MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2022

GJC

CPAs | ADVISORS

MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

CONTENTS

GJC

CPAs | ADVISORS

INDEPENDENT AUDITOR'S REPORT

May 15, 2023

To the Board of Directors
Michigan League for Public Policy

Opinion

We have audited the financial statements of the Michigan League for Public Policy (the "League", a Michigan non-profit Corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, as well as 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 Michigan League for Public Policy as of December 31, 2022, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 League 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.

Emphasis of Matter — Adoption of New Accounting Pronouncements

As discussed in Note A, effective January 1, 2022, the League has adopted the provisions contained in Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

The League's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 any conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 U.S. 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 U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we 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.

- We 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 League's internal control. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.

- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League'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 findings, and certain internal control-related matters that we identified during the audit.

GJC CPAs & Advisors

Detroit, Michigan

MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 953,797
Grants receivable (no allowance considered necessary) (Note C)	1,047,500
Other receivables (no allowance considered necessary)	48,106
Prepaid expenses and other current assets	21,103
Total Current Assets	**2,070,506**
Other Assets:	
Grants receivable (net of current portion) (no allowance considered necessary) (Note C)	200,000
Investments (Note E)	1,374,498
Funds held at community foundations (Note E)	3,723,906
Right-of-use assets under operating leases (Note F)	179,974
Fixed assets (net of accumulated depreciation) (Note G)	36,672
Total Other Assets	**5,515,050**
Total Assets	**$ 7,585,556**

See notes to financial statements.

MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

December 31, 2022

LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 44,164
Accrued and other liabilities	121,406
Operating lease liabilities –- current portion (Note F)	66,116
Liability for postretirement benefits – current portion (Note H)	37,809
Total Current Liabilities	**269,495**
Long-Term Liabilities:	
Operating lease liabilities (net of current portion) (Note F)	115,465
Liability for postretirement benefits (net of current portion) (Note H)	287,359
Total Long-Term Liabilities	**402,824**
Total Liabilities	**672,319**
Net Assets:	
Net assets without donor restrictions	1,517,552
Net assets with donor restrictions (Note B)	5,395,685
Total Net Assets	**6,913,237**
Total Liabilities and Net Assets	**$ 7,585,556**

See notes to financial statements.

MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Gains, Net of Losses:			
Contributions	$ 94,563	$ 12,915	$ 107,478
Foundation grants	1,500	1,916,000	1,917,500
Governmental contributions	29,174		29,174
Fees for services	362,356		362,356
Interest income	22,280		22,280
Net realized and unrealized loss on investments	(161,087)		(161,087)
Net realized and unrealized loss on funds held at community foundations (Note D)		(526,298)	(526,298)
Total Revenue and Gains, Net of Losses	348,786	1,402,617	1,751,403
Net assets released from restrictions (Note B)	2,013,926	(2,013,926)	-0-
Total Revenue, Gains, and Other Support, Net of Losses	**2,362,712**	**(611,309)**	**1,751,403**
Expenses (Note K):			
Program services:			
Public policy	2,123,972		2,123,972
Supporting services:			
Management and general	397,143		397,143
Fundraising	33,312		33,312
Total Supporting Services	430,455	-0-	430,455
Total Expenses	**2,554,427**	**-0-**	**2,554,427**
Change in Net Assets	**(191,715)**	**(611,309)**	**(803,024)**
Net Assets, Beginning of Year	1,709,267	6,006,994	7,716,261
Net Assets, End of Year	**$ 1,517,552**	**$ 5,395,685**	**$ 6,913,237**

See notes to financial statements.

