UNITED WAY OF ODESSA, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2017 AND 2016

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

UNITED WAY OF ODESSA, INC.

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AICPA
Not-for-Profit
Section Member

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

AICPA
Employee Benefit Plan Audit
Quality Center Member

INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
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, 2017 and 2016, 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.

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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 beginning on page 18 are presented for purposes 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

Randy G. [illegible], CPA, CFE

Lubbock, Texas
December 15, 2017

UNITED WAY OF ODESSA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operating	$ 507,187	$ 763,302
Board designated cash reserves	240,485	240,161
Total cash and cash equivalents	747,672	1,003,463
Campaign pledges, net of allowance for uncollectible pledges of $100,223 and $129,575, respectively	562,377	602,371
TOTAL CURRENT ASSETS	1,310,049	1,605,834
ENDOWMENT INVESTMENTS	340,825	313,504
PROPERTY AND EQUIPMENT	12,310	18,170
TOTAL ASSETS	$ 1,663,184	$ 1,937,508
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 14,014	$ 1,136
Designations payable	51,268	58,219
Accrued expenses	661	3,047
Deferred campaign revenue	5,500	47,750
TOTAL CURRENT LIABILITIES	71,443	110,152
NET ASSETS		
Unrestricted, undesignated	448,054	671,320
Unrestricted, board designated	568,823	541,178
Permanently restricted	12,487	12,487
Temporarily restricted	562,377	602,371
TOTAL NET ASSETS	1,591,741	1,827,356
TOTAL LIABILITIES AND NET ASSETS	$ 1,663,184	$ 1,937,508

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CAMPAIGN REVENUES				
2016 Campaign pledges	$ -	$ 1,758,436	$ -	$ 1,758,436
Less: Designations to other UW and UWO agencies	-	(113,839)	-	(113,839)
Net Campaign pledges before provision for uncollectible pledges	-	1,644,597	-	1,644,597
Less: Provision for uncollectible pledges	-	(100,223)	-	(100,223)
Net Campaign pledges to be released from restriction in 2017-18	-	1,544,374	-	1,544,374
Prior campaign revenues, net of pledge write-offs	67,565	-	-	67,565
NET CAMPAIGN REVENUES	67,565	1,544,374	-	1,611,939
OTHER REVENUES & SUPPORT				
Donations & sponsorships	50,743	-	-	50,743
Reimbursement & other income	2,982	-	-	2,982
Special event income	12,088	-	-	12,088
In-kind contributions - facilities, goods & services	26,718	-	-	26,718
Interest income	825	-	-	825
Investment income (loss) from PBAF Endowment	27,321	-	-	27,321
TOTAL OTHER REVENUES & SUPPORT	120,677	-	-	120,677
NET ASSETS RELEASED FROM RESTRICTIONS - 2015 campaign	1,584,368	(1,584,368)	-	-
TOTAL SUPPORT AND REVENUES	1,772,610	(39,994)	-	1,732,616
EXPENSES				
Community grants & affiliate payments				
Community investment grants	1,485,000	-	-	1,485,000
Less: Designations to UWO agencies	(62,571)	-	-	(62,571)
Net Community investment grants	1,422,429	-	-	1,422,429
Venture grants	45,937	-	-	45,937
National & state affiliate payments	26,612	-	-	26,612
TOTAL GRANTS & AFFILIATE PAYMENTS	1,494,978	-	-	1,494,978
Program services				
Planning & Agency Relations & Community Building & Networking	64,472	-	-	64,472
TOTAL PROGRAM SERVICES	64,472	-	-	64,472
Support services				
Management and general	255,284	-	-	255,284
Fundraising	153,497	-	-	153,497
TOTAL SUPPORT SERVICES	408,781	-	-	408,781
TOTAL EXPENSES	1,968,231	-	-	1,968,231
CHANGE IN NET ASSETS	(195,621)	(39,994)	-	(235,615)
BEGINNING NET ASSETS	1,212,498	602,371	12,487	1,827,356
ENDING NET ASSETS	$ 1,016,877	$ 562,377	$ 12,487	$ 1,591,741

