

UNITED WAY OF ODESSA, INC.

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

YEARS ENDED JUNE 30, 2023 AND 2022

Randy Silhan, CPA, CFE
Certified Public Accountant
Certified Fraud Examiner

UNITED WAY OF ODESSA, INC.
TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| Supplementary Information: | |
| Schedules of Community Investment Grants | 19 |
| Schedules of Operating Expense Ratio | 20 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the United Way of Odessa, Inc.:

Opinion

I have audited the accompanying financial statements of the United Way of Odessa, Inc., (the Organization), (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Agency and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibility 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are 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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 my 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.

I am 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 I identified during the audit.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Lubbock, Texas
May 5, 2025

UNITED WAY OF ODESSA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 604,128 | \$ 756,196 |
| Campaign pledges, net of allowance for uncollectible pledges of \$131,377 and \$101,320, respectively | <u>267,138</u> | <u>379,431</u> |
| TOTAL CURRENT ASSETS | <u>871,266</u> | <u>1,135,627</u> |
| INVESTMENTS | | |
| Board designated endowment | 523,619 | 475,119 |
| Board designated trust account | <u>325,245</u> | <u>301,581</u> |
| | <u>848,864</u> | <u>776,700</u> |
| PROPERTY AND EQUIPMENT | <u>45,034</u> | <u>40,798</u> |
| TOTAL ASSETS | <u>\$ 1,765,164</u> | <u>\$ 1,953,125</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Designations payable | \$ 2,273 | \$ 2,874 |
| Accrued expenses | 2,336 | 5,821 |
| Deferred campaign revenue | <u>46,612</u> | <u>143,612</u> |
| TOTAL CURRENT LIABILITIES | <u>51,221</u> | <u>152,307</u> |
| NET ASSETS | | |
| <u>Without donor restrictions</u> | | |
| Undesignated | 426,277 | 574,860 |
| Invested in property and equipment | 45,034 | 40,798 |
| Designated by board for operating reserve | 175,515 | 175,515 |
| Designated by board for endowment and trust account | <u>836,377</u> | <u>764,213</u> |
| | <u>1,483,203</u> | <u>1,555,386</u> |
| <u>With donor restrictions</u> | | |
| Time restricted for future campaign | 218,253 | 232,945 |
| Perpetual in nature | <u>12,487</u> | <u>12,487</u> |
| | <u>230,740</u> | <u>245,432</u> |
| TOTAL NET ASSETS | <u>1,713,943</u> | <u>1,800,818</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,765,164</u> | <u>\$ 1,953,125</u> |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|--------------|
| CAMPAIGN SUPPORT | | | |
| 2022 Campaign support | \$ - | \$ 1,183,010 | \$ 1,183,010 |
| Less: Designations to other UW and UWO agencies | - | (116,801) | (116,801) |
| Net Campaign support before provision for uncollectible pledges | - | 1,066,209 | 1,066,209 |
| Less: Provision for uncollectible pledges | - | (131,377) | (131,377) |
| Net Campaign support to be released from restriction next year | - | 934,832 | 934,832 |
| Prior campaign, net of pledge write-offs in current year | (34,331) | - | (34,331) |
| NET CAMPAIGN REVENUES | (34,331) | 934,832 | 900,501 |
| OTHER SUPPORT & REVENUE | | | |
| Donations & sponsorships | 64,259 | - | 64,259 |
| In-kind contributions - facilities, goods & services | 39,429 | - | 39,429 |
| Reimbursement & other income | 15,038 | - | 15,038 |
