



United Way of Midland

UNITED WAY OF MIDLAND, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
December 31, 2023 and 2022

UNITED WAY OF MIDLAND, INC.

TABLE OF CONTENTS
December 31, 2023 and 2022

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities – 2023	4
Statement of Activities – 2022	5
Statements of Cash Flows	6
Statement of Functional Expenses – 2023	7
Statement of Functional Expenses – 2022	8
Notes to Financial Statements	9-19

September 4, 2024

**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, 2023 and 2022, 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, 2023, and 2022, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States 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 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,	
	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,927,210	\$ 2,119,276
Investments at fair value	6,222,367	5,385,339
Pledges receivable, net of allowance of \$44,993 in 2023 and \$40,628 in 2022	58,228	28,277
Other assets	19,829	18,021
Total Current Assets	8,227,634	7,550,913
LONG-TERM ASSETS:		
Beneficial interest in assets held by others	590,518	540,398
Fixed assets, at cost, net of accumulated depreciation of \$412,923 in 2023 and \$411,021 in 2022	200,972	231,816
Total Long-Term Assets	791,490	772,214
TOTAL ASSETS	\$ 9,019,124	\$ 8,323,127
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,225	\$ 3,628
Due to designated organizations	691,592	629,267
Total Current Liabilities	693,817	632,895
LONG-TERM LIABILITIES:		
Due to designated organizations	146,335	163,641
Total Liabilities	840,152	796,536
NET ASSETS:		
Without donor restrictions		
Undesignated	554,876	415,383
Designated by the board - quasi-endowment	6,198,706	6,070,810
Designated by the board - assets held by others	590,518	540,398
Designated by the board - assets held by UWM for building renovations	334,872	-
	7,678,972	7,026,591
With donor restrictions		
Perpetual in nature	500,000	500,000
	500,000	500,000
Net Assets	8,178,972	7,526,591
TOTAL LIABILITIES AND NET ASSETS	\$ 9,019,124	\$ 8,323,127

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Campaign contributions	\$ 1,120,861	\$	\$ 1,120,861
Initiative income	163,000		163,000
Less: donor designations	(185,600)		(185,600)
Campaign contributions, net	1,098,261	-	1,098,261
Event income	356,068		356,068
Grant income	166,740		166,740
Miscellaneous income	32,069		32,069
Interest income, banks	15,048		15,048
Net investment return	818,056		818,056
Planned giving income	384,947		384,947
Loss on disposal of assets	(31,107)		(31,107)
	1,741,821	-	1,741,821
Total Revenues, Gains and Other Support	2,840,082	-	2,840,082
EXPENSES:			
Program:			
Program expenses	1,522,482		1,522,482
Support services:			
General and administrative	174,244		174,244
Fundraising	490,975		490,975
Total Expenses	2,187,701	-	2,187,701
CHANGE IN NET ASSETS	652,381	-	652,381
NET ASSETS AT BEGINNING OF YEAR	7,026,591	500,000	7,526,591
NET ASSETS AT END OF YEAR	\$ 7,678,972	\$ 500,000	\$ 8,178,972

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.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 652,381	\$ (1,339,578)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized loss (gain) on investments	(574,633)	966,708
Noncash transfer of investments	(887,025)	-
Reinvested income	(125,366)	(118,514)
Provision for bad debt	-	12,489
Loss on disposal of fixed assets	31,107	-
Depreciation	20,517	21,310
(Increase)/Decrease in:		
Pledges receivable	(29,951)	30,845
Other assets	(1,808)	(12,838)
Increase/(Decrease) in:		
Accounts payable	(1,403)	(21,677)
Other liabilities	-	(47,861)
Due to designated organizations	45,019	(510,095)
	(871,162)	(1,019,211)
Net Cash Used in Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(20,780)	-
Purchase of investments	(968,918)	(2,179,039)
Proceeds from sales and maturities of investments	1,645,996	3,334,867
Distribution from beneficial interest in assets held for others	22,798	22,172
	679,096	1,178,000
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(192,066)	158,789
Cash and Cash Equivalents at Beginning of Year	2,119,276	1,960,487
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,927,210	\$ 2,119,276

