



United Way of Midland

UNITED WAY OF MIDLAND, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Six Months Ended June 30, 2024

UNITED WAY OF MIDLAND, INC.

TABLE OF CONTENTS

For the Six Months Ended June 30, 2024

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-16

April 22, 2025

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

Independent Auditor's Report

Opinion

We have audited the financial statements of United Way of Midland, Inc. (the Organization), which comprise the statement of net position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the six months then ended, and the related notes to the 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 June 30, 2024, and the results of its operations and cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe 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 controls 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 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.

Condley and Company, L.L.P.

Certified Public Accountants

UNITED WAY OF MIDLAND, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 762,511
Pledges receivable, net	90,554
Current portion of quasi-endowment investments	504,167
Other assets	12,929
Total Current Assets	<u>1,370,161</u>

LONG-TERM ASSETS:

Cash restricted for investment in fixed assets - donor imposed	307,500
Cash restricted for investment in fixed assets - internal	334,872
Investments at fair value, net of current portion	6,477,175
Beneficial interest in assets held by others	594,822
Fixed assets, net	214,431
Total Long-Term Assets	<u>7,928,800</u>

TOTAL ASSETS	\$ <u>9,298,961</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 6,009
Refundable advances	119,540
Designations payable	1,451
Due to designated organizations	823,458
Total Current Liabilities	<u>950,458</u>

NET ASSETS:

Without donor restrictions:

Undesignated	49,109
Designated by the board - quasi-endowment	5,977,175
Designated by the board - assets held by others	594,822
Designated by the board - capital project	834,872
Designated by the board - other	67,312
	<u>7,523,290</u>

With donor restrictions:

Purpose restrictions	325,213
Perpetual in nature	500,000
	<u>825,213</u>

Net Assets	<u>8,348,503</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>9,298,961</u>
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The accompanying notes are an integral part of the financial statements.

UNITED WAY OF MIDLAND, INC.

STATEMENT OF ACTIVITIES

For the Six Months Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Campaign contributions	\$ 363,830	\$	\$ 363,830
Less: provision for uncollectible pledges	<u>(3,433)</u>		<u>(3,433)</u>
Campaign contributions, net	<u>360,397</u>	<u>-</u>	<u>360,397</u>
Initiative contributions		151,515	151,515
Capital campaign contributions		307,500	307,500
Event income	143,863		143,863
Miscellaneous income	29,054		29,054
Interest income, banks	11,630		11,630
Net investment return	399,131		399,131
Loss on disposal of fixed assets	(647)		(647)
Release of restrictions	<u>133,802</u>	<u>(133,802)</u>	<u>-</u>
	<u>716,833</u>	<u>325,213</u>	<u>1,042,046</u>
Total Revenues, Gains and Other Support	<u>1,077,230</u>	<u>325,213</u>	<u>1,402,443</u>
EXPENSES:			
Program:			
Program expenses	888,567		888,567
Support services:			
General and administrative	100,289		100,289
Fundraising	<u>244,056</u>		<u>244,056</u>
Total Expenses	<u>1,232,912</u>	<u>-</u>	<u>1,232,912</u>
CHANGE IN NET ASSETS	(155,682)	325,213	169,531
NET ASSETS AT BEGINNING OF PERIOD	<u>7,678,972</u>	<u>500,000</u>	<u>8,178,972</u>
NET ASSETS AT END OF PERIOD	\$ <u><u>7,523,290</u></u>	\$ <u><u>825,213</u></u>	\$ <u><u>8,348,503</u></u>

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

UNITED WAY OF MIDLAND, INC.
STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 169,531
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized/unrealized gain on investments	(284,390)
Reinvested income	(114,741)
Provision for uncollectible pledges	3,433
Loss on disposal of fixed assets	647
Depreciation	10,812
Contributions restricted to fixed assets	(307,500)
(Increase)/Decrease in:	
Pledges receivable	(35,759)
Other assets	6,900
Increase/(Decrease) in:	
Accounts payable	3,784
Refundable advances	119,540
Designations payable	(50)
Due to designated organizations	<u>(12,968)</u>
Net Cash Used in Operating Activities	<u>(440,761)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	(24,918)
Purchases of investments	(2,074,099)
Proceeds from sales and maturities of investments	2,163,096
Distribution from beneficial interest in assets held for others	<u>23,194</u>
Net Cash Provided by Investing Activities	<u>87,273</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Collections of contributions restricted to fixed assets	<u>307,500</u>
Net Cash Provided by Financing Activities	<u>307,500</u>