MICHIGAN LEAGUE FOR PUBLIC POLICY
(A Michigan Non-Profit Corporation)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Change in net assets	$ (803,024)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	13,530
Amortization on right-of-use assets	1,607
Net realized and unrealized loss on investments	161,087
Net realized and unrealized loss on funds held at community foundations	526,298
Change in:	
Grants receivable	(202,500)
Government grants receivable	372,489
Other receivables	64,801
Prepaid expenses and other current assets	28,109
Accounts payable	1,039
Accrued and other liabilities	(18,805)
Liability for pension and postretirement benefits	(390,489)
Net Cash Flows from Operating Activities	**(245,858)**
Cash Flows from Investing Activities:	
Purchases of investments and units of funds held at community foundations	(404,915)
Proceeds from disposition of investments	355,738
Net Cash Flows from Investing Activities	**(49,177)**
Change in Cash and Cash Equivalents	**(295,035)**
Cash and Cash Equivalents, Beginning of Year	1,248,832
Cash and Cash Equivalents, End of Year	**$ 953,797**

See notes to financial statements.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Michigan League for Public Policy (the "League") is a Michigan non-profit Corporation established to foster economic opportunity, independence, and security of Michigan's economically vulnerable population by shaping public policy through objective, data-driven research, education, and advocacy.

Basis of Accounting

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

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases:

- Finance leases, which are accounted for in substantially the same manner as the accounting for capital leases under previous guidance

- Operating leases, which are accounted for (both in the statement of activities and in the statement of cash flows) in a manner consistent with the accounting for operating leases under previous guidance

ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The League adopted the provisions of ASU 2016-02 as of January 1, 2022, using the retrospective approach. The League elected the package of practical expedients permitted under the transition guidance within this standard which, among other matters, allowed the League to carry forward the historical lease classifications. The impact of adopting ASU 2016-02 resulted in the recognition of right-of-use assets under operating leases and operating lease liabilities of $214,075 as of January 1, 2022. The adoption of ASU 2016-02 did not have a material impact on the League's activities or cash flows.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. ASU 2020-07 also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. The League adopted the provisions of ASU 2020-07 as of January 1, 2022. The adoption of this pronouncement did not impact the League's net assets or financial statements.

Basis of Presentation

The League reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Certain reclassifications have been made to the balances of each class of net assets as of January 1, 2022 to conform to classifications used as of December 31, 2022.

Tax-Exempt Status

The League has been classified by the Internal Revenue Service ("IRS") as a non-profit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Additionally, the League has been classified by the IRS as an organization that is not a private foundation. The League's management is not aware of any uncertain tax positions or unrecognized tax benefits as of December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the League considers all short-term securities with original maturities of three months or less to be cash equivalents.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The League's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the League as of the end of the year. Certificates of deposit are not subject to significant market risk and are reflected at their principal value as of the reporting date.

The League invests funds at two community foundations (see Note D); these funds are valued at their net asset value per share as a practical expedient. The League reviews and evaluates the values provided by the community foundations. The estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during the year.

Fixed Assets

Fixed assets are carried at cost or, if donated, at their estimated fair values at the time of the donation, net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Recognition of Contributions and Foundation Grants

Contributions and foundation grants received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and foundation grants that are received with donor stipulations that limit the use of the donated assets and that are not met in the same year as received are reported as support with donor restrictions. Contributions and foundation grants with donor stipulations that are met in the same year as received are reported as support without donor restrictions.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Contributions and Foundation Grants (continued)

When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Foundation grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. There was no allowance recorded as of December 31, 2022.

Recognition of Fees for Services

The League recognizes revenue from certain advocacy and policy research services during the year in which the related services are provided to customers. The League recognized $362,356 of fees for services during the year ended December 31, 2022.

For policy research services, the League has performance obligations for delivering research services that are simultaneously received and benefitting the customer; therefore, the revenue is recognized ratably over the course of the agreed-upon contract time frame, which varies from customer to customer. For certain advocacy services, the League has separate and distinct performance obligations related to delivering webinars and trainings; therefore, the revenue is recognized when the customer obtains control of the promised asset. Services that the League contracts to transfer to customers are performed by the League. In no case does the League act as an agent.

