



**UNITED WAY OF MIDLAND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

December 31, 2021 and 2020

**UNITED WAY OF MIDLAND, INC.**

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August 15, 2022

**Board of Directors  
United Way of Midland, Inc.  
Midland, Texas**

### **Independent Auditor's Report**

#### **Opinion**

We have audited the consolidated financial statements of United Way of Midland, Inc. (the "Organization"), which comprise the consolidated statements of net position as of December 31, 2021 and 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

#### **Basis for Opinion**

We conducted our audits 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 Organization'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 Organization'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.

*Condly and Company, L.L.P.*

Certified Public Accountants

**UNITED WAY OF MIDLAND, INC.**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,960,487	\$ 1,919,038
Investments at fair value	7,272,408	6,810,754
Pledges receivable, net of allowance of \$45,512 in 2021 and \$76,369 in 2020	71,611	60,626
Other assets	5,183	7,270
Total Current Assets	9,309,689	8,797,688
LONG-TERM ASSETS:		
Beneficial interest in assets held by others	679,523	596,062
Fixed assets, at cost, net of accumulated depreciation of \$389,711 in 2021 and \$366,427 in 2020	253,126	276,410
Total Long-Term Assets	932,649	872,472
TOTAL ASSETS	\$ 10,242,338	\$ 9,670,160
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 25,305	\$ 4,139
Other liabilities	47,861	52,401
Due to designated organizations	1,050,511	863,783
Due to state and national affiliates	-	41,863
Total Current Liabilities	1,123,677	962,186
LONG-TERM LIABILITIES:		
Due to designated organizations	252,492	140,087
Total Liabilities	1,376,169	1,102,273
NET ASSETS:		
Without donor restrictions		
Undesignated	232,683	573,821
Designated by the board - quasi-endowment	7,453,963	6,898,004
Designated by the board - assets held by others	679,523	596,062
	8,366,169	8,067,887
With donor restrictions		
Perpetual in nature	500,000	500,000
	500,000	500,000
Net Assets	8,866,169	8,567,887
TOTAL LIABILITIES AND NET ASSETS	\$ 10,242,338	\$ 9,670,160

*The accompanying notes are an integral part of the consolidated financial statements.*

**UNITED WAY OF MIDLAND, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
Campaign contributions	\$ 1,433,463	\$	\$ 1,433,463
Initiative income	226,574		226,574
Less: donor designations	(243,434)		(243,434)
Less: allowance for uncollectible pledges	(7,165)		(7,165)
Campaign contributions, net	1,409,438	-	1,409,438
Event income	224,471		224,471
Grant income	50,000		50,000
Paycheck Protection Program forgiveness	112,367		112,367
Miscellaneous income	11,174		11,174
Interest income, banks	3,730		3,730
Net investment return	906,775		906,775
	1,308,517	-	1,308,517
Total Revenues, Gains and Other Support	2,717,955	-	2,717,955
<b>EXPENSES:</b>			
Program:			
Program expenses	1,781,273		1,781,273
Support services:			
General and administrative	126,408		126,408
Fundraising	511,992		511,992
Total Expenses	2,419,673	-	2,419,673
CHANGE IN NET ASSETS	298,282	-	298,282
NET ASSETS AT BEGINNING OF YEAR	8,067,887	500,000	8,567,887
NET ASSETS AT END OF YEAR	\$ 8,366,169	\$ 500,000	\$ 8,866,169

*The accompanying notes are an integral part of the consolidated financial statements.*

**UNITED WAY OF MIDLAND, INC.**  
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>			
Campaign contributions	\$ 1,296,004	\$	\$ 1,296,004
Initiative income	4,000		4,000
Less: donor designations	(16,170)		(16,170)
Less: allowance for uncollectible pledges	(64,070)		(64,070)
Campaign contributions, net	1,219,764	-	1,219,764
Event income	77,960		77,960
Grant income	109,306		109,306
Paycheck Protection Program forgiveness	89,600		89,600
Miscellaneous income	15,136		15,136
Interest income, banks	3,425		3,425
Net investment return	659,392		659,392
	954,819	-	954,819
 Total Revenues, Gains and Other Support	 2,174,583	 -	 2,174,583
<b>EXPENSES:</b>			
Program:			
Program expenses	1,441,805		1,441,805
Support services:			
General and administrative	107,117		107,117
Fundraising	405,562		405,562
Total Expenses	1,954,484	-	1,954,484
 CHANGE IN NET ASSETS	 220,099	 -	 220,099
 NET ASSETS AT BEGINNING OF YEAR	 7,847,788	 500,000	 8,347,788
 NET ASSETS AT END OF YEAR	 \$ 8,067,887	 \$ 500,000	 \$ 8,567,887