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, 2023

	Supporting Services			Total Support Services	Total Functional Expenses
	Program	General and Administrative	Fundraising		
OPERATING EXPENSES:					
Salaries and wages	\$ 240,742	\$ 72,037	\$ 247,014	\$ 319,051	\$ 559,793
Employee benefits	59,783	12,455	39,856	52,311	112,094
Payroll taxes	22,840	4,758	15,226	19,984	42,824
	<u>323,365</u>	<u>89,250</u>	<u>302,096</u>	<u>391,346</u>	<u>714,711</u>
Grants	1,057,222			-	1,057,222
National and state dues	9,454	1,970	6,303	8,273	17,727
Event expense			96,990	96,990	96,990
Professional fees		35,350	775	36,125	36,125
Local travel	771	5,771	1,593	7,364	8,135
Contract services		245	1,374	1,619	1,619
Insurance	10,317	2,149	8,073	10,222	20,539
Building maintenance and repairs	34,299	7,146	22,866	30,012	64,311
Postage		2,384	1,530	3,914	3,914
Telephone	3,950	823	2,634	3,457	7,407
Office supplies	3,396	707	2,264	2,971	6,367
Printing, publications and promotions	10,326	362	12,058	12,420	22,746
Dues and subscriptions	693	3,880	994	4,874	5,567
Equipment maintenance	49,391	8,177	15,700	23,877	73,268
Utilities	5,236	1,091	3,491	4,582	9,818
Bank and payroll fees		275	2,429	2,704	2,704
Depreciation	10,942	2,280	7,295	9,575	20,517
Conferences and local meetings	3,120	7,669	2,510	10,179	13,299
Miscellaneous and other expenses		4,715		4,715	4,715
	<u>1,199,117</u>	<u>84,994</u>	<u>188,879</u>	<u>273,873</u>	<u>1,472,990</u>
Total functional expenses	<u>\$ 1,522,482</u>	<u>\$ 174,244</u>	<u>\$ 490,975</u>	<u>\$ 665,219</u>	<u>\$ 2,187,701</u>

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

	Supporting Services			Total Support Services	Total Functional Expenses
	Program	General and Administrative	Fundraising		
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.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 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 \$44,993 and \$40,628 as of December 31, 2023 and 2022, 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, 2023 and 2022

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 not 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 2023 or 2022. 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.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

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, 2023 and 2022, the Board of Directors adopted a rate of 4%. Distributions totaling \$272,317 and \$275,754 were taken during the years ended December 31, 2023 and 2022, 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 September 4, 2024, 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 2016-3

The Organization adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments during the year ended December 31, 2023. This standard requires the Organization to measure all expected credit losses for financial assets held at the reporting date on historical experience, current conditions, and reasonable and supportable forecasts. Adopting this standard did not have a material impact on the Organization's financial statements.

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, 2023 and 2022

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, 2023 statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 1,927,210
Investments at market	6,222,367
Pledges receivable, net	<u>58,228</u>
Total Financial assets	8,207,805
Less:	
Endowed funds	(500,000)
Quasi-endowed funds	<u>(6,198,706)</u>
	(6,698,706)
Add: Available to spend for endowed funds (4%)	249,123
Add: Available to spend for assets held at Permian Basin Area Foundation	<u>23,194</u>
	272,317
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 1,781,416</u>

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>28,277</u>
Total Financial assets	7,532,892
Less:	
Funds held for others	
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>\$ 1,237,836</u>

Included in cash and cash equivalents are \$1,381,483 and \$1,185,471 held in brokerage accounts, which are a component of quasi-endowed and endowed assets at December 31, 2023 and 2022, 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, 2023 and 2022

NOTE 4: PLEDGES RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Pledges receivable, gross	\$ 103,221	\$ 68,905
Allowance for uncollectible pledges	<u>(44,993)</u>	<u>(40,628)</u>
Pledges receivable, net	<u>\$ 58,228</u>	<u>\$ 28,277</u>

NOTE 5: INVESTMENTS

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

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities and ETFs	\$ 3,157,920	\$ 2,679,792	\$ 3,365,133	\$ 3,185,039
Mutual funds	<u>3,064,447</u>	<u>2,179,776</u>	<u>2,020,206</u>	<u>2,034,558</u>
Total Investments	<u>\$ 6,222,367</u>	<u>\$ 4,859,568</u>	<u>\$ 5,385,339</u>	<u>\$ 5,219,597</u>