The transaction price of a contract is the amount of consideration to which the League expects to be entitled in exchange for transferring promised services to a customer. To determine the transaction price of a contract, the League considers its customary business practices and the terms of the contract. For the purpose of determining transaction prices, the League assumes that the services will be provided to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified. For policy research services and one performance obligation, there is no allocation of the transaction price required. For certain advocacy services, the allocation of the transaction price is based on time spent by the League and agreed-upon hourly rates in the contracts.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Fees for Services (continued)

Under typical payment terms, the customer requests research services and is invoiced on a quarterly basis. Payment is typically due within 30 days after an invoice is sent to the customer. None of the League's contracts have a significant financing component.

In some situations, the League bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the League recognizing contract liabilities. Typically, the League does not recognize revenue before its right to some or all consideration becomes unconditional; therefore, the League did not record contract assets as of December 31, 2022.

Functional Allocation of Expenses

The League allocates its expenses on a functional basis among its program and supporting services. Costs directly attributable to program or supporting services are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated to functions, including salaries and related expenses, which are allocated based on time studies of the particular individuals, occupancy, which is allocated on the basis of square footage, and depreciation, which is allocated on the basis of the program or supporting service that uses the fixed asset.

Leases

The League recognizes right-of-use assets and lease liabilities for virtually all leases. Leases are categorized as either finance leases or operating leases.

At contract inception, the League determines whether a contract is or contains a lease, based on whether the League has the right to control the asset during the contract period, and whether the lease should be classified as a finance lease or an operating lease. The League's leasing arrangements do not contain any non-lease components. The League does not enter into any leases with a defined borrowing rate, so the League uses the incremental borrowing rate to measure its right-of-use assets and lease liabilities. The incremental borrowing rate is the rate that the League would have to pay to borrow, on a collateralized basis over a similar term, amounts equal to the lease payments in a comparable economic environment.

The League has elected not to recognize right-of-use assets or lease liabilities for leases that have an initial term of 12 months or less; the League recognizes lease expense for these leases on a straight-line basis over the lease term.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The League uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The League utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the League applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy, based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the League has the ability to access

- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability

- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments which potentially subject the League to concentrations of credit risk consist principally of cash and cash equivalents, grants receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of $250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of December 31, 2022 approximated $709,000. Grants receivable are due primarily from various private foundations. Investments are diversified among registered investment companies and a certificate of deposit.

Risks and Uncertainties

The League invests in various securities, including certificates of deposit and registered investment companies. Investment securities in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the financial statements.

Subsequent Events

The League's management has evaluated subsequent events through May 15, 2023, the date that the accompanying financial statements were available to be issued.

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of December 31, 2022 for the following purposes or periods:

Restricted for specific purposes:	
Kids Count	$ 408,723
Promoting Better Health and Well-Being	204,000
Empowering North Flint Residents	60,800
Child Tax Credit and Earned Income Tax Credit	23,000
Mothering Justice	7,809
Michigan Collaborate to End Mass Incarceration	91,333
EARN in the Midwest	19,513
State budget advocacy	100,000
Kalamazoo community engagement	40,000
Other donor restrictions	50,000
	1,005,178
Restricted for use in future periods:	
Grants receivable	612,500
Accumulation of endowment earnings not yet appropriated for expenditure without donor restrictions	1,466,440
	2,078,940
Investment in perpetuity	2,311,567
	$ 5,395,685

The interest and dividend income from investments to be held in perpetuity is available to support current operations and is not restricted by the donors.