| Interest income | 2,908 | - | 2,908 |
| Investment income (loss) from PBAF Endowment and SWB Trust | 67,164 | - | 67,164 |
| TOTAL OTHER REVENUES & SUPPORT | 188,798 | - | 188,798 |
| NET ASSETS RELEASED FROM RESTRICTIONS - 2021 campaign | 949,524 | (949,524) | - |
| TOTAL SUPPORT AND REVENUES | 1,103,991 | (14,692) | 1,089,299 |
| EXPENSES | | | |
| <u>Community grants & affiliate payments</u> | | | |
| Community investment grants | 774,523 | - | 774,523 |
| Less: Designations to UWO agencies | (116,801) | - | (116,801) |
| Net Community investment grants | 657,722 | - | 657,722 |
| Venture grants | - | - | - |
| National & state affiliate payments | 21,523 | - | 21,523 |
| TOTAL GRANTS & AFFILIATE PAYMENTS | 679,245 | - | 679,245 |
| <u>Program services</u> | | | |
| Planning & Agency Relations & Community Building & Networking | 74,649 | - | 74,649 |
| TOTAL PROGRAM SERVICES | 74,649 | - | 74,649 |
| <u>Support services</u> | | | |
| Management and general | 273,978 | - | 273,978 |
| Fundraising | 148,302 | - | 148,302 |
| TOTAL SUPPORT SERVICES | 422,280 | - | 422,280 |
| TOTAL EXPENSES | 1,176,174 | - | 1,176,174 |
| CHANGE IN NET ASSETS | (72,183) | (14,692) | (86,875) |
| BEGINNING NET ASSETS | 1,555,386 | 245,432 | 1,800,818 |
| ENDING NET ASSETS | \$ 1,483,203 | \$ 230,740 | \$ 1,713,943 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|--------------|
| CAMPAIGN SUPPORT | | | |
| 2021 Campaign support | \$ - | \$ 1,280,749 | \$ 1,280,749 |
| Less: Designations to other UW and UWO agencies | - | (144,958) | (144,958) |
| Net Campaign support before provision for uncollectible pledges | - | 1,135,791 | 1,135,791 |
| Less: Provision for uncollectible pledges | - | (101,320) | (101,320) |
| Net Campaign support to be released from restriction next year | - | 1,034,471 | 1,034,471 |
| Prior campaign support, net of pledge write-offs | 10,245 | 52,428 | 62,673 |
| NET CAMPAIGN REVENUES | 10,245 | 1,086,899 | 1,097,144 |
| OTHER SUPPORT & REVENUE | | | |
| Donations & sponsorships | 59,300 | - | 59,300 |
| In-kind contributions - facilities, goods & services | 37,515 | - | 37,515 |
| Reimbursement & other income | 81,145 | - | 81,145 |
| Interest income | 1,989 | - | 1,989 |
| Investment income (loss) from PBAF Endowment and SWB Trust | (122,417) | - | (122,417) |
| TOTAL OTHER REVENUES & SUPPORT | 57,532 | - | 57,532 |
| NET ASSETS RELEASED FROM RESTRICTIONS - 2020 campaign | 996,953 | (996,953) | - |
| TOTAL SUPPORT AND REVENUES | 1,064,730 | 89,946 | 1,154,676 |
| EXPENSES | | | |
| <u>Community grants & affiliate payments</u> | | | |
| Community investment grants | 759,200 | - | 759,200 |
| Less: Designations to UWO agencies | (143,358) | - | (143,358) |
| Net Community investment grants | 615,842 | - | 615,842 |
| Venture grants | 26,338 | - | 26,338 |
| National & state affiliate payments | 21,258 | - | 21,258 |
| TOTAL GRANTS & AFFILIATE PAYMENTS | 663,438 | - | 663,438 |
| <u>Program services</u> | | | |
| Planning & Agency Relations & Community Building & Networking | 63,349 | - | 63,349 |
| TOTAL PROGRAM SERVICES | 63,349 | - | 63,349 |
| <u>Support services</u> | | | |
| Management and general | 316,144 | - | 316,144 |
| Fundraising | 142,016 | - | 142,016 |
| TOTAL SUPPORT SERVICES | 458,161 | - | 458,161 |
| TOTAL EXPENSES | 1,184,948 | - | 1,184,948 |
| CHANGE IN NET ASSETS | (120,218) | 89,946 | (30,272) |
| BEGINNING NET ASSETS | 1,675,604 | 155,486 | 1,831,090 |
| ENDING NET ASSETS | \$ 1,555,386 | \$ 245,432 | \$ 1,800,818 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