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CAMPAIGN REVENUES				
2015 Campaign pledges	$ -	$ 2,087,852	$ -	$ 2,087,852
Less: Designations to other UW and UWO agencies	-	(306,844)	-	(306,844)
Net Campaign pledges before provision for uncollectible pledges	-	1,781,008	-	1,781,008
Less: Provision for uncollectible pledges	-	(129,575)	-	(129,575)
Net Campaign pledges to be released from restriction in 2016-17	-	1,651,433	-	1,651,433
Prior campaign, net of pledge write-offs	(63,930)	-	-	(63,930)
NET CAMPAIGN REVENUES	(63,930)	1,651,433	-	1,587,503
OTHER REVENUES & SUPPORT				
Donations & sponsorships	170,894	-	1,244	172,138
Reimbursement & other income	3,546	-	-	3,546
Special event income	24,080	-	-	24,080
In-kind contributions - facilities, goods & services	51,764	-	-	51,764
Interest income	1,383	-	-	1,383
Investment income (loss) from PBAF Endowment	(11,592)	-	-	(11,592)
TOTAL OTHER REVENUES & SUPPORT	240,075	-	1,244	241,319
NET ASSETS RELEASED FROM RESTRICTIONS - 2014 campaign	1,796,671	(1,796,671)	-	-
TOTAL SUPPORT AND REVENUES	1,972,816	(145,238)	1,244	1,828,822
EXPENSES				
Community grants & affiliate payments				
Community investment grants	1,418,333	-	-	1,418,333
Less: Designations to UWO agencies	(192,186)	-	-	(192,186)
Net Community investment grants	1,226,147	-	-	1,226,147
Venture grants	48,260	-	-	48,260
National & state affiliate payments	29,623	-	-	29,623
TOTAL GRANTS & AFFILIATE PAYMENTS	1,304,030	-	-	1,304,030
Program services				
Planning & Agency Relations & Community Building & Networking	73,178	-	-	73,178
TOTAL PROGRAM SERVICES	73,178	-	-	73,178
Support services				
Management and general	278,563	-	-	278,563
Fundraising	180,327	-	-	180,327
TOTAL SUPPORT SERVICES	458,890	-	-	458,890
TOTAL EXPENSES	1,836,098	-	-	1,836,098
CHANGE IN NET ASSETS	136,718	(145,238)	1,244	(7,276)
BEGINNING NET ASSETS	1,075,780	747,609	11,243	1,834,632
ENDING NET ASSETS	$ 1,212,498	$ 602,371	$ 12,487	$ 1,827,356

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, 2017

	PROGRAM SERVICES	SUPPORT SERVICES			
	Planning & Agency Relations & Community Building & Networking	Management & General	Fund Raising	Total Support Services	Total
Salaries	$ 33,771	$ 158,463	$ 67,542	$ 226,005	$ 259,776
Payroll Taxes	2,622	12,304	5,244	17,548	20,170
Employee Benefits	5,036	23,628	10,071	33,699	38,735
Occupancy	4,005	18,793	8,010	26,803	30,808
Campaign Costs	-	-	32,083	32,083	32,083
Marketing & Recognition costs	11,706	-	17,560	17,560	29,266
Meetings	-	100	-	100	100
Professional Fees	-	7,300	-	7,300	7,300
Office Expenses	576	2,703	1,152	3,855	4,431
Equipment Rental & Services	596	2,796	1,192	3,988	4,584
Repairs & Maintenance	1,982	9,302	3,965	13,267	15,249
Telephone & Internet	735	3,448	1,470	4,918	5,653
Community Impact	839	-	-	-	839
Insurance	611	2,868	1,223	4,091	4,702
Credit Card Processing Fees	-	4,231	-	4,231	4,231
Mileage Reimbursements	184	863	368	1,231	1,415
Postage	370	1,734	739	2,473	2,843
Dues & Subscriptions	192	901	384	1,285	1,477
Conferences	485	2,275	970	3,245	3,730
TOTAL BEFORE DEPRECIATION	63,710	251,709	151,973	403,682	467,392
Depreciation	762	3,575	1,524	5,099	5,861
TOTAL EXPENSES	$ 64,472	$ 255,284	$ 153,497	$ 408,781	$ 473,253

