



United Way of Midland

UNITED WAY OF MIDLAND, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022 and 2021

UNITED WAY OF MIDLAND, INC.

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July 18, 2023

**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 statements of net position as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years 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 December 31, 2022 and 2021, 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.

Condley and Company, L.L.P.

Certified Public Accountants

UNITED WAY OF MIDLAND, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,119,276	\$ 1,960,487
Investments at fair value	5,385,339	7,272,408
Pledges receivable, net of allowance of \$44,992 in 2022 and \$45,512 in 2021	28,278	71,611
Other assets	18,021	5,183
Total Current Assets	7,550,914	9,309,689
LONG-TERM ASSETS:		
Beneficial interest in assets held by others	540,398	679,523
Fixed assets, at cost, net of accumulated depreciation of \$411,021 in 2022 and \$389,711 in 2021	231,816	253,126
Total Long-Term Assets	772,214	932,649
TOTAL ASSETS	\$ 8,323,128	\$ 10,242,338
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,628	\$ 25,305
Other liabilities	-	47,861
Due to designated organizations	629,267	1,050,511
Total Current Liabilities	632,895	1,123,677
LONG-TERM LIABILITIES:		
Due to designated organizations	163,641	252,492
Total Liabilities	796,536	1,376,169
NET ASSETS:		
Without donor restrictions		
Undesignated	415,383	232,683
Designated by the board - quasi-endowment	6,070,810	7,453,963
Designated by the board - assets held by others	540,398	679,523
	7,026,591	8,366,169
With donor restrictions		
Perpetual in nature	500,000	500,000
	500,000	500,000
Net Assets	7,526,591	8,866,169
TOTAL LIABILITIES AND NET ASSETS	\$ 8,323,127	\$ 10,242,338

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

UNITED WAY OF MIDLAND, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Campaign contributions	\$ 1,046,944	\$	\$ 1,046,944
Initiative income	59,500		59,500
Less: donor designations	(95,748)		(95,748)
Less: allowance for uncollectible pledges	(12,489)		(12,489)
Campaign contributions, net	998,207	-	998,207
Event income	268,778		268,778
Grant income	4,761		4,761
Miscellaneous income	34,921		34,921
Interest income, banks	3,793		3,793
Net investment return	(826,639)		(826,639)
	(514,386)	-	(514,386)
Total Revenues, Gains and Other Support	483,821	-	483,821
EXPENSES:			
Program:			
Program expenses	1,161,768		1,161,768
Support services:			
General and administrative	161,567		161,567
Fundraising	500,064		500,064
Total Expenses	1,823,399	-	1,823,399
CHANGE IN NET ASSETS	(1,339,578)	-	(1,339,578)
NET ASSETS AT BEGINNING OF YEAR	8,366,169	500,000	8,866,169
NET ASSETS AT END OF YEAR	\$ 7,026,591	\$ 500,000	\$ 7,526,591

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

UNITED WAY OF MIDLAND, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
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
EXPENSES:			
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 financial statements.

UNITED WAY OF MIDLAND, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,339,578)	\$ 298,282
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized loss (gain) on investments	966,708	(764,224)
Reinvested income	(118,514)	(115,490)
Provision for bad debt	12,489	7,165
Depreciation	21,310	23,284
(Increase)/Decrease in:		
Pledges receivable	30,844	(18,150)
Other assets	(12,838)	2,087
Increase/(Decrease) in:		
Accounts payable	(21,677)	(20,697)
Other liabilities	(47,861)	(4,540)
Due to designated organizations	(510,095)	299,133
	(1,019,212)	(293,150)
Net Cash Used in Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,179,039)	(1,665,292)
Proceeds from sales and maturities of investments	3,334,867	1,978,616
Distribution from beneficial interest in assets held for others	22,172	21,275
	1,178,000	334,599
Net Cash Provided by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt payable	-	112,367
Forgiveness of debt payable	-	(112,367)
	-	-
Net Cash Provided by (Used in) Financing Activities		
Net Increase in Cash and Cash Equivalents	158,788	41,449
Cash and Cash Equivalents at Beginning of Year	1,960,487	1,919,038
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,119,275	\$ 1,960,487