| | PROGRAM SERVICES | | | SUPPORT SERVICES | |
|----------------------------------|--|-------------------------------------|-------------------------|---------------------------------------|-------------------|
| | Planning & Agency Relations & Community Building & Networking | Management & General | Fund Raising | Total Support Services | Total |
| Salaries | \$ 35,556 | \$ 166,841 | \$ 71,113 | \$ 237,954 | \$ 273,510 |
| Payroll Taxes | 2,746 | 12,887 | 5,493 | 18,380 | 21,126 |
| Employee Benefits | 4,574 | 21,462 | 9,148 | 30,609 | 35,183 |
| Occupancy | 3,818 | 17,917 | 7,637 | 25,554 | 29,372 |
| Campaign Costs | - | - | 9,739 | 9,739 | 9,739 |
| Marketing & Recognition costs | 18,182 | - | 27,272 | 27,272 | 45,454 |
| Professional Fees | - | 9,425 | - | 9,425 | 9,425 |
| Office Expenses | 547 | 2,569 | 1,095 | 3,664 | 4,211 |
| Equipment Rental & Services | 690 | 3,238 | 1,380 | 4,619 | 5,309 |
| Repairs & Maintenance | 4,393 | 20,614 | 8,786 | 29,400 | 33,793 |
| Telephone & Internet | 520 | 2,442 | 1,041 | 3,483 | 4,003 |
| Community Impact | 822 | - | - | - | 822 |
| Insurance | 971 | 4,558 | 1,943 | 6,501 | 7,472 |
| Credit Card Processing Fees | - | 3,358 | - | 3,358 | 3,358 |
| Mileage Reimbursements | 352 | 1,653 | 705 | 2,358 | 2,710 |
| Postage | 170 | 796 | 339 | 1,135 | 1,305 |
| Dues & Subscriptions | 71 | 332 | 142 | 474 | 545 |
| Conferences | 210 | 985 | 420 | 1,404 | 1,614 |
| Bad Debt | - | 89 | - | 89 | 89 |
| TOTAL BEFORE DEPRECIATION | 73,623 | 269,165 | 146,251 | 415,417 | 489,040 |
| Depreciation | 1,026 | 4,812 | 2,051 | 6,863 | 7,889 |
| TOTAL EXPENSES | \$ 74,649 | \$ 273,978 | \$ 148,302 | \$ 422,280 | \$ 496,929 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | PROGRAM SERVICES | | | SUPPORT SERVICES | |
|----------------------------------|--|-------------------------------------|-------------------------|---------------------------------------|-------------------|
| | Planning & Agency Relations & Community Building & Networking | Management & General | Fund Raising | Total Support Services | Total |
| Salaries | \$ 38,130 | \$ 178,918 | \$ 76,260 | \$ 255,178 | \$ 293,308 |
| Payroll Taxes | 2,986 | 14,013 | 5,973 | 19,986 | 22,972 |
| Employee Benefits | 4,113 | 19,299 | 8,226 | 27,524 | 31,637 |
| Occupancy | 3,743 | 17,566 | 7,487 | 25,053 | 28,796 |
| Campaign Costs | - | - | 20,172 | 20,172 | 20,172 |
| Marketing & Recognition costs | 5,872 | - | 8,807 | 8,807 | 14,679 |
| Other Compensation | - | 10,000 | - | 10,000 | 10,000 |
| Professional Fees | - | 38,813 | - | 38,813 | 38,813 |
| Office Expenses | 500 | 2,346 | 1,000 | 3,346 | 3,846 |
| Equipment Rental & Services | 505 | 2,368 | 1,009 | 3,377 | 3,882 |
| Repairs & Maintenance | 3,753 | 17,611 | 7,506 | 25,117 | 28,870 |
| Telephone & Internet | 525 | 2,466 | 1,051 | 3,517 | 4,042 |
| Community Impact | 959 | - | - | - | 959 |
| Insurance | 878 | 4,119 | 1,756 | 5,874 | 6,752 |
| Credit Card Processing Fees | - | 2,129 | - | 2,129 | 2,129 |
| Mileage Reimbursements | 65 | 305 | 130 | 435 | 500 |
| Postage | 176 | 825 | 352 | 1,176 | 1,352 |
| Dues & Subscriptions | 172 | 808 | 344 | 1,152 | 1,324 |
| Conferences | 26 | 122 | 52 | 174 | 200 |
| TOTAL BEFORE DEPRECIATION | 62,403 | 311,705 | 140,124 | 451,830 | 514,233 |
| Depreciation | 946 | 4,439 | 1,892 | 6,331 | 7,277 |
| TOTAL EXPENSES | \$ 63,349 | \$ 316,144 | \$ 142,016 | \$ 458,161 | \$ 521,510 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (86,875) | \$ (30,272) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 7,889 | 7,277 |
| Net investment return - PBAF endowment and SWB Trust | (67,164) | 122,417 |
| Change in assets and liabilities: | | |
| Decrease (increase) in pledges receivable | 112,293 | (149,650) |
| Decrease (increase) in prepaid expenses | - | 1,374 |
| Increase (decrease) in accounts payable and accrued expenses | (3,485) | (204) |
| Increase (decrease) in designations payable | (601) | (7,086) |
| Increase (decrease) in deferred revenue | (97,000) | 66,790 |
| NET CASH FROM OPERATING ACTIVITIES | <u>(134,943)</u> | <u>10,646</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets, equipment | (12,125) | - |
| Board designated contributions to endowment and trust | (5,000) | - |
| NET CASH USED FOR INVESTING ACTIVITIES | <u>(17,125)</u> | <u>-</u> |
| NET CHANGE IN CASH & CASH EQUIVALENTS | <u>(152,068)</u> | <u>10,646</u> |
| CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>756,196</u> | <u>745,550</u> |
| CASH & CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 604,128</u></u> | <u><u>\$ 756,196</u></u> |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Odessa, Inc. (the Organization) is a nonprofit corporation that develops and distributes resources to address human service needs. The Organization raises money from individuals and organizations through a workplace fund drive conducted primarily by volunteers. These funds make possible services that are provided by both the Organization and by other area nonprofit organizations. Substantially all funds are derived from contributions of residents and businesses in the Odessa area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting consistent with generally accepted accounting principles applicable to voluntary health and welfare organizations in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates. The most significant estimate is the allowance for uncollectible pledges.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore has no provision for federal income taxes. Furthermore, the Organization is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section 170(b)(1)(A)(vi) and 509(a)(1). The Organization had no unrelated business income in 2023 or 2022. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after filing. No IRS examinations took place in 2023 or 2022, and none are in process through the date of this report.