*The accompanying notes are an integral part of the consolidated financial statements.*

**UNITED WAY OF MIDLAND, INC.**  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	<b>2021</b>	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 298,282	\$ 220,099
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized gains on investments	(764,224)	(471,646)
Reinvested income	(115,490)	(134,303)
Provision for bad debt	7,165	64,070
Loss on disposal of fixed assets	-	2,886
Depreciation	23,284	21,768
(Increase)/Decrease in:		
Pledges receivable	(18,150)	109,986
Other assets	2,087	(842)
Increase/(Decrease) in:		
Accounts payable	(20,697)	2,605
Other liabilities	(4,540)	16,318
Due to designated organizations	299,133	(645,167)
	<b>(293,150)</b>	(814,226)
<b>Net Cash Used in Operating Activities</b>	<b>(293,150)</b>	(814,226)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	-	(38,793)
Purchase of investments	(1,665,292)	(2,937,542)
Proceeds from sales and maturities of investments	1,978,616	3,093,410
Distribution from beneficial interest in assets held for others	21,275	21,523
	<b>334,599</b>	138,598
<b>Net Cash Provided by Investing Activities</b>	<b>334,599</b>	138,598
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from debt payable	112,367	89,600
Forgiveness of debt payable	(112,367)	(89,600)
	-	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	-	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>41,449</b>	(675,628)
Cash and Cash Equivalents at Beginning of Year	<b>1,919,038</b>	2,594,666
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,960,487</b>	\$ 1,919,038

*The accompanying notes are an integral part of the consolidated financial statements.*



**UNITED WAY OF MIDLAND, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

	Program	General and Administrative	Fundraising	Total Support Services	Total Functional Expenses
<b>OPERATING EXPENSES:</b>					
Salaries and wages	\$ 167,249	\$ 46,830	\$ 254,219	\$ 301,049	\$ 468,298
Employee benefits	27,541	7,711	41,862	49,573	77,114
Payroll taxes	12,794	3,583	19,448	23,031	35,825
	<u>207,584</u>	<u>58,124</u>	<u>315,529</u>	<u>373,653</u>	<u>581,237</u>
Grants	1,523,353			-	1,523,353
National and state dues	1,303	365	1,981	2,346	3,649
Event expense			102,106	102,106	102,106
Professional fees		31,750		31,750	31,750
Local travel	134	1,578	1,098	2,676	2,810
Contract services	510	8,298	840	9,138	9,648
Insurance	5,124	1,368	7,428	8,796	13,920
Building maintenance and repairs	6,034	1,690	9,172	10,862	16,896
Postage		2,621	451	3,072	3,072
Telephone	2,550	714	3,876	4,590	7,140
Office supplies	2,281	639	3,468	4,107	6,388
Printing, publications and promotions	1,674	148	19,920	20,068	21,742
Dues and subscriptions	81	4,451	665	5,116	5,197
Equipment maintenance	18,570	3,328	23,391	26,719	45,289
Utilities	3,240	907	4,925	5,832	9,072
Bank and payroll fees		1,909	2,665	4,574	4,574
Depreciation	8,316	2,328	12,640	14,968	23,284
Conferences and local meetings	519	6,190	1,837	8,027	8,546
	<u>1,573,689</u>	<u>68,284</u>	<u>196,463</u>	<u>264,747</u>	<u>1,838,436</u>
Total functional expenses	<u>\$ 1,781,273</u>	<u>\$ 126,408</u>	<u>\$ 511,992</u>	<u>\$ 638,400</u>	<u>\$ 2,419,673</u>

The accompanying notes are an integral part of the consolidated financial statements.