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

UNITED WAY OF MIDLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program	General and Administrative	Fundraising	Total Support Services	Total Functional Expenses
OPERATING EXPENSES:					
Salaries and wages	\$ 181,743	\$ 50,576	\$ 236,863	\$ 287,439	\$ 469,182
Employee benefits	39,996	11,427	48,566	59,993	99,989
Payroll taxes	15,038	4,297	18,261	22,558	37,596
	<u>236,777</u>	<u>66,300</u>	<u>303,690</u>	<u>369,990</u>	<u>606,767</u>
Grants	853,109			-	853,109
National and state dues	6,198	1,771	7,527	9,298	15,496
Event expense			85,770	85,770	85,770
Professional fees		41,344	1,846	43,190	43,190
Local travel	418	4,796	342	5,138	5,556
Contract services		9,875	10,957	20,832	20,832
Insurance	7,014	2,004	9,350	11,354	18,368
Building maintenance and repairs	8,232	2,352	9,995	12,347	20,579
Postage		3,491	1,198	4,689	4,689
Telephone	2,760	789	3,352	4,141	6,901
Office supplies	2,273	649	2,759	3,408	5,681
Printing, publications and promotions	9,776	308	16,015	16,323	26,099
Dues and subscriptions	500	3,652	1,498	5,150	5,650
Equipment maintenance	21,386	10,597	26,155	36,752	58,138
Utilities	4,158	1,188	5,050	6,238	10,396
Bank and payroll fees		156	1,812	1,968	1,968
Depreciation	8,524	2,435	10,351	12,786	21,310
Conferences and local meetings	643	9,597	2,397	11,994	12,637
Miscellaneous and other expenses		263		263	263
	<u>924,991</u>	<u>95,267</u>	<u>196,374</u>	<u>291,641</u>	<u>1,216,632</u>
Total functional expenses	<u>\$ 1,161,768</u>	<u>\$ 161,567</u>	<u>\$ 500,064</u>	<u>\$ 661,631</u>	<u>\$ 1,823,399</u>

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

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 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

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 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 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.

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 \$44,992 and \$45,512 as of December 31, 2022 and 2021, 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.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 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 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 \$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 include 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 include amounts that have not been paid at the 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 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 2022 or 2021. 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

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

contributed service revenue/expense and, accordingly, is not reflected in the accompanying 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, 2022 and 2021, a rate of 4% was adopted by the Board of Directors. Distributions totaling \$1,760,105 and \$274,859 were taken during the years ended December 31, 2022 and 2021, 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 July 18, 2023, 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

Adopted

ASU 2016-02 and ASU 2023-01

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 represents an improvement over the 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 are included in the guidance. The Organization implemented the standard effective January 1, 2022, and determined that the impact was not considered material to the overall financial statement presentation.

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.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 2,119,276
Investments at market	5,385,339
Pledges receivable, net	<u>23,913</u>
Total Financial assets	7,528,528
Less:	
Endowed funds	(500,000)
Quasi-endowed funds	<u>(6,070,810)</u>
	(6,570,810)
Add: Available to spend for endowed funds (4%)	252,956
Add: Available to spend for assets held at Permian Basin Area Foundation	<u>22,798</u>
	275,754
Financial assets available within one year to meet cash needs for general expenditures	<u><u>\$ 1,233,472</u></u>

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the December 31, 2021 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	9,304,506
Less:	
Funds held for others	(7,061)
Endowed funds	(500,000)
Quasi-endowed funds	<u>(7,453,963)</u>
	(7,961,024)
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>
	284,661
Financial assets available within one year to meet cash needs for general expenditures	<u><u>\$ 1,628,143</u></u>

Included in cash and cash equivalents are \$1,185,471 and \$681,555 held in brokerage accounts which are a component of quasi-endowed and endowed assets at December 31, 2022 and 2021, 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 is 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.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4: PLEDGES RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Pledges receivable, gross	\$ 68,905	\$ 117,123
Allowance for uncollectible pledges	<u>(44,992)</u>	<u>(45,512)</u>
Pledges receivable, net	<u>\$ 23,913</u>	<u>\$ 71,611</u>