Cash, Cash Equivalents, & Restricted Cash

For purposes of the statement of cash flows, the Organization considers demand deposit accounts, certain money market accounts, and certificates of deposit and short-term investments with initial maturities of three months or less to be cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statements of cash flows as of June 30:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Cash and cash equivalents without donor restrictions | <u>\$604,128</u> | <u>\$756,196</u> |

Campaign Pledges & Allowance for Uncollectible Pledges

Campaigns commence each year beginning in early fall and are officially closed at the end of the fiscal year subsequent to the original collection period. An unconditional promise to give (pledge) is recognized as revenue at the time of the pledge, net of an allowance for uncollectible amounts. Pledges are recorded at fair value based on the present value of expected future cash flows. A provision for uncollectible pledges is based upon historical campaign collection experience and the length of time the pledge has been outstanding. Specifically, the allowance is based on the collection results of the previous three years campaigns. Pledges are expected to be collected within one year of the balance sheet date and uncollected pledges are written off after the campaign is officially closed.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with *FASB ASC 958*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments consist of a beneficial interest in assets held in an endowment fund by the Permian Basin Area Foundation (PBAF), and mutual funds, exchange traded funds, and a treasury money market account held in a bank trust account. Net investment income (loss) consists of realized and unrealized gains and losses, interest, dividends, net of fees. Purchases and sales are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund with the Permian Basin Area Foundation (PBAF). Variance power is granted to the PBAF by the Organization through a written agreement. Variance power allows the PBAF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the PBAF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. There is a termination provision whereby all the funds can be distributed to the Organization provided there is mutual consent with the PBAF. The fund is held and invested by the PBAF for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities and cash flows.

Property and Equipment

Property and equipment, improvements, replacements, and additions of \$500 or more are capitalized while routine replacements, maintenance and repairs are charged to expense. Donated property and equipment are recorded at fair value on the date of donation. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years for furniture and equipment, software, and leasehold improvements.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in 2023 or 2022.

