



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

FINANCIAL STATEMENTS

JUNE 30, 2024

(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
The Heat and Warmth Fund
(A Nonprofit Organization)

Report on the Audit of the Financial statements

Opinion

We have audited the financial statements of The Heat and Warmth Fund, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, 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, 2024, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024, on our consideration of The Heat and Warmth Fund's (A Nonprofit Organization) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Heat and Warmth Fund's (A Nonprofit Organization) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering The Heat and Warmth Fund's (A Nonprofit Organization) internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Doeren Mayhew Assurance".

Troy, Michigan
December 5, 2024

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2023**

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 13,357,802	\$ 14,356,002
Certificate of deposit	2,000,000	-
Investment securities (note 2)	1,317,388	1,145,221
Grants receivable, current portion, less allowance for uncollectable receivables of \$36,551 in 2024 and \$3,574 in 2023 (note 1)	1,385,352	1,360,729
Prepaid expenses and other current assets	103,905	60,036
Total current assets	18,164,447	16,921,988
Equipment, software and leasehold improvements		
At cost, less accumulated depreciation of \$1,543,682 in 2024 and \$1,210,729 in 2023 (note 3)	1,250,973	1,583,926
Grant receivable, net of current portion and discount (note 1)	-	144,030
Other assets		
Right-of-use asset, operating lease (note 9)	330,778	502,426
Intangible assets, less accumulated amortization of \$68,340 in 2024 and \$14,218 in 2023 (note 7)	144,898	199,020
Total other assets	475,676	701,446
Total assets	<u>\$ 19,891,096</u>	<u>\$ 19,351,390</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 218,008	\$ 540,585
Accrued wages and other accrued liabilities	222,524	206,448
Lease liability - operating, current portion (note 9)	218,377	202,988
Other liabilities - current portion (note 8)	53,647	50,972
Deferred grant income	1,783,267	570,552
Total current liabilities	2,495,823	1,571,545
Long-term liabilities		
Lease liability - operating, net of current portion (note 9)	193,414	411,790
Other liabilities - net of current portion (note 8)	95,816	149,463
Total long-term liabilities	289,230	561,253
Net assets		
Without donor restrictions	12,601,327	11,808,381
With donor restrictions (note 11)	4,504,716	5,410,211
Total net assets	17,106,043	17,218,592
Total liabilities and net assets	<u>\$ 19,891,096</u>	<u>\$ 19,351,390</u>

See accompanying notes to financial statements

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue and support from operations				
Public and corporate support	\$ 1,069,012	\$ -	\$ 1,069,012	\$ 2,239,607
Other grant revenue	1,761,166	-	1,761,166	1,400,368
Federal grants	-	2,349,704	2,349,704	205,526
State of Michigan grants	-	6,320,622	6,320,622	6,461,723
Foundation grant and contribution support	427,353	695,000	1,122,353	1,307,762
Investment return, net of fees	171,871	-	171,871	124,754
Special events revenue	1,045,549	-	1,045,549	902,101
Miscellaneous income	14,984	-	14,984	53,659
In-kind contributions (note 5)	125,560	-	125,560	1,670,250
Total revenue and support from operations	4,615,495	9,365,326	13,980,821	14,365,750
Functional expenses				
Program services	11,617,184	-	11,617,184	10,960,637
Supporting services	2,476,186	-	2,476,186	2,227,262
Total functional expenses (note 1)	14,093,370	-	14,093,370	13,187,899
Release of net assets from restrictions	10,270,821	(10,270,821)	-	-
Change in net assets	792,946	(905,495)	(112,549)	1,177,851
Net assets - beginning	11,808,381	5,410,211	17,218,592	16,040,741
Net assets - ending	<u>\$ 12,601,327</u>	<u>\$ 4,504,716</u>	<u>\$ 17,106,043</u>	<u>\$ 17,218,592</u>