**UNITED WAY OF MIDLAND, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2020

	Program	General and Administrative	Fundraising	Total Support Services	Total Functional Expenses
<b>OPERATING EXPENSES:</b>					
Salaries and wages	\$ 142,900	\$ 40,017	\$ 217,252	\$ 257,269	\$ 400,169
Employee benefits	32,315	9,049	49,128	58,177	90,492
Payroll taxes	11,177	3,130	16,992	20,122	31,299
	<u>186,392</u>	<u>52,196</u>	<u>283,372</u>	<u>335,568</u>	<u>521,960</u>
Grants	1,121,559			-	1,121,559
Other program disbursements	67,911	27	150	177	68,088
National and state dues	10,307	2,886	15,670	18,556	28,863
Event expense			9,129	9,129	9,129
Professional fees		30,820		30,820	30,820
Local travel	134	27	590	617	751
Contract services	12,024	3,367	19,685	23,052	35,076
Insurance	4,226	1,184	6,425	7,609	11,835
Building maintenance and repairs	7,019	1,966	10,671	12,637	19,656
Postage	335	94	2,244	2,338	2,673
Telephone	2,526	707	3,840	4,547	7,073
Office supplies	1,124	895	1,850	2,745	3,869
Printing, publications and promotions	2,128	84	5,267	5,351	7,479
Dues and subscriptions	1,366	383	3,182	3,565	4,931
Equipment maintenance	12,692	2,002	16,202	18,204	30,896
Utilities	3,338	935	5,075	6,010	9,348
Bank and payroll fees		372	6,143	6,515	6,515
Depreciation	7,773	2,177	11,818	13,995	21,768
Conferences and local meetings	951	6,719	4,249	10,968	11,919
Miscellaneous and other expenses		276		276	276
	<u>1,255,413</u>	<u>54,921</u>	<u>122,190</u>	<u>177,111</u>	<u>1,432,524</u>
Total functional expenses	<u>\$ 1,441,805</u>	<u>\$ 107,117</u>	<u>\$ 405,562</u>	<u>\$ 512,679</u>	<u>\$ 1,954,484</u>

*The accompanying notes are an integral part of the consolidated financial statements.*

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE**

The United Way of Midland, Inc. (the “Organization”) impacts the community by working with other organizations to identify the community’s most pressing health, education and self-sufficiency needs and then allocates funds to local non-profit organizations with programs that are making a measurable difference in addressing those needs. The Organization accomplishes this through assessing the needs of the community, advocating for the selected public policies, reviewing funding applications submitted under identified areas of need and allocating funds to approved programs.

The Organization operates as a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements include the accounts of United Way of Midland, Inc. and UWM Properties, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

UWM Properties, Inc. was formed for the acquisition or funding of real estate to provide shelter for Midland county residents in disadvantaged circumstances. UWM Properties, Inc. operated as a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). UWM Properties, Inc. was dissolved on December 6, 2021.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The allowance for pledges receivable totaled \$45,512 and \$76,369 as of December 31, 2021 and 2020, respectively.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments and Investment Income

Investment purchases are recorded at cost, or if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Cash held in certain brokerage accounts is considered a short-term investment. 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.

Market value for investments is based on market indices for those items with a readily ascertainable market value. Hedge funds and private equity funds are valued primarily by the respective fund managers based on the underlying investments.

Fixed Assets

Fixed assets are recorded at cost as determined by either cost at acquisition or fair market value at date of gift, less accumulated depreciation. Depreciation is provided using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives ranging from 5 to 39 years. Capital purchases are typically capitalized for all costs greater than \$1,000, with purchases under \$1,000 evaluated on a case by case basis and those extending the life of an existing asset or having a life in excess of one year also being capitalized. All other items are expensed as repair and maintenance.

Due to Designated Organizations

Amounts due to designated organizations includes amounts allocated by the Organization to fund partner agencies in education, self-sufficiency, and health, which have not been paid at the statement of financial position date. Amounts due to designated organizations also includes amounts that have not been paid at the consolidated statement of financial position date for donor designated contributions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services benefited. Distribution of all other expenses is based on actual usage or management's estimates of usage applicable to the various programs and supporting services benefited. All salary, overhead, and

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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miscellaneous costs attributable to fund-raising efforts are recorded as operating expenses in the period incurred.