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, 2016

	PROGRAM SERVICES	SUPPORT SERVICES			
	Planning & Agency Relations & Community Building & Networking	**Management & General**	**Fund Raising**	**Total Support Services**	**Total**
Salaries	$ 38,056	$ 178,570	$ 76,112	$ 254,682	$ 292,738
Payroll Taxes	2,944	13,815	5,888	19,703	22,647
Employee Benefits	5,669	26,598	11,337	37,935	43,604
Occupancy	3,872	18,171	7,745	25,916	29,788
Campaign Costs	-	-	43,697	43,697	43,697
Marketing & Recognition costs	15,319	-	22,978	22,978	38,297
Meetings	-	530	-	530	530
Professional Fees	-	6,663	-	6,663	6,663
Office Expenses	742	3,483	1,485	4,968	5,710
Equipment Rental & Services	364	1,708	728	2,436	2,800
Repairs & Maintenance	2,123	9,959	4,245	14,204	16,327
Telephone & Internet	581	2,725	1,162	3,887	4,468
Community Impact	1,033	-	-	-	1,033
Insurance	583	2,735	1,166	3,901	4,484
Credit Card Processing Fees	-	4,730	-	4,730	4,730
Mileage Reimbursements	170	797	340	1,137	1,307
Postage	343	1,609	686	2,295	2,638
Dues & Subscriptions	376	1,765	752	2,517	2,893
Conferences	280	1,315	561	1,876	2,156
TOTAL BEFORE DEPRECIATION	72,455	275,173	178,882	454,055	526,510
Depreciation	723	3,390	1,445	4,835	5,558
TOTAL EXPENSES	$ 73,178	$ 278,563	$ 180,327	$ 458,890	$ 532,068

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (235,615)	$ (7,276)
Adjustments to reconcile excess (deficiency) of support and revenues over expenses to net cash provided by operating activities:		
Depreciation	5,861	5,558
Net investment (gain)loss on PBAF board-designated endowment	(27,321)	11,592
Donated fixed assets	-	(8,345)
Change in assets and liabilities:		
Decrease (increase) in pledges receivable	39,994	145,238
Decrease (increase) in prepaid expenses	-	1,210
Increase (decrease) in accounts payable and accrued expenses	10,492	2,958
Increase (decrease) in designations payable	(6,952)	52,643
Increase (decrease) in deferred revenue	(42,250)	(32,516)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(255,791)	171,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets, equipment	-	(550)
Donor restricted (permanent) endowment contributions	-	(1,244)
Board designated endowment contribution	-	(119,269)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(121,063)
NET CHANGE IN CASH & CASH EQUIVALENTS	(255,791)	49,999
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	1,003,463	953,464
CASH & CASH EQUIVALENTS AT END OF YEAR	$ 747,672	$ 1,003,463

The accompanying notes are an integral part of these financial statements

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.

Financial Statement Presentation
In accordance with *FASB ASC 958*, net assets of the Organization and changes therein are classified and reported as follows:

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Generally, the Organization's revenues earned and expenses incurred in conducting their charitable mission are classified as unrestricted net assets.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. The Organization conducts an annual fund raising campaign in the fall to support the allocations and operations for the succeeding fiscal year. Therefore, campaign contributions are recorded as temporarily restricted in the year of the campaign and are transferred to unrestricted in the year following the campaign when the support will be disbursed as community investment grants to local agencies and used for other program and supporting services. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are invested in perpetuity. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets for the periods presented in these financial statements.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017 or 2016. 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.

Cash & Cash Equivalents
For purposes of the statement of cash flows, the Organization considers demand deposit accounts, money market accounts, and short-term investments with initial maturities of three months or less to be cash equivalents.