See accompanying notes to financial statements

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2023**

	Supporting Services				2024	2023
	Program Services	Management and General	Fundraising	Total Supporting Services		
Assistance to individuals (note 6)	\$ 8,678,258	\$ -	\$ -	\$ -	\$ 8,678,258	\$ 6,942,829
Bank fees	687	814	33,429	34,243	34,930	30,011
Contractual services	315,203	472,506	28,785	501,291	816,494	1,055,902
Depreciation and amortization	189,092	160,176	37,807	197,983	387,075	73,285
Dues and subscriptions	-	14,872	402	15,274	15,274	22,342
Equipment and software	44,050	53,945	8,269	62,214	106,264	111,977
Insurance	7,190	5,173	1,144	6,317	13,507	49,400
Miscellaneous	5,350	21,889	1,075	22,964	28,314	(9,089)
Printing and postage	205,125	16,961	42,752	59,713	264,838	229,366
Promotional	-	1,322	224,818	226,140	226,140	170,519
Salaries and fringe benefits	1,516,650	851,458	259,183	1,110,641	2,627,291	2,319,920
Occupancy	195,958	62,266	13,534	75,800	271,758	210,499
Travel and meetings	25,235	17,260	4,157	21,417	46,652	14,185
Telephone	187,295	22,616	6,172	28,788	216,083	207,185
Supplies	4,606	6,905	2,184	9,089	13,695	14,000
Web expense	117,830	29,432	3,794	33,226	151,056	54,552
License and fees	2,070	50	-	50	2,120	3,584
Support maintenance services	2,514	3,913	615	4,528	7,042	8,939
Interest expense	9,184	-	-	-	9,184	8,243
Bad debt expense	-	-	32,977	32,977	32,977	-
Professional development	10,887	6,111	1,860	7,971	18,858	-
In-kind expense (note 5)	100,000	-	25,560	25,560	125,560	1,670,250
Total functional expenses	\$ 11,617,184	\$ 1,747,669	\$ 728,517	\$ 2,476,186	\$ 14,093,370	\$ 13,187,899

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (112,549)	\$ 1,177,851
Adjustments		
Depreciation and amortization	387,075	73,285
Bad debt expense	32,977	-
Net realized and unrealized gain on investment	(114,287)	(91,002)
Decrease/(increase) in assets		
Grants receivable	86,430	1,564,451
Accounts receivable	-	110,028
Prepaid expenses and other current assets	(43,869)	28,626
Increase/(decrease) in liabilities		
Accounts payable	(322,577)	(299,729)
Right-of-use asset and liabilities, operating leases	(31,339)	112,352
Other liabilities	(50,972)	200,435
Accrued wages and other accrued liabilities	16,076	(417,028)
Deferred rent	-	(134,373)
Deferred grant income	1,212,715	432,342
Total adjustments	<u>1,172,229</u>	<u>1,579,387</u>
Net cash provided from operating activities	1,059,680	2,757,238
Cash flows from investing activities		
Purchase of certificate of deposit	(2,000,000)	-
Acquisition of intangible assets	-	(213,238)
Proceeds from sale of investments	250,000	163,731
Purchases of investments	(307,880)	(145,918)
Purchase of equipment and software	-	(815,475)
Net cash used in investing activities	<u>(2,057,880)</u>	<u>(1,010,900)</u>
Net increase (decrease) in cash and cash equivalents	(998,200)	1,746,338
Cash and cash equivalents - beginning	<u>14,356,002</u>	<u>12,609,664</u>
Cash and cash equivalents - ending	<u>\$ 13,357,802</u>	<u>\$ 14,356,002</u>
<u>Noncash Information</u>		
Purchase of software through accounts payable	<u>\$ -</u>	<u>\$ 361,682</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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, 2023, 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. Grant funding received in advance of conditions being met is recorded as deferred grant income. 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, 2024 AND 2023

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 11 for the breakdown of net assets with donor restrictions.

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 2020 - 2023.

Equipment, Software and Leasehold Improvements

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 48% and 52% of total revenue for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, grants receivable from the State of Michigan amounted to approximately 48% and 49% of the total grants receivable balance, respectively.

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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, 2024 and 2023 was \$12,800,930 and \$13,862,907, 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 2024 and 2023, by the Securities Investor Protection Corporation ("SIPC"). At June 30, 2024 and 2023, \$817,388 and \$645,221, respectively, were in excess of the SIPC insurance limit.

Non-Negotiable Certificates of Deposit

The Organization invests in non-negotiable certificates of deposit. The certificate of deposit matures on February 24, 2025. The certificate of deposit is recorded at cost.