Net Decrease in Cash and Cash Equivalents	(45,988)
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Cash and Cash Equivalents at Beginning of Period	<u>1,450,871</u>
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,404,883</u>
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Cash restricted for investment in fixed assets - donor imposed	307,500
Cash restricted for investment in fixed assets - internal	334,872
Cash and cash equivalents	<u>762,511</u>
	<u>\$ 1,404,883</u>

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

UNITED WAY OF MIDLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Six Months Ended June 30, 2024

	Program	Supporting Services		Total Support Services	Total Functional Expenses
		General and Administrative	Fundraising		
OPERATING EXPENSES:					
Salaries and wages	\$ 135,062	\$ 33,066	\$ 123,130	\$ 156,196	\$ 291,258
Employee benefits	29,986	6,920	24,604	31,524	61,510
Payroll taxes	10,862	2,507	8,913	11,420	22,282
	<u>175,910</u>	<u>42,493</u>	<u>156,647</u>	<u>199,140</u>	<u>375,050</u>
Grants	530,790	-	-	-	530,790
Initiative expenses	133,802	-	-	-	133,802
National and state dues	3,323	767	2,726	3,493	6,816
Event expense	-	-	41,564	41,564	41,564
Professional fees	-	25,000	-	25,000	25,000
Local travel	681	1,186	365	1,551	2,232
Contract services	-	-	165	165	165
Insurance	5,315	1,227	4,361	5,588	10,903
Building maintenance and repairs	4,010	925	3,291	4,216	8,226
Postage	-	1,065	145	1,210	1,210
Telephone	1,777	410	1,458	1,868	3,645
Office supplies	1,567	362	1,286	1,648	3,215
Printing, publications and promotions	3,990	173	7,896	8,069	12,059
Dues and subscriptions	411	3,070	964	4,034	4,445
Equipment maintenance	18,396	15,337	15,829	31,166	49,562
Utilities	2,043	471	1,676	2,147	4,190
Depreciation	5,271	1,216	4,325	5,541	10,812
Conferences and local meetings	1,266	5,925	1,358	7,283	8,549
Miscellaneous and other expenses	15	662	-	662	677
	<u>712,657</u>	<u>57,796</u>	<u>87,409</u>	<u>145,205</u>	<u>857,862</u>
Total functional expenses	\$ <u>888,567</u>	\$ <u>100,289</u>	\$ <u>244,056</u>	\$ <u>344,345</u>	\$ <u>1,232,912</u>

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

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

The United Way of Midland, Inc.'s (the Organization) mission is to build a supportive family system across all generations that connects individuals, families, and agencies to programs, services, and resources, empowering them to meet their unique needs. From birth to senior years, the United Way of Midland, Inc. cares for every chapter of your family's journey. Through each stage of your life, we are here to support you. With our PB Connect Navigation System, 2-Gen Model, and Community Initiatives, we are bridging the path to educational success, workforce development, and social, health, and well-being for families. United Way of Midland connects the dots between our community's issues and real solutions. The Organization accomplishes this by 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

Change in Fiscal Year-End

Effective January of 2024, the Organization changed its fiscal year-end from December 31 to June 30. This change was made to better align the Organization's financial reporting with its operational and strategic planning cycles.

Basis of Accounting

The 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 organization's primary objectives. 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 are 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.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents held that are restricted by donors or the Board of Directors for long-term purposes are classified as long-term assets on the statement of financial position. At June 30, 2024, the cash and cash equivalents that were restricted for long-term purposes were related to the funds received or earmarked for the new conference and training center capital project.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

Pledges Receivable

Unconditional pledges to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges 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 pledges based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectable. The allowance for pledges receivable was \$4,066 at June 30, 2024.