NOTE 6: FIXED ASSETS

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

	<u>2023</u>	<u>2022</u>
Land	\$ 40,000	\$ 40,000
Land improvements	56,251	56,251
Building	308,665	337,607
Furniture and fixtures	<u>208,979</u>	<u>208,979</u>
Total Cost	613,895	642,837
Less accumulated depreciation	<u>(412,923)</u>	<u>(411,021)</u>
Net book value	<u>\$ 200,972</u>	<u>\$ 231,816</u>

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 7: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

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, 2023 and 2022.

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"). The Organization intends that the Fund be endowed to the benefit of the United Way of Midland, Inc. 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 will 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 fund's market value. 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, 2023 and 2022, the Organization withdrew \$22,798 and \$22,172, 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 year ended December 31,:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 540,398	\$ 679,523
Investment income	15,181	13,611
Realized/unrealized gains (losses)	66,240	(122,907)
Investment expense	(8,865)	(9,508)
Distributions	(22,798)	(22,172)
Contributions	362	1,851
	<u>590,518</u>	<u>540,398</u>
Ending balance	\$ <u>590,518</u>	\$ <u>540,398</u>

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8: 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, 2023 and 2022, 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 underwater if its fair value is less than the original value of the initial and subsequent gift amounts donated to it. 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, 2023, and 2022.

NOTE 9: 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, 2023 and 2022 were \$27,035 and \$23,820, 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 on January 1 of the year following their first anniversary. All participants are 100% vested.

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10: 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 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 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, 2023 and 2022, the 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 unavailable, 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.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

Description	December 31, 2023				
	Total	Level 1	Level 2	Level 3	NAV
Equities and ETFs:					
Consumer goods	\$ 192,771	\$ 192,771	\$	\$	\$
Energy	83,768	83,768			
Financial	185,181	185,181			
Freight and logistics	3,807	3,807			
Healthcare	74,694	74,694			
Industrial	53,254	53,254			
Intermediate core plus bond	473,781	473,781			
Intermediate term bond	244,354	244,354			
Large blend	615,332	615,332			
Large growth	339,769	339,769			
Large value	120,647	120,647			
Mid-cap growth	36,729	36,729			
Mid-cap value	14,575	14,575			
Precious metals	90,745	90,745			
Preferred	289,502	289,502			
Real estate	44,887	44,887			
Small blend	7,893	7,893			
Technology	283,632	283,632			
Utilities	2,599	2,599			
Total equities and ETFs	3,157,920	3,157,920	-	-	-
Mutual funds:					
Div. emerging markets	278,979	278,979			
Government	26,497	26,497			
High Yield Bond	146,681	146,681			
Large blend	577,658	577,658			
Large growth	85,002	85,002			
Large value	287,891	287,891			
Medium blend	20,941	20,941			
Short term bond	1,522,404	1,522,404			
Small blend	73,078	73,078			
Small growth	-				
Small value	45,316	45,316			
Total mutual funds	3,064,447	3,064,447	-	-	-
Beneficial interest in assets held by PBAF	590,518				590,518
Total	\$ 6,812,885	\$ 6,222,367	\$ -	\$ -	\$ 590,518

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest in assets transferred to PBAF	\$ 590,518	\$ -	Daily	None

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

<u>Description</u>	<u>December 31, 2022</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
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>	<u>-</u>	<u>-</u>	<u>-</u>

UNITED WAY OF MIDLAND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Description	December 31, 2022 (continued)				
	Total	Level 1	Level 2	Level 3	NAV
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>	<u>-</u>	<u>-</u>	<u>-</u>
Beneficial interest in assets held by PBAF					
	540,398				540,398
Total	<u>\$ 5,925,737</u>	<u>\$ 5,385,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540,398</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, 2022:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Beneficial interest in assets transferred to PBAF	\$ 325,460	\$ -	Daily	None

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. The Organization also maintains accounts at a stock brokerage firm. The accounts contain cash and securities. The Securities Investor Protection Corporation insures cash and security balances up to \$100,000 and \$500,000, respectively. 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.