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

Purpose restrictions accomplished for the following purposes:	
Kids Count	$ 254,647
Policy Change to Support Kids and Families	400,000
Promoting Better Health and Well-Being	241,000
Empowering North Flint Residents	36,595
Southeast Michigan quality of life	100,000
Federal advocacy	33,333
Child Tax Credit and Earned Income Tax Credit	42,000
Immigration work	50,000
Mothering Justice	25,855
Michigan Collaborate to End Mass Incarceration	239,500
EARN in the Midwest	30,052
Fighting poverty	19,444
Other donor restrictions	33,000
	1,505,426
Time restrictions expired by passage of specified time:	
Grants receivable	508,500
	$ 2,013,926

NOTE C — GRANTS RECEIVABLE

Grants receivable consist of the following unconditional promises to receive as of December 31, 2022:

Amounts due in:	
Less than one year	$ 1,047,500
One to five years	200,000
	$ 1,247,500

NOTE D — ENDOWMENT FUNDS

The League's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The League has established the following endowment funds:

Michigan League for Public Policy Nokomis Legacy Fund

The Michigan League for Public Policy Nokomis Legacy Fund (the "Nokomis Fund") was created in 2013 to support the general operations of the League. Earnings from the fund are considered to be time-restricted until appropriated for expenditure in accordance with existing accounting guidance for non-profit organizations. The League has established two accounts at community foundations, one with the Community Foundation for Southeast Michigan ("CFSEM") and one with the Kalamazoo Community Foundation ("KCF"), to hold these funds as agents.

Beck Memorial Fund

The Beck Memorial Fund (the "Beck Fund") was created in 2002. This fund recognizes Maurice P. Beck, a former Executive Director of the League. Assets from this endowment are used to award a scholarship to one Master of Social Work student currently enrolled in a Michigan college or university who plans to use a degree in social work to improve the lives of people in Michigan with low incomes. The initial contribution of $20,000 is restricted in perpetuity. Earnings from the Beck Fund are used for scholarships.

NOTE D — ENDOWMENT FUNDS (CONTINUED)

The endowment fund balances are reflected in the accompanying financial statements as of December 31, 2022 as follows:

	Nokomis Fund			
	Held by KCF	Held by CFSEM	Beck Fund	Total
With donor restrictions:				
Investment in perpetuity	$ 1,781,567	$ 510,000	$ 20,000	$ 2,311,567
Accumulation of endowment earnings not yet appropriated for expenditure without donor restrictions	1,236,838	221,361	8,241	1,466,440
	$ 3,018,405	**$ 731,361**	**$ 28,241**	**$ 3,778,007**

Reconciliations of the fair value of endowment fund assets included in the League's financial statements for the year ended December 31, 2022 are as follows:

	With Donor Restrictions			
	Nokomis Fund			
	Held by KCF	Held by CFSEM	Beck Fund	Total
Changes in Endowment Fund Assets:				
Net realized and unrealized loss	$ (432,103)	$ (94,195)	$ -0-	$ (526,298)
Contributions	12,915			12,915
Change in Endowment Fund Assets	**(419,188)**	**(94,195)**	**-0-**	**(513,383)**
Endowment Fund Assets, Beginning of Year	3,437,593	825,556	28,241	4,291,390
Endowment Fund Assets, End of Year	**$ 3,018,405**	**$ 731,361**	**$ 28,241**	**$ 3,778,007**

The League is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the League has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary.

NOTE D — ENDOWMENT FUNDS (CONTINUED)

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the League considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The League has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with UPMIFA, the League considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the League and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the League
- The investment policies of the league

The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. All of the League's endowments allow for the use of the earnings without donor restrictions. The endowment assets are invested in a manner that is expected, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the League relies on the investment policies of CFSEM and KCF for a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The League has a spending policy for the endowments held at CFSEM and KCF, as the earnings can be used for purposes without donor restrictions. The policy allows for the League to withdraw from accumulated earnings up to five percent of the value of the corpus each year on a rolling quarterly basis. On an annual basis, the League makes a judgment, using the standards of prudence, on the need for, and the spending of, available earnings.