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. The Organization's investments consist of a beneficial interest in assets held in an endowment fund by the PBAF as described in Note 2. The net investment return on the endowment consists of realized and unrealized gains and losses, interest, dividends, and administrative expenses. 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 unrestricted net assets 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.

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.

Property and Equipment
Furniture and equipment that are purchased are stated at cost. Donated property and equipment is recorded at fair market value at the time of the donation. Major improvements, replacements and additions of $500 or more are capitalized while routine replacements, maintenance and repairs are charged to expense. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Pursuant to FASB 710-10-25, the Organization has accrued a liability for employees compensation for future absences based on their personnel policy. Accrued vacation is payable upon separation at the regular rate at the time of separation. The liability totaled $3,382 and $2,355 as of June 30, 2017 and 2016, respectively, and is included in the accrued expenses balance of the statements of financial position.

Contributions

In accordance with *FASB ASC 958*, contributions, including unconditional promises to give (pledges), are recorded as made by the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Time restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. Pledges and other donations are recognized as revenue when received or when the donor makes an unconditional promise to give to the Organization, whichever is earlier. Non-cash donations are recorded at their estimated fair market value at date of receipt.

Contributions made to the endowment by outside donors are recorded as permanently restricted by the donor. Earnings on these contributed assets are available for distribution and therefore recorded as unrestricted. Any donor restricted earnings are classified as temporarily or permanently restricted based on the nature of the restriction. Upon release of any such restrictions, earnings would then be reclassified as unrestricted. 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.

Donated Facilities, Materials and Services

The Organization's facilities located 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. Donations of significant materials are recognized at their fair market value at the time of donation. Donated services are also recognized at fair value for services other than volunteer hours. A significant number of volunteers donate substantial amounts of time to the Organization's annual fundraising campaign, its funds allocation process, administrative oversight, and other programs. No amounts have been included in these financial statements for the value of volunteer services as they do not meet the requirements for recognition in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. In-kind contributions reflect donated facilities, materials and services and have been allocated among program services and support services expenses in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses are charged to each program based on direct expenditures incurred. Costs are allocated using an appropriate allocation measure such as square footage occupied by program and time utilization.

NOTE 2: 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 that administers and invests these funds in accordance with an agreement between the parties involved. The Board designated an additional $25,000 into the fund in 2005; $20,688 in September 2009; $2,240 in December 2010; and $3,629 in October 2012. In 2015, the Board designated a total of $58,369, $50,000 of which was received as an unrestricted donor bequest. In 2016, contributions to the endowment totaled $120,513, of which $111,794 was from an unrestricted donor bequest designated by the board to the endowment, $7,475 of additional board designated contributions, and $1,244 was donor-restricted funds (permanently restricted). No contributions were made during the fiscal year ending 2017.

Since the endowment was established by the board of directors, it is classified as board-designated net assets, which is in the unrestricted net asset class. The endowment does permit donor-restricted (permanent) contributions. Investment earnings available for distribution are recorded in unrestricted net assets. Endowment contributions from outside donors are reported as permanently restricted. No restrictions have been placed on earnings or losses from the endowment; therefore, earnings are reported as unrestricted. The endowment received donor-restricted contributions of $9,602 in 2013, $1,493 in 2014, $148 in 2015, and $1,244 in 2016. It is the board's intent to maintain the endowment in perpetuity. For financial reporting purposes, only donor-restricted endowments are classified as permanently restricted net assets.

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, the Organization would classify as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of any donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization 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 unrestricted in compliance with generally accepted accounting principles.

NOTE 2: ENDOWMENT INVESTMENTS (Continued)

As previously stated, the board of directors established an endowment fund with the Permian Basin Area Foundation by signing an endowment fund agreement which establishes a beneficial interest in assets held by the PBAF whereby the PBAF receives, accepts, administers, invests, and distributes the assets of the fund for the benefit of the Organization. The Permian Basin Area Foundation 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.

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 5% of the fund's average market value as determined by the agreement. The Organization's invested funds depreciated by 8.7% and 4.5% during the fiscal years ending 2017 and 2016, respectively. 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 specific purchases to be made from these earnings are approved by the board at its discretion. No specific expenditures from endowment investments earnings have been projected for the next fiscal year. The Organization took no distributions from the fund in 2017 or 2016. Funds available for distribution totaled $14,725 as of June 30, 2017 and 2016.