Current Portion of Quasi-Endowment Investments

The Organization classifies a portion of its board-designated quasi-endowment investments as a current asset when it expects to use those funds within the next fiscal year for operational purposes. The classification is based on the board's approved spending policy. As of June 30, 2024, the Board of Directors had approved \$504,167 to be distributed out of the quasi-endowment and into operations. This is composed of \$249,167 derived from the annual spending policy and an additional \$255,000 that was approved by the board of directors to fund a shortfall in the annual campaign.

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 statement of financial position. Cash held in certain brokerage accounts is considered a short-term investment. Net investment return is reported in the statement 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.

Beneficial Interest in Assets Transferred to the Permian Basin Area Foundation

The Organization has established funds at the Permian Basin Area Foundation with unrestricted funds and specified itself as the beneficiary of the funds. In accordance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the transfers are accounted for as an asset on the statements of financial position. The Organization retains variance power for these assets.

Revenue and Revenue Recognition

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. The Organization reports nongovernmental contributions and grants of cash and other assets as with donor restriction support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions. Conditional promises to give (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release from obligation) are recognized when the conditions upon which they depend are substantially met. The Organization does not recognize conditional promises and only recognizes unconditional contributions when they become estimable and quantifiable. Fundraising events are not considered exchange transactions since commensurate value is not being reciprocated between the two parties. There are no other potential contracts with customers as defined in ASC 606, *Revenue Recognition*.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

Fixed Assets

Fixed assets are recorded at cost as determined by either cost at acquisition or fair market value at the 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 \$500. All other items are expensed as repair and maintenance.

Refundable Advances

Refundable advances are funds received by the Organization with an obligation to return the funds if certain conditions are not met. Refundable advances at June 30, 2024 are composed of funds received for events that had not yet occurred. These amounts will be recognized as revenue in the period the events are held. Refundable advances was \$0 at January 1, 2024.

Due to Designated Organizations

Amounts due to designated organizations include amounts allocated by the Organization to fund partner agencies in education success, workforce development, and social, health, and well-being, which have not been paid at the statement of financial position date.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Salaries and related payroll expenses are recorded based on the 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 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 is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements and, therefore, no adjustments have been included in the financial statements for the six months ended June 30, 2024. 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 contribute significant 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 financial statements.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

Endowment and Quasi-Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowed and quasi-endowed 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 six months ended June 30, 2024, a rate of 4% was adopted by the Board of Directors. Distributions totaling \$88,997 were taken during the six months ended June 30, 2024, 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. All distributions taken during the six months ended June 30, 2024 were from quasi-endowed funds. During the year ended December 31, 2023 the Organization's Board of Directors approved \$500,000 of quasi-endowed funds to be used for the new conference and training center capital project.

Subsequent Events

The Organization has evaluated subsequent events through April 22, 2025, the date the financial statements were issued or available to be issued.

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

Recent Accounting Pronouncements

The Organization did not adopt any recent accounting pronouncements during the current audit period.

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 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 June 30, 2024 statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 762,511
Pledges receivable, net	90,554
Current portion of quasi-endowment investments	<u>504,167</u>
Total financial assets	1,357,232
 Add:	
Available to spend for assets held at Permian Basin Area Foundation	<u>22,979</u>
 Financial assets available within one year to meet cash needs for general expenditures	 \$ <u>1,380,211</u>

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The beneficial interest in assets held by the Permian Basin Area Foundation is not included in the financial assets above, only the amount approved for distribution in the following year 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 June 30, 2024:

Pledges receivable, gross	\$ 94,620
Allowance for uncollectible pledges	<u>(4,066)</u>
Pledges receivable, net	<u>\$ 90,554</u>

NOTE 5: INVESTMENTS

Fair values and related costs of investments are comprised of the following as of June 30, 2024:

	Fair Value	Cost
Cash and cash equivalents	\$ 486,130	\$ 486,130
Equities and ETFs	3,666,385	3,031,985
Mutual funds	<u>2,828,827</u>	<u>2,866,316</u>
Total Investments	<u>\$ 6,981,342</u>	<u>\$ 6,384,431</u>

NOTE 6: FIXED ASSETS

Fixed assets consisted of the following as of June 30, 2024:

Land	\$ 40,000
Land improvements	56,251
Building	326,528
Furniture and fixtures	<u>208,979</u>
Total cost	631,758
Less accumulated depreciation	<u>(417,327)</u>
Net book value	<u>\$ 214,431</u>

Depreciation expense was \$10,812 for the six months ended June 30, 2024.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

NOTE 7: 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 its fair market value as of June 30, 2024.