NOTE E — INVESTMENTS, FUNDS HELD AT COMMUNITY FOUNDATIONS, AND FAIR VALUE

The League's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022 is summarized as follows:

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments at fair value:				
Registered investment companies:				
Equity funds	$ 345,667	$ -0-	$ -0-	$ 345,667
Fixed income funds	872,831			872,831
Certificates of deposit	156,000			156,000
	1,374,498	-0-	-0-	1,374,498
Funds held at community foundations:				
Kalamazoo Community Foundation			3,018,405	3,018,405
Community Foundation for Southeast Michigan			705,501	705,501
	-0-	-0-	3,723,906	3,723,906
	$ 1,374,498	**$ -0-**	**$ 3,723,906**	**$ 5,098,404**

There were no purchases or sales of Level 3 assets or transfers of assets into or out of Level 3 during the year ended December 31, 2022.

The League's Level 3 assets as of December 31, 2022, which consist of funds held at community foundations, are valued using investment statements received from the community foundations; the market value of the League's share of the community foundations' investments is the unobservable input in this valuation. The League has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include calls with the community foundations and analyzing quarterly statements. The League cannot independently assess the value of these underlying positions through a public exchange or an over-the-counter market.

NOTE F — LEASES

The League has operating leases for its office space and for certain equipment. The leases have remaining terms ranging from three to five years.

Amounts recognized in the statement of financial position as of December 31, 2022 are as follows:

Right-of-Use Assets:	
Under operating leases	$ 179,974
Operating Lease Liabilities:	
Current portion	$ 66,116
Long-term portion	115,465
	$ 181,581

Maturities of the lease liabilities are as follows as of December 31, 2022:

	Operating Leases
For the Years Ending December 31:	
2023	$ 75,222
2024	76,608
2025	35,626
2026	5,938
2027	3,959
Total Lease Payments	**197,353**
Less: Imputed interest	(15,772)
Present Value of Lease Liabilities	**$ 181,581**

Lease costs are as follows for the year ended December 31, 2022:

Operating lease cost	$ 71,511

NOTE F — LEASES (CONTINUED)

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022 is as follows:

For operating leases from operating cash flows	$ 69,905

The weighted average remaining lease term and the weighted average discount rate of the League's leases as of December 31, 2022 are as follows:

Weighted average remaining lease term for operating leases	2.72 years
Weighted average discount rate for operating leases	6.0 %

NOTE G — FIXED ASSETS

Fixed assets are summarized by major classifications as follows as of December 31, 2022:

Office equipment	$ 42,514
Furniture and fixtures	21,952
Computer equipment and software	59,374
Leasehold improvements	2,179
Assets in development	36,000
	162,019
Less: Accumulated depreciation	(125,347)
	$ 36,672

NOTE H — OTHER POSTRETIREMENT BENEFIT PLAN

All employees of the League hired before January 1, 2008 with one year of service are covered under a noncontributory defined benefit retiree health care plan which covers the full cost of health insurance for one retiree based on retirement at the age of 65 on or before May 2014. Effective May 2014, $5,000 per year for 10 years of health benefits is provided if an employee has cumulatively worked for the League for 20 years, remained in good standing, and attained the age of 55 upon leaving.

NOTE H — OTHER POSTRETIREMENT BENEFIT PLAN (CONTINUED)

As of December 31, 2022, the status of the retiree health care plan was as follows:

Projected benefit obligation	$ 325,168
Funded Status	**$ (325,168)**

The amounts of net periodic benefit cost, employer contributions, benefit payments, net actuarial gain, and amortization of transition obligation for the year ended December 31, 2022 were as follows:

Net periodic benefit cost	$ 40,127
Employer contributions	32,085
Benefits paid	32,085
Net actuarial gain	93,368
Amortization of transition obligation	13,663

Weighted-average assumptions used in the measurement of the League's net periodic benefit cost and benefit obligations for the year ended December 31, 2022 are as follows:

Net periodic pension cost	2.41 %
Benefit obligations	4.85

The overall expected rate of return on plan assets represents a weighted-average composite rate based on the historical rates of return of the respective asset classes.

