

**UNITED WAY OF ODESSA, INC.**

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

**YEARS ENDED JUNE 30, 2021 AND 2020**

**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	20
Schedules of Operating Expense Ratio	21



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**Certified Public Accountant**  
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## **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, 2021 and 2020, 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.

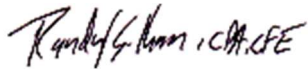
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **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, 2021 and 2020, 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.

**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.



Lubbock, Texas  
March 23, 2022

**UNITED WAY OF ODESSA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 745,550	\$ 927,554
Campaign pledges, net of allowance for uncollectible pledges of \$112,129 and \$120,824, respectively	229,781	543,816
Prepaid expenses	1,374	5,225
<b>TOTAL CURRENT ASSETS</b>	<b>976,705</b>	<b>1,476,595</b>
<b>INVESTMENTS</b>		
Board designated endowment	557,412	417,775
Board designated trust account	341,705	280,772
	<b>899,117</b>	<b>698,547</b>
<b>PROPERTY AND EQUIPMENT</b>		
	<b>48,075</b>	<b>43,820</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,923,897</b>	<b>\$ 2,218,962</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 136	\$ 1,954
Designations payable	9,960	19,186
Accrued expenses	5,889	12,196
Deferred campaign revenue	76,822	72,773
Paycheck Protection Program Loan	-	56,455
<b>TOTAL CURRENT LIABILITIES</b>	<b>92,807</b>	<b>162,564</b>
<b>NET ASSETS</b>		
<u>Without donor restrictions</u>		
Undesignated	565,384	686,659
Invested in property and equipment	48,075	43,820
Designated by board for operating reserve	175,515	175,515
Designated by board for endowment and trust account	886,630	686,060
	<b>1,675,604</b>	<b>1,592,054</b>
<u>With donor restrictions</u>		
Time restricted for future campaign	142,999	451,857
Perpetual in nature	12,487	12,487
	<b>155,486</b>	<b>464,344</b>
<b>TOTAL NET ASSETS</b>	<b>1,831,090</b>	<b>2,056,398</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,923,897</b>	<b>\$ 2,218,962</b>

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, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>CAMPAIGN SUPPORT</b>			
2020 Campaign support	\$ -	\$ 1,118,022	\$ 1,118,022
Less: Designations to other UW and UWO agencies	-	(134,052)	(134,052)
Net Campaign support before provision for uncollectible pledges	-	983,970	983,970
Less: Provision for uncollectible pledges	-	(112,129)	(112,129)
Net Campaign support to be released from restriction next year	-	871,841	871,841
Prior campaign support, net of pledge write-offs	(116,685)	-	(116,685)
NET CAMPAIGN REVENUES	(116,685)	871,841	755,156
<b>OTHER SUPPORT &amp; REVENUE</b>			
Donations & sponsorships	54,800	-	54,800
In-kind contributions - facilities, goods & services	42,591	-	42,591
PPP Loan forgiveness	110,131	-	110,131
Reimbursement & other income	2,022	-	2,022
Interest income	2,414	-	2,414
Investment income (loss) from PBAF Endowment and SWB Trust	189,556	-	189,556
TOTAL OTHER REVENUES & SUPPORT	401,514	-	401,514
<b>NET ASSETS RELEASED FROM RESTRICTIONS - 2019 campaign</b>	1,180,699	(1,180,699)	-
TOTAL SUPPORT AND REVENUES	1,465,528	(308,858)	1,156,670
<b>EXPENSES</b>			
<u>Community grants &amp; affiliate payments</u>			
Community investment grants	1,017,101	-	1,017,101
Less: Designations to UWO agencies	(134,052)	-	(134,052)
Net Community investment grants	883,049	-	883,049
COVID 19 relief grants and related expenses	19,750	-	19,750
National & state affiliate payments	32,218	-	32,218
TOTAL GRANTS & AFFILIATE PAYMENTS	935,017	-	935,017
<u>Program services</u>			
Planning & Agency Relations & Community Building & Networking	57,269	-	57,269
TOTAL PROGRAM SERVICES	57,269	-	57,269
<u>Support services</u>			
Management and general	255,029	-	255,029
Fundraising	134,663	-	134,663
TOTAL SUPPORT SERVICES	389,692	-	389,692
TOTAL EXPENSES	1,381,978	-	1,381,978
CHANGE IN NET ASSETS	83,550	(308,858)	(225,308)
<b>BEGINNING NET ASSETS</b>	1,592,054	\$ 464,344	2,056,398
<b>ENDING NET ASSETS</b>	\$ 1,675,604	\$ 155,486	\$ 1,831,090