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 Fund's assets 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 six months ended June 30, 2024, the Organization withdrew \$23,194, 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.

The following is a progression of the board-designated endowment funds held at the Permian Basin Area Foundation for the six months ended June 30, 2024:

Beginning balance	\$ 590,518
Investment income	8,525
Realized/unrealized gains	23,753
Investment expense	(4,780)
Distributions	<u>(23,194)</u>
Ending balance	\$ <u>594,822</u>

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

NOTE 8: ENDOWMENT

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

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 June 30, 2024, 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. General economic conditions.
2. The possible effect of inflation or deflation.
3. Expected tax consequences.
4. The role that each investment or course of action plays within the overall investment portfolio.
5. Expected total return of the portfolio.
6. The other resources of the Organization.
7. The needs of the Organization and of particular investment funds to make distributions and preserve capital.
8. An asset's special relationship or special value, if any, to the Organization's charitable purposes.
9. The importance of diversification.
10. Liquidity considerations.
11. The impact of management or administration costs.
12. Risk management.

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 at June 30, 2024.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

NOTE 9: DONOR RESTRICTED NET ASSETS

Donor-restricted net assets is comprised of the following at June 30, 2024:

Purpose restrictions:

Conference and training center capital project	\$ 307,500
Community initiatives	17,713

Perpetual in nature:

Endowment	<u>500,000</u>
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\$ 825,213

Net assets released from restrictions during the six months ended June 30, 2024, were related to funds spent on community initiatives.

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 six months ended June 30, 2024, were \$14,304. 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 on January 1 of the year following their one-year anniversary. All participants are 100% vested.

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.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

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 judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For the six months ended June 30, 2024, the valuation techniques applied to similar assets have been consistent. There were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and cash equivalents: cash is valued at its nominal value, and money market funds are valued at NAV per share based on the fair value of their underlying assets.

Equities and ETFs: 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 fiscal 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.

Description:	June 30, 2024				
	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents:					
Cash held for investment	\$ 54	\$ 54			\$
Money market funds	486,076	486,076			
Total cash and cash equivalents	486,130	486,130			
Equities and ETFs:					
Consumer	320,188	320,188			
Energy	66,614	66,614			
Financial	155,248	155,248			
Freight and logistics	8,274	8,274			
Healthcare	82,523	82,523			
Industrial	157,240	157,240			
Intermediate core plus	518,921	518,921			
Intermediate term bond	465,930	465,930			
Large blend	584,363	584,363			
Large growth	356,600	356,600			
Large value	86,301	86,301			
Mid-cap growth	42,073	42,073			

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2024

Description:	Total	Level 1	Level 2	Level 3	NAV
Precious metals	97,744	97,744			
Preferred	154,595	154,595			
Real estate	95,905	95,905			
Technology	468,594	468,594			
Utilities	5,272	5,272			
Total equities and ETFS	3,666,385	3,666,385			
Mutual funds:					
Div. emerging markets	76,636	76,636			
Government	24,005	24,005			
High yield bond	141,768	141,768			
Large blend	757,097	757,097			
Large growth	92,140	92,140			
Large value	253,021	253,021			
Medium blend	22,346	22,346			
Short-term bond	1,388,534	1,388,534			
Small blend	73,280	73,280			
Total mutual funds	2,828,827	2,828,827			
Beneficial interest in assets held by PBAF	594,822				594,822
Total	\$ 7,576,164	\$ 6,981,342	\$	\$	\$ 594,822

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 it equivalent as of June 30, 2024:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Beneficial interest in assets transferred	\$ 594,822	\$ -	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 of 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 these donors' ability to make contributions. When economic conditions improve, the potential for increased giving is enhanced. Conversely, when economic conditions decline, contributions may tend to decline as well.