Lease Accounting

The Organization adopted FASB guidance Topic 842 effective July 1, 2022, which increases transparency and comparability among organizations by requiring (1) recognition of lease assets and lease liabilities on the balance sheet and (2) disclosure of key information about leasing arrangements. Some changes to the lessor accounting guidance were made to align both of the following: (1) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (2) key aspects of the lessor accounting model with revenue recognition guidance. The Organization adopted Topic 842 using the transition method that allowed us to initially apply the guidance as of July 1, 2022 and recognize a cumulative-effect adjustment to the opening equity balance in the period of adoption.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting (continued)

The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term. The adoption of this guidance did not have a material impact on the financial statements of the Organization.

Compensated Absences

Pursuant to FASB 710-10-25, the Organization has accrued a liability for employee's compensation for future absences based on their personnel policy. Personal time off is payable upon separation at the regular rate at the time of separation. The liability is recognized in the accrued expenses balance of the statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, operating reserves, net assets for an operating reserve, a board designated endowment, and a board designated trust account.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction expires, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give (pledges), or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Earnings on donor contributions to the endowment are generally available for distribution and recognized as net assets without donor restrictions. Donor restricted earnings are classified as net assets with donor restrictions based on the nature of the restriction. Upon release of any such restrictions, earnings would then be reclassified as net assets without donor restrictions. Contributions designated to specific agencies or other United Ways are treated as agency transactions and transferred to the designee as stipulated by the donor. Such contributions are reported in the statement of activities.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated facilities, professional services, equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. These are disclosed in a separate note to the financial statements. In addition, volunteers and board members contribute significant amounts of time to the annual fundraising campaign, allocation process, administrative oversight, and other programs; however, the financial statements do not reflect the value of these particular contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated on a square footage basis include utilities, occupancy costs, and depreciation. Expenses allocated on basis of estimates of time and effort include salaries, benefits, payroll taxes, professional services, office expenses, insurance, and other.

Financial Instruments, Credit and Market Risk

Credit risk: The Organization's cash balances in financial institutions at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Market risk: The Organization has a substantial amount of board-designated endowment assets invested in various types of marketable debt and equity securities in professionally managed mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements. The Organization's endowment investments are managed by the Permian Basin Area Foundation and the Southwest Bank Trust Department, whose performances are reviewed by the finance committee and board of directors on a no less than quarterly basis.

Recent Accounting Guidance

Effective January 1, 2023, the Agency adopted FASB Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326). The ASU includes changes to the accounting and measurement of financial assets, including accounts receivable and held-to-maturity debt securities, by requiring recognition of an allowance for all expected losses over the life of the financial asset at origination. Credit losses are now recognized through the recording of an allowance rather than as a write-down of the carrying value. The adoption of this ASU did not have a material impact to the Agency's financial statements.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of economic, social, and public health matters

The following summarizes the financial impact of various social, economic, and public health matters to the Organization:

Fundraising activities: No fundraising activities were postponed or canceled/

Significant change in pledges and grants: The 2022 campaign garnered just over \$1,114,200, a reduction of approximately \$160,800 from the previous year.

Change in demand for services: In fiscal year 2022-23, UWO funded 16 partner agencies totaling \$778,523. Social services assistance totaled 79,522 for this period.

Staff layoffs: In an effort to reduce overhead in the fiscal year 2022-23 budget, the office manager position remained as a part-time position.

Impact to the 2023 budget. The 2022 Campaign experienced a reduction from the prior year.

Subsequent Events

Management has evaluated subsequent events through May 5, 2025, the date which the financial statements were available to be issued. No significant events have occurred that would require disclosure in the notes or recognition in the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|--|------------------|
| Cash and cash equivalents without donor restrictions | <u>\$604,128</u> |
|--|------------------|

Endowment funds consists of funds designated by the board as endowments. These funds are managed under an endowment agreement with the Permian Basin Area Foundation (PBAF). The board designated trust account consists of funds designated by the board as reserves with the intent of long-term savings similar to a quasi-endowment. Donor-restricted funds are not available for general expenditure.

The board-designated endowment with the PBAF is subject to an annual spending rate as established in their agreement, with the PBAF. The policy calls for appropriating an annual distribution of 4% of the fund's average market value as determined by the agreement. Although the Organization does not intend to spend from the board designated trust account, these amounts could be made available if necessary. No funds were available for distribution as of fiscal year end.