Endowment net asset composition as of June 30, 2017:		
Board-designated (unrestricted net assets)	Cost	Fair Value
Permian Basin Area Foundation	$ 287,575	$ 328,338
Permanently restricted (donor-restricted)		
Permian Basin Area Foundation	12,487	12,487
Total	$ 300,062	$ 340,825
Endowment net asset composition as of June 30, 2016:		
Board-designated (unrestricted net assets)	Cost	Fair Value
Permian Basin Area Foundation	$ 273,716	$ 301,017
Permanently restricted (donor-restricted)		
Permian Basin Area Foundation	12,487	12,487
Total	$ 286,203	$ 313,504

NOTE 2: ENDOWMENT INVESTMENTS (Continued)

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

	2017	2016
Endowment investments beginning of year	$ 313,504	$204,583
Investment return:		
Interest & dividends	7,600	6,848
Realized gains(losses)	12,097	(2,723)
Unrealized gains(losses)	13,459	(10,778)
Management fees	(5,835)	(4,939)
Total investment return	27,321	(11,592)
Contributions	-	120,513
Endowment investments end of year	$ 340,825	$313,504

NOTE 3: 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.

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.

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017 and 2016:

June 30, 2017	Fair Value	(Level 1)	(Level 2)	(Level 3)
Endowment Investments	$ 340,825	$ -	-	340,825
June 30, 2016				
Endowment Investments	$ 313,504	$ -	-	313,504

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. The changes in level 3 assets measured at fair value are summarized in the following table:

There were no transfers between fair value levels in 2017 or 2016. No changes were made to the availability of observable market data to assess the appropriate classification of investments.

	2017	2016
Endowment investments beginning of year	$ 313,504	$204,583
Investment return:		
Interest & dividends	7,600	6,848
Realized gains(losses)	12,097	(2,723)
Unrealized gains(losses)	13,459	(10,778)
Management fees	(5,835)	(4,939)
Total investment return	27,321	(11,592)
Contributions	-	120,513
Endowment investments end of year	$ 340,825	$ 313,504

NOTE 4: PROPERTY AND EQUIPMENT

The following is a summary of changes in fixed assets:

	Beginning	Additions	(Dispositions)	Ending
Furniture & Equipment	$ 74,392	$ -	$ -	$ 74,392
Leasehold Improvements	25,731	-	-	25,731
Total Cost	100,123	-	-	100,123
Accumulated Depreciation	(81,953)	(5,860)	-	(87,813)
Net Fixed Assets	$ 18,170	$ (5,860)	$ -	$ 12,310

Depreciation expense totaled $5,861 in 2017 and $5,558 in 2016.

NOTE 5: BOARD DESIGNATED RESTRICTIONS

The Board of Directors of the Organization has elected to designate portions of the unrestricted balances of net assets to achieve specific goals in accordance with policies they have adopted. These designations consist of cash operating reserves of $190,485 to fund continued operations in case of an unusual or nonrecurring financial event; a capital projects reserve of $20,000 to fund major capital outlays not funded through the annual central services budget; and a $30,000 emergency fund to provide relief for persons affected by local disasters. The board designated portion of the PBAF endowment is $328,338.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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 7: 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 $14,177 in 2017 and $19,653 in 2016.

NOTE 8: 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 $22,851 in 2017 and $21,179 in 2016.

NOTE 9: OPERATING LEASE COMMITMENT

In March 2014, the Organization entered into a 48-month non-cancelable operating lease for a copier machine. Future minimum lease payments under this lease totals $1,039 for the fiscal year ending June 30, 2018. The lease expires in March 2018 and will not be renewed. Rental expense under this lease totaled $1,385 in 2017 and $1,385 in 2016.