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. An allowance for uncollectible grant receivable is established based on a specific assessment of all amounts that remain unpaid following expected payment periods. The allowance for uncollectible grant receivables for the years ended June 30, 2024 and 2023 totaled \$36,551 and \$3,574, respectively.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Grants receivable consist of the following:

	2024	2023
Grants receivable	\$ 1,385,352	\$ 1,510,729
Less: Grants unamortized discount	-	(5,970)
Total	\$ 1,385,352	\$ 1,504,759
Amounts due in		
Less than one year	\$ 1,385,352	\$ 1,360,729
Greater than one year	-	144,030
Total	\$ 1,385,352	\$ 1,504,759

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.

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.

THE HEAT AND WARMTH FUND (A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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 6 for a schedule of assistance payment made for the years ended June 30, 2024 and 2023.

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.

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 budgeted head count allocation basis. 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Reclassification

Certain items contained within the 2023 financial statements have been reclassified to conform to the current reporting period. There was no effect on total assets, liabilities, or net assets as a result of the reclassifications.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 5, 2024, which is the date the financial statements were available to be issued.

Note 2 – Investment Securities

The following tables presents assets measured at fair value on a recurring basis, except those measured at cost as identified in the following as of June 30, 2024 and 2023:

	As of June 30, 2024			
	<u>Fair Value Based on</u>			
<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	
Mutual Funds	\$ 960,493	\$ 960,493	\$ -	\$ -
Trading debt securities	<u>356,895</u>	<u>356,895</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,317,388</u>	<u>\$ 1,317,388</u>	<u>\$ -</u>	<u>\$ -</u>
	As of June 30, 2023			
	<u>Fair Value Based on</u>			
<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	
Mutual Funds	\$ 848,408	\$ 848,408	\$ -	\$ -
Trading debt securities	<u>296,813</u>	<u>296,813</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,145,221</u>	<u>\$ 1,145,221</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.

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

	2024	2023
Net realized and unrealized gains	\$ 114,287	\$ 91,002
Dividends and interest	63,009	38,617
Investment fees	(5,425)	(4,865)
Total	\$ 171,871	\$ 124,754

Note 3 – Equipment, Software and Leasehold Improvements

The principal categories of equipment, software and leasehold improvements as of June 30, 2024 and 2023 may be summarized as follows:

	2024	2023
Leasehold improvements	\$ 498,932	\$ 498,932
Office equipment	150,473	150,473
Software - other	1,646,810	1,646,810
Web-based system	190,220	190,220
TSN 2 web database	308,220	308,220
Total cost	2,794,655	2,794,655
Less accumulated depreciation	(1,543,682)	(1,210,729)
Total undepreciated cost	\$ 1,250,973	\$ 1,583,926

Note 4 – 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, 2024 and 2023, there were no borrowings on the line-of-credit.

Note 5 – 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 2024 and 2023, volunteers donated 418 and 393 hours, respectively, to the Organization.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities include:

	2024	2023
Items provided for special event auction lots	\$ 25,560	\$ 52,107
Donated smoke detectors	100,000	-
Donated software development services	-	1,618,143
	\$ 125,560	\$ 1,670,250
Total	\$ 125,560	\$ 1,670,250

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 6 – Assistance to Individuals

Assistance to individuals included in program expenses was provided in the form of direct payments for the years ended June 30, 2024 and 2023 as follows:

	2024	2023
DTE Energy	\$ 4,907,345	\$ 4,935,163
Consumers Energy	558,797	666,843
S.E.M.C.O. Energy	250,318	402,354
Energy efficiency assistance and education programs	1,320,985	825,020
Other fuel	29,748	30,350
Water assistance	1,611,065	83,099
	\$ 8,678,258	\$ 6,942,829
Total assistance to individuals	\$ 8,678,258	\$ 6,942,829

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 7 – Intangible Assets

Intangible assets consist of the following at June 30, 2024 and 2023:

	2024	2023
Software licenses	\$ 213,238	\$ 213,238
Accumulated amortization	(68,340)	(14,218)
Net intangible assets	\$ 144,898	\$ 199,020

Amortization expense for the years ended June 30, 2024 and 2023 was \$54,122 and \$14,218, respectively.