As part of the liquidity management plan, cash in excess of daily requirements may be invested in short-term investments, CDs, and money market funds. At their discretion, the Board may contribute a portion of any operating surplus, or unspent venture grants to their board designated endowment or trust account.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3: ENDOWMENT INVESTMENTS

In August 2002, the board of directors established an endowment fund to provide resources for the long-term support of its mission. Initial funds of \$25,000 were invested with the Permian Basin Area Foundation (PBAF) that administers and invests these funds in accordance with an agreement between the parties involved. Including the original funds of \$25,000, board designated and contributions without restrictions to the endowment total \$300,412 since inception.

Since the endowment was established by the board of directors, it is classified as board-designated net assets without donor restrictions. The endowment does permit donor-restricted contributions. Investment earnings available for distribution are recorded as net assets without donor restrictions. Endowment contributions from donors are as net assets with donor restrictions. No restrictions have been placed on earnings or losses from the endowment; therefore, earnings are reported as net assets without donor restrictions. Donor-restricted contributions to the endowment total \$12,487 since inception. It is the board's intent to maintain the endowment in perpetuity.

The board of directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original donor's gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain 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 by us in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate either board-designated or donor-restricted endowment funds: (1) The duration and preservation of the fund (2) The purposes of the Organization and the endowment fund (3) General economic conditions (4) The possible effect of inflation and deflation (5) The expected total return from income and the appreciation of investments (6) Other resources of the Organization (7) The investment policies of the organization. The Organization's investment philosophy is to invest funds prudently to maximize income while assuring the safety of the principal.

Any declines in the fair value of the assets of the either board-designated or donor-restricted endowment funds would be classified as net assets without donor restrictions in compliance with generally accepted accounting principles.

The endowment agreement with the PBAF establishes a beneficial interest in assets held by the PBAF whereby they receive, accept, administer, invest, and distribute assets of the fund for the benefit of the Organization. The PBAF is a community foundation that facilitates the creation of permanent charitable funds, in partnership with many donors. The PBAF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3: ENDOWMENT INVESTMENTS (Continued)

Assets in the permanent funds of Permian Basin Area Foundation are invested with long-term objectives of corpus protection and value growth employing proven professional investment managers and diligent performance monitoring. The Foundation's investment strategy embraces a defined asset allocation model and disciplined re-balancing to maintain actual values within the allocation policy. The diversified portfolio includes positions in large cap, mid-cap, small cap, and international equities, equities, as well as fixed income securities. The investment committee of the PBAF governs policy and monitors investment management and performance relative to standard benchmarks and peer group comparisons. As established in their agreement, the PBAF has a policy for appropriating an annual distribution of 4% of the fund's average market value as determined by the agreement. Investment results were consistent with other nonprofit organizations that PBAF manages, as well as other private sector companies that invested in similar securities.

The board of directors does not budget earnings from the endowment assets as part in their operating budget annually. Any purchases to be made from earnings are approved by the board. No specific expenditures from endowment investments earnings have been projected for the next fiscal year. No distributions were made in 2023 or 2022. Funds available for distribution totaled \$-0- and \$14,725 as of June 30, 2023 and 2022, respectively.

Endowment net asset composition is as follows:

| | With Donor Restrictions | Without Donor Restrictions | Total |
|---|----------------------------|-------------------------------|------------|
| <u>June 30, 2023</u> | | | |
| <u>Beneficial interest held by foundation</u> | | | |
| Permian Basin Area Foundation | \$ 12,487 | \$ 511,132 | \$ 523,619 |

June 30, 2022

| | | | |
|---|-----------|------------|------------|
| <u>Beneficial interest held by foundation</u> | | | |
| Permian Basin Area Foundation | \$ 12,487 | \$ 462,632 | \$ 475,119 |