NOTE 10: 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 11: COMMITMENTS & CONTENGENCIES

In May 2017, the board of directors approved the 2017-18 community investment awards to be distributed to member agencies beginning July 2017 totaling $1,030,000 for community investments awards. The distribution of funds is contingent upon sufficient collection of campaign pledges.

NOTE 12: CONCENTRATION OF MARKET VALUE 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, whose performance is reviewed by the board of directors on a quarterly basis.

NOTE 13: RECENT ACCOUNTING DEVELOPMENTS

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers," which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date," which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the fiscal year beginning after December 15, 2018.

In February 2016, the FASB issued an accounting standards update (ASU 2016-02), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Amendments to this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

In August 2016, the FASB issued an accounting standards update (ASU 2016-14) that will result in significant changes to the presentation of financial statements of not-for-profit entities. The main provisions are as follows: (1) eliminate requirement to present separately amounts for *temporarily restricted net assets* and *permanently restricted net assets*, (2) eliminate requirement to present separately the transactions and other changes in each of those classes of net assets, (3) eliminate requirement to present cash flows provided by operating activities using the indirect method of reporting, (4) present two net asset classes rather than the current three by reporting net assets with donor restrictions and without donor restrictions, (5) provide enhanced disclosures for: board designations and donor-imposed restrictions, liquidity, quantitative information on the availability of an NFP to meet cash needs within one year of balance sheet date, and (6) voluntary health and welfare organizations will no longer be required to provide a statement of functional expenses; rather, they can provide such information about expenses on the face of the statement of activities, as a separate statement, or in notes to financial statements. This Update is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.
The Organization is currently evaluating the impact of these updates.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2017, the date with which the financial statements were available to be issued. No significant subsequent events have occurred that would require disclosure in the notes or recognition in the financial statements.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ODESSA, INC.
SCHEDULES OF COMMUNITY INVESTMENT GRANTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Agency Name	Awarded & disbursed for the year ended 6/30/17	Awarded & disbursed for the year ended 6/30/16
American Red Cross of Southwest Texas	$ 30,000	$ 25,000
Boys & Girls Club of Odessa, Inc.	137,000	131,600
Buffalo Trail Council - Boy Scouts of America	22,000	20,000
Campfire USA West Texas Council	28,000	26,000
CASA of the Permian Basin	68,500	68,500
Catholic Charities	68,000	59,000
The Crisis Center	108,415	102,690
Centers for Children and their Families	140,443	134,000
Christmas in Action	100,000	97,691
Communities in Schools	73,000	68,000
Family Promise of Odessa	13,000	-
Girl Scouts of the Desert Southwest	50,000	46,000
Harmony Home	104,682	87,000
Meals on Wheels of Odessa	93,000	92,694
Midland/Odessa Area AIDS Support	18,000	31,000
Mission Center Adult Day Services	20,000	20,000
Odessa Day Nursery	41,200	41,200
Odessa Family YMCA	118,760	119,000
Odessa LINKS	50,000	50,000
Permian Basin Mission Center	42,000	35,000
Permian Basin Regional Commission on Alcohol & Drug Abuse	-	13,333
Safe Place of the Permian Basin, Inc.	29,000	27,000
Sharing Hands A Respite Experience	40,000	33,625
The Salvation Army	90,000	90,000
Total	$ 1,485,000	$ 1,418,333

Note: Amounts on this schedule are before donor designations.

UNITED WAY OF ODESSA, INC.
SCHEDULES OF OPERATING EXPENSE RATIO
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

		2017
Gross Revenues & Support *	$	1,924,071
Management & General Expenses	$	240,626
Fundraising Expense		145,547
Payments to Affiliates		26,612
Total Operating Expenses	$	412,786
Net Operating Income	$	1,511,285
Operating Expense Ratio		21.45%

		2016
Gross Revenues & Support *	$	2,226,394
Management & General Expenses	$	254,356
Fundraising Expense		156,120
Payments to Affiliates		29,623
Total Operating Expenses	$	440,099
Net Operating Income	$	1,786,295
Operating Expense Ratio		19.77%

* Before Uncollectible Pledges
Note: Figures exclude in-kind transactions for donated services, facilities, and supplies