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

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

Note 8 – Other Liabilities

In connection with note 7, 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, 2024:

<u>Year Ending June 30th</u>		
2025	\$	60,156
2026		60,156
2027		40,104
Total minimum contract payments		160,416
Less: imputed interest		(10,953)
Present value of future contract payments	\$	149,463

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 9 – 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 years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 186,184	\$ 186,184
Short-term lease cost	9,648	4,784
	\$ 195,832	\$ 190,968
Total	\$ 195,832	\$ 190,968

Supplemental lease information is as follow for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease	\$ 217,524	\$ 208,206
Right-of-use asset obtained in exchange for operating lease liability	-	802,813
Weighted-average remaining lease term (years) - operating lease	1.83	2.83
Weighted-average discount rate - operating lease	2.88%	2.88%

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

<u>Year Ending June 30th</u>		
2025		\$ 226,843
2026		195,507
		422,350
Total minimum lease payments		422,350
Less: imputed interest		(10,559)
Present value of lease liability		\$ 411,791

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Pension Plan

THAW offers a simple IRA account. Contributions to these accounts amounted to \$44,887 and \$36,447 for the years ended June 30, 2024 and 2023, respectively.

Note 11 – Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
State of Michigan	\$ 1,636,046	\$ 1,437,400
DTE Energy	-	27,160
DTE Energy Foundation	33,849	-
DTE Gas	1,077,739	2,064,103
Max Fisher Foundation	263,054	333,425
Consumers Energy	970,724	975,198
S.E.M.C.O. Energy	34,711	39,257
Detroit Home Repair Fund	119,925	165,000
United Way	2,476	2,476
Kresge Power Outage	3,800	3,800
W.K. Kellogg Foundation	362,392	362,392
	<u>\$ 4,504,716</u>	<u>\$ 5,410,211</u>
Total		

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

	<u>2024</u>	<u>2023</u>
Subject to expenditures for specified purpose		
Direct assistance to clients	\$ 3,173,526	\$ 4,220,520
Direct assistance to clients - Brightmoor area	263,054	333,425
Administration	1,068,136	856,266
	<u>\$ 4,504,716</u>	<u>\$ 5,410,211</u>
Total		

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions		
Direct assistance and administration		
Direct assistance	\$ 7,883,502	\$ 7,056,026
Direct assistance - Brightmoor	70,371	142,666
Administration	2,316,948	789,184
Total	\$ 10,270,821	\$ 7,987,876

Note 12 – 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:

	2024	2023
Total current assets	\$ 18,164,447	\$ 16,921,988
Less those unavailable for general expenditure within one year, due to		
Restricted by donor with time or purpose restrictions	(4,504,716)	(5,410,211)
Less prepaid expenses	(74,405)	(35,036)
Total	\$ 13,585,326	\$ 11,476,741

Financial assets in the amount of \$13,585,326 are available for general expenditure without donor or other restrictions limiting their use for the year ended June 30, 2024. If funds to cover the cost of current liabilities are backed out, a net amount of \$11,089,503 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.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Agency/Pass-Through Agency Program Title	Federal Assistance Listings Number	Award Amount	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Treasury</u>				
Passed Through the Michigan State Housing Development Authority COVID 19 -- Coronavirus State and Local Fiscal Recovery Funds March 1, 2023 thru April 30, 2026 (ARP-2022-9994-MIH)	21.027	\$ 5,000,000	\$ -	\$ 2,087,204
<u>U.S. Department of Health and Human Services</u>				
Passed Through the State of Michigan Public Service Commission Low-Income Home Energy Assistance Program October 1, 2022 - September 30, 2023 (PSC-23-05)	93.568	262,277	-	139,649
October 1, 2023 - September 30, 2024 (PSC-24-05)		340,000	-	122,851
Total Low-Income Home Energy Assistance Program		<u>602,277</u>	<u>-</u>	<u>262,500</u>
Total Federal Financial Assistance		<u>\$ 5,602,277</u>	<u>\$ -</u>	<u>\$ 2,349,704</u>

See accompanying notes to schedule of expenditures of federal awards

**THE HEAT AND WARMTH FUND
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

Note A – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Heat and Warmth Fund (A Nonprofit Organization) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Heat and Warmth Fund (A Nonprofit Organization), it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Heat and Warmth Fund (A Nonprofit Organization).

Note B – Basis of Accounting

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Heat and Warmth Fund (A Nonprofit Organization) has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C – Major Programs

Major programs are identified in the Summary Auditor's Results section of the Schedule of Findings and Questioned Costs.