Assumed health care cost trend rates were as follows as of December 31, 2022:

Health care cost trend rate assumed for next year	5.50 %
Rate in which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50

The retiree health care plan is funded to the extent of benefit payments required by the League and does not have any plan assets as of December 31, 2022.

NOTE H — OTHER POSTRETIREMENT BENEFIT PLAN (CONTINUED)

The League expects to make contributions to the retiree health care plan to pay current retiree benefits.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

For the Years Ending December 31:	
2023	$ 37,809
2024	37,102
2025	36,240
2026	31,335
2027	30,830
After 2027	127,491

NOTE I — RETIREMENT PLAN

The League participates in a defined contribution retirement plan for the benefit of substantially all employees. The plan provides for the League to make required fixed and matching contributions. Contributions to the plan totaled $51,329 for the year ended December 31, 2022.

NOTE J — PENSION PLAN

All employees of the League hired before January 1, 2008 with one year of service are covered under a noncontributory defined benefit pension plan. Benefits provided to employees under the pension plan are based on one year of service achieved before January 1, 2008 and average compensation calculated using the highest average annual earnings within the last three years of employment prior to termination. Benefits vest after three years of service. The pension plan was frozen to new employees, effective December 31, 2007. As of the freeze date, participants ceased to accrue additional benefits, and all participating employees have vested. The plan was terminated and, in February 2022, the obligations were transferred to an insurance company as part of an annuity contract purchase.

NOTE K — FUNCTIONAL EXPENSES

Expenses incurred by the League for the year ended December 31, 2022 are as follows:

	Program Services	Supporting Services			
	Public Policy	Management and General	Fundraising	Total Supporting Services	Total Expenses
Compensation	$ 1,524,526	$ 233,330	$ 23,202	$ 256,532	$ 1,781,058
Professional fees	125,420	136,945	7,712	144,657	270,077
Office expenses	73,669	7,296	725	8,021	81,690
Occupancy	77,642	13,739	1,366	15,105	92,747
Meetings, seminars, and conferences	64,316	2,781	277	3,058	67,374
Marketing	52,392	3,052	30	3,082	55,474
Grants	206,007				206,007
Total Expenses	**$ 2,123,972**	**$ 397,143**	**$ 33,312**	**$ 430,455**	**$ 2,554,427**

NOTE L — LIQUIDITY AND AVAILABILITY OF RESOURCES

The League has the following financial assets available for general expenditures within one year as of December 31, 2022:

Financial Assets:	
Cash and cash equivalents	$ 953,797
Grants receivable – current portion	1,047,500
Other receivables	48,106
Investments	1,374,498
Total Financial Assets	**3,423,901**
Less:	
Assets restricted by donors for specific purposes	(1,005,178)
Financial Assets Available to Meet General Expenditures within One Year	**$ 2,418,723**

NOTE L — LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The League has certain donor-restricted assets that are designated for future program expenditures and are limited to use. Therefore, these assets are not considered to be available for general expenditures within the next year.

The League has a policy to maintain financial assets, which consist of cash and short-term investments, on hand to meet three to six months of normal operating expenses, which, on average, range from $500,000 to $1,000,000. In addition, the League invests cash in excess of daily requirements in certificates of deposit that mature in the long term but could be converted to cash in the short term if needed.

The League has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE M — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, in June 2016. ASU 2016-13 replaces the existing incurred loss impairment methodology for financial instruments, including accounts and notes receivable, with a methodology that reflects expected credit losses. Under ASU 2016-13, consideration of a broader range of reasonable and supportable information, including forecasts, will be required to develop credit loss estimates (currently the allowance for doubtful accounts). The new methodology will be used to measure impairment of financial instruments, including accounts and notes receivable, and may result in earlier recognition of credit losses than under existing accounting. Promises to receive (contributions or pledges receivable) are excluded from the scope of this standard. ASU 2016-13 applies to the League's financial statements for the year ending December 31, 2023, with earlier implementation permitted. The League's management has not determined the impact on its financial statements as a result of implementing ASU 2016-13.