization executed various license agreements for cloud-based computer software under long-term noncancellable contracts that expire in February 2027. The organization will pay monthly fees ranging from \$650 to \$2,449.

The following is a schedule by years of approximate future minimum payments required under the contract in excess of one year as of June 30, 2023:

Year Ending June 30th:

2024	\$ 60,156
2025	60,156
2026	60,156
2027	<u>40,104</u>
Total minimum contract payments	220,572
Less: Imputed interest	<u>(20,137)</u>
Present value of future contract payments	<u>\$ 200,435</u>

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 10 - Operating Leases

The Organization leases its office space under a long-term, noncancellable operating lease that expires April 2026 and requires monthly payments ranging approximately from \$16,444 to \$19,551. The Organization also leases its phone equipment, postage machine and copier under a short-term lease.

The Organization's lease expense consists of the following for the year ended June 30, 2023:

Operating lease cost	\$ 186,184
Short-term lease cost	<u>4,784</u>
Total	<u>\$ 190,968</u>

Total lease expense for the year end June 30, 2022 was \$356,262.

Supplemental lease information is as follow for the year ended June 30, 2023:

Cash paid for amounts included in measurement of lease liability:	
Operating cash flows from operating lease	\$ 208,206
Right-of-use asset obtained in exchange for operating lease liability	802,813
Weighted-average remaining lease term (years) - operating lease	2.83
Weighted-average discount rate - operating lease	2.88%

Future minimum annual payments expected under this lease are as follows:

Year Ending June 30th:

2024	\$ 217,524
2025	226,843
2026	<u>195,507</u>
Total minimum lease payments	639,874
Less: imputed interest	<u>(25,096)</u>
Present value of lease liability	<u>\$ 614,778</u>

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 11 - Pension Plan

THAW offers a simple IRA account. Contributions to these accounts amounted to \$36,447 and \$34,245 for the years ended June 30, 2023 and 2022, respectively.

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2023 and 2022:

	2023	2022
State of Michigan	\$ 1,437,400	\$ 1,156,753
DTE Energy	27,160	188,243
DTE Gas	2,064,103	2,180,629
Max Fisher Foundation	333,425	26,137
Consumers Energy	975,198	1,036,772
S.E.M.C.O. Energy	39,257	138,871
Total Health Care	-	250,000
Detroit Home Repair Fund	165,000	-
United Way	2,476	-
Kresge Power Outage	3,800	-
W.K. Kellogg Foundation	362,392	565,000
Total	\$ 5,410,211	\$ 5,542,405

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditures for specified purpose:		
Direct assistance to clients	\$ 4,220,520	\$ 3,486,936
Direct assistance to clients - Brightmoor area	333,425	26,091
Administration	856,266	2,029,378
Total	\$ 5,410,211	\$ 5,542,405

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

Note 13 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2023	2022
Total current assets	\$ 16,921,988	\$ 16,949,596
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purpose restrictions	(5,410,211)	(5,542,405)
Less prepaid expenses	(35,036)	(88,662)
Total	\$ 11,476,741	\$ 11,318,529

Financial assets in the amount of \$11,476,741 are available for general expenditure without donor or other restrictions limiting their use for the year ended June 30, 2023. If funds to cover the cost of current liabilities are backed out, a net amount of \$9,905,196 is available. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds to manage their liquidity. These short-term investments could be sold if additional liquid assets were needed. Additionally, the Organization has an unused line-of-credit in the amount of \$100,000 that could be drawn on if needed.

***** End of Notes *****