Changes in endowment net assets for the year ended June 30:

| | 2023 | 2022 |
|---|------------|------------|
| Endowment investments beginning of year | \$ 475,119 | \$ 557,412 |
| <u>Investment return:</u> | | |
| Interest & dividends | 13,237 | 11,552 |
| Realized gains(losses) | 1,503 | 23,741 |
| Unrealized gains(losses) | 36,774 | (108,255) |
| Management fees | (8,014) | (9,331) |
| Total investment return | 43,500 | (82,293) |
| Contributions | 5,000 | - |
| Endowment investments end of year | \$ 523,619 | \$ 475,119 |

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4: FAIR VALUE MEASUREMENTS

FASB ASC 820 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 methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Mutual funds, exchange traded funds, and treasury money market funds are valued at quoted market prices, which represent the NAV of shares held at year end, which are traded in an active market.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As previously stated, the beneficial interest in assets held in the endowment by the Permian Basin Area Foundation are invested in a diversified portfolio of marketable equity and fixed income securities such as mutual funds. A substantial portion of the underlying assets at the PBAF are measured at fair value using level 1 and 2 inputs, the most common being the shares of mutual funds that are valued at the net asset value of shares held by the fund at year-end. The Organization's ownership in such investments is represented by an undivided interest in the portfolios managed by the PBAF. Since the Organization's interest itself is not a publicly traded investment, it is valued as a level 3 input as defined by FASB ASC 820. No changes were made to the availability of observable market data to assess the appropriate classification of investments.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair value assets measured on a recurring basis are as follows as of:

| <u>June 30, 2023</u> | <u>Fair Value</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
|-----------------------|-------------------|-------------------|------------------|-------------------|
| Mutual funds | \$ 124,770 | \$ 124,770 | \$ - | \$ - |
| Exchange traded funds | 185,293 | 185,293 | - | - |
| Treasury money market | 15,182 | 15,182 | - | - |
| Endowment investments | 523,619 | - | - | 523,619 |
| | <u>\$ 848,864</u> | <u>\$ 325,245</u> | <u>\$ -</u> | <u>\$ 523,619</u> |

| <u>June 30, 2022</u> | <u>Fair Value</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
|-----------------------|-------------------|-------------------|------------------|-------------------|
| Mutual funds | \$ 131,880 | \$ 131,880 | \$ - | \$ - |
| Exchange traded funds | 160,963 | 160,963 | - | - |
| Treasury money market | 8,738 | 8,738 | - | - |
| Endowment investments | 475,119 | - | - | 475,119 |
| | <u>\$ 776,700</u> | <u>\$ 301,581</u> | <u>\$ -</u> | <u>\$ 475,119</u> |

NOTE 5: PROPERTY AND EQUIPMENT

The following is a summary of changes in fixed assets:

| | <u>Beginning</u> | <u>Additions</u> | <u>(Dispositions)</u> | <u>Ending</u> |
|--------------------------|------------------|------------------|-----------------------|------------------|
| Furniture & Equipment | \$ 87,545 | \$ - | \$ - | \$ 87,545 |
| Leasehold Improvements | 61,651 | 12,125 | - | 73,776 |
| Total Cost | 149,196 | 12,125 | - | 161,321 |
| Accumulated Depreciation | (108,398) | (7,889) | - | (116,287) |
| Net Fixed Assets | <u>\$ 48,075</u> | <u>\$ 4,236</u> | <u>\$ -</u> | <u>\$ 45,034</u> |

Depreciation expense totaled \$7,889 in 2023 and \$7,227 in 2022.

NOTE 6: BOARD DESIGNATED RESTRICTIONS

The Board of Directors of the Organization has elected to designate portions of the net assets without donor restrictions balances of net assets to achieve specific goals in accordance with policies they have adopted. These designations are as follows for the fiscal years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|--------------------|--------------------|------------------|
| Operating reserves | \$125,515 | \$125,515 |
| Capital projects | 20,000 | 20,000 |
| Emergency relief | 30,000 | 30,000 |
| PBAF Endowment | 511,132 | 462,632 |
| SWB Trust | <u>325,245</u> | <u>301,581</u> |
| | <u>\$1,011,892</u> | <u>\$939,728</u> |

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of campaign pledges, net of allowance for uncollectible pledges that are to be collected during the subsequent fiscal year. These campaign collections are used to determine the amounts of community investment awards that will be distributed in the following year.