NOTE 5: INVESTMENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities and ETFs	\$ 3,365,133	\$ 3,185,039	\$ 4,369,661	\$ 3,332,481
Mutual funds	<u>2,020,206</u>	<u>2,034,558</u>	<u>2,902,747</u>	<u>2,827,134</u>
Total Investments	<u>\$ 5,385,339</u>	<u>\$ 5,219,597</u>	<u>\$ 7,272,408</u>	<u>\$ 6,159,615</u>

NOTE 6: FIXED ASSETS

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

	<u>2022</u>	<u>2021</u>
Land	\$ 40,000	\$ 40,000
Land improvements	56,251	56,252
Building	337,607	337,606
Furniture and fixtures	<u>208,979</u>	<u>208,979</u>
Total Cost	642,837	642,837
Less accumulated depreciation	<u>(411,021)</u>	<u>(389,711)</u>
Net book value	<u>\$ 231,816</u>	<u>\$ 253,126</u>

NOTE 7: PAYCHECK PROTECTION PROGRAM

The Organization received an advancement of \$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 employee 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

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

borrower is requesting for forgiveness. Borrowers can apply for forgiveness any time up to the maturity date of the loan.

The Organization utilized all \$112,367 of the 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, 2022 and 2021.

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, 2022 and 2021, the Organization withdrew \$22,172 and \$21,275, 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,:

	2022		2021
Beginning balance	\$ 679,523	\$	596,062
Investment income	13,611		12,203
Realized/unrealized gains (losses)	(122,907)		103,016
Investment expense	(9,508)		(10,483)
Distributions	(22,172)		(21,275)
Contributions	1,851		-
	540,398		679,523
Ending balance	\$ 540,398	\$	679,523

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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021 were \$23,820 and \$14,262, 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 judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For years ended December 31, 2022 and 2021, 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 measured 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.

UNITED WAY OF MIDLAND, INC.
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The table below presents the balances of assets measured at fair value on a recurring basis:

Description	December 31, 2022				
	Total	Level 1	Level 2	Level 3	NAV
Equities and ETFs:					
Consumer goods	\$ 148,540	\$ 148,540			\$
Convertibles	158,534	158,534			
Div. emerging markets	14,111	14,111			
Energy	144,135	144,135			
Financial	129,824	129,824			
Freight and logistics	3,809	3,809			
Healthcare	67,804	67,804			
Industrial	44,830	44,830			
Intermediate core plus bond	447,771	447,771			
Intermediate term bond	235,298	235,298			
Large blend	641,595	641,595			
Large growth	420,861	420,861			
Large value	159,762	159,762			
Mid-cap growth	32,336	32,336			
Mid-cap value	51,014	51,014			
Precious metals	112,417	112,417			
Preferred	262,907	262,907			
Real estate	52,787	52,787			
Small blend	39,828	39,828			
Technology	193,950	193,950			
Utilities	3,020	3,020			
Total equities and ETFs	<u>3,365,133</u>	<u>3,365,133</u>	-	-	-
Mutual funds:					
Div. emerging markets	147,245	147,245			
High Yield Bond	13,848	13,848			
Large blend	325,460	325,460			
Large growth	127,421	127,421			
Large value	467,958	467,958			
Medium blend	17,351	17,351			
Short term bond	782,624	782,624			
Small blend	67,324	67,324			
Small growth	15,317	15,317			
Small value	55,658	55,658			
Total mutual funds	<u>2,020,206</u>	<u>2,020,206</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, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest in assets transferred to PBAF	\$ 540,398	\$ -	Daily	None

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

<u>Description</u>	<u>December 31, 2021</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
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>	<u>-</u>	<u>-</u>	<u>-</u>

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Description	December 31, 2021 (continued)				
	Total	Level 1	Level 2	Level 3	NAV
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>	<u>-</u>	<u>-</u>	<u>-</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>

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:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Beneficial interest in assets transferred to PBAF	\$ 679,523	\$ -	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.