Indirect expenses have been allocated to the various functions based on estimates made by the Organization's management. Depreciation expense has been allocated based on estimates of usage.

#### Federal Income Taxes

The Organization and its subsidiary are exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

Management evaluated both Organization's tax positions and concluded that the Organizations have taken no uncertain tax positions that require adjustment to the consolidated financial statements and therefore no adjustments have been included in the consolidated financial statements for 2021 or 2020. With a few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for three years prior to the most recent tax filing.

#### Donated Services

A substantial number of volunteers make significant contributions of time to the Organization's programs and fundraising campaigns. The value of this contributed time does not meet the criteria for recognition as contributed service revenue/expense and, accordingly, is not reflected in the accompanying consolidated financial statements.

#### Endowment and Quasi-Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment and quasi-endowment assets that attempt to preserve the corpus. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The spending policy allows the Board of Directors to distribute annually, a percentage of a rolling three year average of endowed and quasi-endowed assets. For the years ended December 31, 2021 and 2020, a rate of 4% was adopted by the Board of Directors. Distributions totaling \$274,859 and \$611,823 were taken during the years ended December 31, 2021 and 2020, respectively. The current long-term return objective is to return amounts sufficient to support the spending policy, net of investment fees. Actual returns may vary.

#### Subsequent Events

The Organization has evaluated subsequent events through August 15, 2022, the date the consolidated financial statements were issued or available to be issued.

#### Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Recent Accounting Pronouncements

*Not Adopted*

ASU 2016-02

The FASB finalized the standard on leases in ASU 2016-02 Leases in February 2016. This update was to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle is that the lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee and therefore recognition of those lease assets and lease liabilities represent an improvement over previous GAAP. Under the guidance a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Additional guidelines for finance leases, operating leases and lessors is included in the guidance. The amendments under ASU 2020-05 defer the effective date for one year for entities in the “all other” category and public NFP entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Leases. Therefore, under the amendments, the standard is effective for entities within the “all other” category for fiscal years beginning after December 15, 2021.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Organization’s present or future consolidated financial statements.

**NOTE 3: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2021 consolidated statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 1,960,487
Investments at market	7,272,408
Pledges receivable, net	<u>71,611</u>
Total Financial assets	<u>9,304,506</u>
Less:	
Funds held for others	(7,061)
Endowed funds	(500,000)
Quasi-endowed funds	<u>(7,453,963)</u>
	<u>(7,961,024)</u>
Add: Available to spend for endowed funds (4%)	262,489
Add: Available to spend for assets held at Permian Basin Area Foundation	<u>22,172</u>
	<u>284,661</u>
Financial assets available within one year to meet cash needs for general expenditures	\$ <u><u>1,628,143</u></u>

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2020 consolidated statement of financial position date, comprise the following:

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Financial assets:	
Cash and cash equivalents	\$ 1,919,038
Investments at market	6,810,754
Pledges receivable, net	<u>60,626</u>
Total Financial assets	8,790,418
Less:	
Funds held for others	(11,602)
Endowed funds	(500,000)
Quasi-endowed funds	<u>(6,898,004)</u>
	(7,409,606)
Add: Available to spend for endowed funds (4%)	258,643
Add: Available to spend for assets held at Permian Basin Area Foundation	<u>21,275</u>
	279,918
Financial assets available within one year to meet cash needs for general expenditures	<u><u>\$ 1,660,730</u></u>

Included in cash and cash equivalents is \$681,555 and \$587,251 held in brokerage accounts which are a component of quasi-endowed and endowed assets at December 31, 2021 and 2020, respectively. Quasi-endowed assets could be made available for general expenditure if approved by the Board of Directors. The beneficial interest in assets held by the Permian Basin Area Foundation are not included in the financial assets above, only the amount approved for distribution in the following year (see Note 8) is included. Only with the mutual consent of both the Organization and the Permian Basin Area Foundation would the entire interest be available for general expenditure.