NOTE 8: CONTRIBUTED NONFINANCIAL ASSETS

The Organization's office facilities in Odessa, Texas are leased from the City of Odessa for no monetary value, renewable annually. Management has estimated the fair value of these facilities to be \$24,000 per year. Contributed services, supplies and items for campaign events totaled \$15,453. These items are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

NOTE 9: RETIREMENT PLAN

The Organization offers participation in a simplified employee pension (SEP) plan to those employees who meet eligibility requirements. Employees who are at least 21 years old and have completed at least one year of employment are considered eligible. The Organization contributes 10% of eligible employees' salaries. Employer contributions totaled \$13,442 in 2023 and \$14,693 in 2022.

NOTE 10: HEALTH CARE COVERAGE

Employees of the Organization were covered by a qualified health insurance plan that is in compliance with the Affordable Care Act. Employees, at their option, may authorize payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. Employer costs for employee medical health insurance totaled \$20,236 in 2023 and \$15,767 in 2022.

NOTE 11: RELATED PARTY TRANSACTIONS

The Organization pays annual dues to the United Way national and state affiliates as part of membership requirements. The Organization periodically conducts business with volunteers, board members, and related parties. Management asserts that these transactions were consummated on an arm's length basis whereby no preferential treatment has been given to the vendors associated with the Organization.

NOTE 12: COMMITMENTS & CONTINGENCIES

In May 2023, the board of directors approved the community impact funding allocation of \$685,280 to be distributed during the next fiscal year to 15 member agencies beginning July 2023. The distribution of funds is contingent upon sufficient collection of campaign pledges.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ODESSA, INC.
SCHEDULES OF COMMUNITY INVESTMENT GRANTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Boys & Girls Club of Odessa, Inc. | \$ 134,763 | \$ 93,428 |
| Bynum School | 7,500 | 9,178 |
| Campfire USA West Texas Council | - | 7,553 |
| CASA of the Permian Basin | 35,000 | 41,678 |
| Catholic Charities | 53,293 | 49,052 |
| Centers for Children and their Families | 62,000 | 59,553 |
| Crisis Center of West Texas | - | 36,677 |
| Family Promise of Odessa | - | 13,052 |
| Girl Scouts of the Desert Southwest | 25,000 | 1,053 |
| Harmony Home | 97,040 | 78,543 |
| Meals on Wheels of Odessa | 62,200 | 51,052 |
| Mission Center Adult Day Services | 12,500 | 10,053 |
| Odessa Christmas in Action | 58,800 | 41,053 |
| Odessa Day Nursery | 60,000 | 43,644 |
| Odessa Family YMCA | - | 69,053 |
| Odessa LINKS | 40,000 | 36,052 |
| Permian Basin Mission Center | 57,827 | 45,421 |
| Sharing Hands A Respite Experience | 35,000 | 31,053 |
| The Salvation Army | 33,600 | 42,052 |
| | <hr/> | <hr/> |
| Total | <u>\$ 774,523</u> | <u>\$ 759,200</u> |

Note: Amounts on this schedule are before donor designations.

See independent auditor's report

UNITED WAY OF ODESSA, INC.
SCHEDULES OF OPERATING EXPENSE RATIO
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

2023

| | |
|-------------------------------------|--------------------------|
| Gross Operating Revenue & Support * | \$ <u>1,236,394</u> |
| Management & General Expenses | \$ 259,338 |
| Fundraising Expense | 129,023 |
| Payments to Affiliates | <u>21,523</u> |
| Total Operating Expenses | \$ <u>409,884</u> |
| Net Operating Income | \$ <u><u>826,510</u></u> |
| Operating Expense Ratio | <u><u>33.15%</u></u> |

2022

| | |
|-------------------------------------|----------------------------|
| Gross Operating Revenue & Support * | \$ <u>1,490,153</u> |
| Management & General Expenses | \$ 301,504 |
| Fundraising Expense | 123,438 |
| Payments to Affiliates | <u>21,258</u> |
| Total Operating Expenses | \$ <u>446,201</u> |
| Net Operating Income | \$ <u><u>1,043,952</u></u> |
| Operating Expense Ratio | <u><u>29.94%</u></u> |

* Excludes investment income(loss)

Note: Figures exclude in-kind transactions for donated services, facilities, and supplies

See independent auditor's report