**NOTE 4: PLEDGES RECEIVABLE**

Pledges receivable consisted of the following as of December 31,:

	<b>2021</b>	<b>2020</b>
Pledges receivable, gross	\$ <b>117,123</b>	\$ 136,995
Allowance for uncollectible pledges	<u><b>(45,512)</b></u>	<u>(76,369)</u>
Pledges receivable, net	<u><u><b>\$ 71,611</b></u></u>	<u><u>\$ 60,626</u></u>

**UNITED WAY OF MIDLAND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5: INVESTMENTS**

Fair values and related costs of investments are comprised of the following as of December 31,:

	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities and ETFs	\$ 4,369,661	\$ 3,332,481	\$ 4,043,230	\$ 3,247,509
Mutual funds	2,902,747	2,827,134	2,674,961	2,560,163
Corporate bonds	-	-	92,563	91,479
Total Investments	<u>\$ 7,272,408</u>	<u>\$ 6,159,615</u>	<u>\$ 6,810,754</u>	<u>\$ 5,899,151</u>

**NOTE 6: FIXED ASSETS**

Fixed assets consisted of the following as of December 31,:

	<u>2021</u>	<u>2020</u>
Land	\$ 40,000	\$ 40,000
Land improvements	56,252	56,252
Building	337,606	337,606
Furniture and fixtures	<u>208,979</u>	<u>208,979</u>
Total Cost	642,837	642,837
Less accumulated depreciation	<u>(389,711)</u>	<u>(366,427)</u>
Net book value	<u>\$ 253,126</u>	<u>\$ 276,410</u>

**NOTE 7: PAYCHECK PROTECTION PROGRAM**

The Organization received an advancement of \$89,600 on April 10, 2020 and \$112,367 on April 23, 2021 as a part of the Paycheck Protection Program (PPP). The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers employed. The U.S. Small Business Administration (SBA) will forgive loans if all employees retention criteria are met, and the funds are used for eligible expenses. The loan program part of the CARES Act is to provide relief for American workers and small businesses.

Borrowers may be eligible for loan forgiveness if the funds were used for eligible payroll costs, payments on business mortgage interest payments, rent or utilized during either the 8 or 24 week period after disbursement. A borrower can apply for forgiveness once it has used all loan proceeds for which the borrower is requesting for forgiveness. Borrowers can apply for forgiveness any time up to the maturity date of the loan.

The Organization utilized all \$89,600 of the initial PPP advance during 2020 and submitted the PPP Loan Forgiveness Application. Notification of forgiveness was received on November 10, 2020.



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The Organization utilized all \$112,367 of the second PPP advance during 2021 and submitted the PPP Loan Forgiveness Application. Notification of forgiveness was received on September 8, 2021.

The Organization accounted for the funds under the debt model, ASC 470. Accordingly, the Organization recognized the PPP funds as income in the year in which forgiveness was received.

**NOTE 8: BENEFICIAL INTEREST IN ASSETS HELD BY THE PERMIAN BASIN AREA FOUNDATION**

The Organization entered into a contract with the Permian Basin Area Foundation (the "Area Foundation") on January 1, 1991. At the inception of this contract, the Organization transferred \$250,000 of undesignated assets to the Area Foundation and set up a board designated endowment fund. The Area Foundation was not granted variance power. The Organization has accounted for the transfer in accordance with ASC 958-605 as it relates to a receipt organization (the Area Foundation) and specified beneficiary (the Organization) under a reciprocal transaction that does not qualify as an equity transaction. Accordingly, the initial and any subsequent transfers of assets between the organizations are accounted for as an asset by the Organization ("Beneficial interest in assets held by others") and a corresponding liability by the Area Foundation. The asset has been adjusted to reflect its activity through the current year, as well as adjusted to its fair market value, at December 31, 2021 and 2020.

The agency fund agreement between the Organization and the Area Foundation states that the transfers to the Area Foundation are to be known as the United Way Permanent Fund (the "Fund"). It is the intent of the Organization that the Fund is an endowed fund for the benefit of the United Way of Midland, Inc. and the net earnings from the Fund shall be distributable to the Organization, or as the Organization directs, for qualified charitable purposes. The Fund and all net earnings are to be held exclusively for the Organization. The assets of the Fund are to be held and administered by the Area Foundation. Assets of the Fund may be invested and reinvested from time to time in any securities, obligations or other property of any kind that the Area Foundation may deem advisable, including, but not limited to, interest bearing accounts, certificates of deposit, and common trust funds administered by the Area Foundation.

According to the fund agreement, the amount available for distributions from the Fund will be determined annually by the Area Foundation's Board of Governors based on a percentage of the market value of the fund. In setting the distribution policy for the fund, the Board considers the total average rate of return (including appreciation and/or depreciation of assets) for the previous twelve quarters, allowance for administration and investment fees, and the long-term objective of fund growth. During the years ended December 31, 2021 and 2020, the Organization withdrew \$21,275 and \$21,523, respectively, for the benefit of the Organization in accordance with the fund agreement.

The fund agreement may only be terminated with the mutual consent of both the Organization and the Area Foundation. Should the Organization ever cease to exist or permanently cease to perform its charitable functions or purpose, then the Area Foundation may distribute all or any part of the fund to any qualified charitable organization, as defined in Section 501 (c)(3) of the Internal Revenue Code.

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The following is a progression of the board designated endowment funds held at the Permian Basin Area Foundation for the year ended December 31,:

	<b>2021</b>	<b>2020</b>
Beginning balance	\$ <b>596,062</b>	\$ 574,582
Investment income	<b>12,203</b>	12,695
Realized/unrealized gains	<b>103,016</b>	38,984
Investment expense	<b>(10,483)</b>	(8,676)
Distributions	<b>(21,275)</b>	(21,523)
Ending balance	\$ <b>679,523</b>	\$ 596,062

**NOTE 9: ENDOWMENT**

Net assets with donor restrictions reflects a \$500,000 contribution that is restricted in perpetuity, of which 100% of the income is to be used for operations of the United Way of Midland.

The Organization has interpreted the Texas Uniform Prudent management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in determining how to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Organization and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and appreciation of the investments,
6. Other resources of the Organization, and
7. The investment policies of the Organization.

The Organization considers an endowed fund to be underwater if the fair value of the fund is less than the original value of the initial and subsequent gift amounts donated to the fund. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no underwater endowment funds as of December 31, 2021 and 2020.

**NOTE 10: RETIREMENT PLAN**

In 1992, the Organization adopted a Simplified Employee Pension Plan ("SEP"). Contributions of 7.5% of eligible compensation are made by the Organization to each plan participant's Individual Retirement Account. Contributions made by the Organization, on behalf of the employees, for the year ended December 31, 2021 and 2020 were \$14,262 and \$17,364, respectively. To be eligible to participate employees must be 21 years of age and have completed one full year of service. Participants are eligible to participate January 1 of the year following their one year anniversary. All participants are 100% vested.

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**NOTE 11: FAIR VALUE MEASUREMENTS**

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Quoted prices for identical assets and liabilities traded in active exchange markets.

*Level 2* – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

*Level 3* – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For years ended December 31, 2021 and 2020, the application of valuation techniques applied to similar assets has been consistent. There were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measure at fair value:

*Equity, ETFs, and corporate bonds:* valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

*Mutual funds:* valued at the net asset value of shares held at year end at the closing price reported on the active market.

*Beneficial interest in assets held by Permian Basin Area Foundation (PBAF):* valued at the net asset value as a practical expedient reported by the Permian Basin Area Foundation at the reporting date. As such, these amounts are not included in the fair value hierarchy.

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The table below presents the balances of assets measured at fair value on a recurring basis:

Description	December 31, 2021				
	Total	Level 1	Level 2	Level 3	NAV
Equities and ETFs:					
Consumer goods	\$ 214,296	\$ 214,296	\$	\$	\$
Convertibles	17,670	17,670			
Div. emerging markets	85,467	85,467			
Energy	228,830	228,830			
Financial	200,015	200,015			
Freight and logistics	4,260	4,260			
Healthcare	72,733	72,733			
Industrial	61,931	61,931			
Intermediate core plus bond	543,790	543,790			
Intermediate term bond	233,180	233,180			
Large blend	1,314,977	1,314,977			
Large growth	303,134	303,134			
Large value	285,904	285,904			
Mid-cap growth	91,160	91,160			
Mid-cap value	55,006	55,006			
Precious metals	195,032	195,032			
Preferred	54,663	54,663			
Real estate	207,658	207,658			
Small blend	18,307	18,307			
Technology	181,648	181,648			
Total equities and ETFs	<u>4,369,661</u>	<u>4,369,661</u>	-	-	-
Mutual funds:					
Div. emerging markets	140,479	140,479			
Large blend	189,886	189,886			
Large growth	188,107	188,107			
Large value	231,305	231,305			
Medium blend	11,163	11,163			
Short term bond	1,860,549	1,860,549			
Small blend	71,608	71,608			
Small growth	20,670	20,670			
Small value	188,980	188,980			
Total mutual funds	<u>2,902,747</u>	<u>2,902,747</u>	-	-	-
Beneficial interest in assets held by PBAF					
	679,523				679,523
Total	<u>\$ 7,951,931</u>	<u>\$ 7,272,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,523</u>

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The following table presents unfunded commitments, redemption frequency, and notice period for investments that calculate fair value using the net asset value per share or its equivalent as of December 31, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest in assets transferred to PBAF	\$ 679,523	\$ -	Daily	None

The table below presents the balances of assets measured at fair value on a recurring basis:

<u>Description</u>	<u>December 31, 2020</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Equities and ETFs:					
Basic materials	\$ 10,181	\$ 10,181			\$
Consumer goods	273,627	273,627			
Div. emerging markets	136,777	136,777			
Energy	199,112	199,112			
Financial	151,323	151,323			
Fixed income	807,822	807,822			
Foreign	403,131	403,131			
Healthcare	88,295	88,295			
Industrial goods	38,637	38,637			
Large blend	517,293	517,293			
Large growth	195,977	195,977			
Large value	207,585	207,585			
Logistics	6,448	6,448			
Mid-cap blend	238,291	238,291			
Mid-cap growth	66,601	66,601			
Mid-cap value	36,551	36,551			
Precious metals	214,206	214,206			
Real estate	110,324	110,324			
Small blend	20,441	20,441			
Technology	320,608	320,608			
Total equities and ETFs	<u>4,043,230</u>	<u>4,043,230</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual funds:					
Div. emerging markets	124,692	124,692			
Financial	17,368	17,368			
Fixed income	2,040,020	2,040,020			

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Description	December 31, 2020				NAV
	Total	Level 1	Level 2	Level 3	
Mutual funds (cont.):					
Foreign	270,732	270,732			
Infrastructure	129,732	129,732			
Large growth	24,622	24,622			
Small growth	67,795	67,795			
Total mutual funds	<u>2,674,961</u>	<u>2,674,961</u>	<u>-</u>	<u>-</u>	<u>-</u>
Corporate bonds:					
Consumer goods	10,025		10,025		
Financial	72,459		72,459		
Technology	10,079		10,079		
Total corporate bonds	<u>92,563</u>	<u>-</u>	<u>92,563</u>	<u>-</u>	<u>-</u>
Beneficial interest in assets held by PBAF	596,062				596,062
Total	<u>\$ 7,406,816</u>	<u>\$ 6,718,191</u>	<u>\$ 92,563</u>	<u>\$ -</u>	<u>\$ 596,062</u>

The following table presents unfunded commitments, redemption frequency, and notice period for investments that calculate fair value using the net asset value per share or its equivalent as of December 31, 2020:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Beneficial interest in assets transferred to PBAF	\$ 596,062	\$ -	Daily	None

**NOTE 12: CONCENTRATIONS OF CREDIT RISK**

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization also maintains accounts at a stock brokerage firm. The accounts contain cash and securities. Cash and security balances are insured up to \$100,000 and \$500,000, respectively by the Securities Investor Protection Corporation. At various times during the year, the Organization may have balances at the financial institutions and stock brokerage firms in excess of insured limits.

The majority of the contributions received by the Organization come from local and regional donors. Local and regional economic conditions have a direct impact on the ability of these donors to make contributions. When economic conditions are improving, the potential for increased giving is enhanced. Conversely, when economic conditions are declining, contributions may tend to decline as well.