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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>CAMPAIGN SUPPORT</b>			
2019 Campaign support	\$ -	\$ 1,675,194	\$ 1,675,194
Less: Designations to other UW and UWO agencies	-	(199,534)	(199,534)
Net Campaign support before provision for uncollectible pledges	-	1,475,660	1,475,660
Less: Provision for uncollectible pledges	-	(120,824)	(120,824)
Net Campaign support to be released from restriction next year	-	1,354,836	1,354,836
Prior campaign support, net of pledge write-offs	1,992	-	1,992
<b>NET CAMPAIGN REVENUES</b>	1,992	1,354,836	1,356,828
<b>OTHER SUPPORT &amp; REVENUE</b>			
Donations & sponsorships	77,800	-	77,800
In-kind contributions - facilities, goods & services	66,816	-	66,816
Special designations received for COVID 19 relief	-	55,750	55,750
Special event income	8,970	-	8,970
Reimbursement & other income	3,485	-	3,485
Interest income	2,513	-	2,513
Investment income (loss) from PBAF Endowment and SWB Trust	(4,986)	-	(4,986)
<b>TOTAL OTHER REVENUES &amp; SUPPORT</b>	154,598	55,750	210,348
<b>NET ASSETS RELEASED FROM RESTRICTIONS - 2018 campaign</b>	1,435,386	(1,435,386)	-
<b>TOTAL SUPPORT AND REVENUES</b>	1,591,976	(24,800)	1,567,176
<b>EXPENSES</b>			
<u>Community grants &amp; affiliate payments</u>			
Community investment grants	1,083,362	-	1,083,362
Less: Designations to UWO agencies	(180,348)	-	(180,348)
Net Community investment grants	903,014	-	903,014
COVID 19 relief to agencies	18,000	-	18,000
National & state affiliate payments	23,138	-	23,138
<b>TOTAL GRANTS &amp; AFFILIATE PAYMENTS</b>	944,152	-	944,152
<u>Program services</u>			
Planning & Agency Relations & Community Building & Networking	69,838	-	69,838
<b>TOTAL PROGRAM SERVICES</b>	69,838	-	69,838
<u>Support services</u>			
Management and general	280,440	-	280,440
Fundraising	158,785	-	158,785
<b>TOTAL SUPPORT SERVICES</b>	439,225	-	439,225
<b>TOTAL EXPENSES</b>	1,453,215	-	1,453,215
<b>CHANGE IN NET ASSETS</b>	138,761	(24,800)	113,961
<b>BEGINNING NET ASSETS</b>	1,453,293	489,144	1,942,437
<b>ENDING NET ASSETS</b>	\$ 1,592,054	\$ 464,344	\$ 2,056,398

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, 2021**

	<b>PROGRAM SERVICES</b>			<b>SUPPORT SERVICES</b>		<b>Total</b>
	<b>Planning &amp; Agency Relations &amp; Community Building &amp; Networking</b>	<b>Management &amp; General</b>		<b>Fund Raising</b>	<b>Total Support Services</b>	
Salaries	\$ 32,491	\$ 152,457	\$ 64,982	\$ 217,438	\$ 249,929	
Payroll Taxes	2,560	12,014	5,121	17,135	19,695	
Employee Benefits	6,565	30,807	13,131	43,938	50,503	
Occupancy	3,770	17,688	7,539	25,227	28,997	
Campaign Costs	-	-	23,983	23,983	23,983	
Marketing & Recognition costs	4,582	-	6,873	6,873	11,455	
Professional Fees	-	8,105	-	8,105	8,105	
Office Expenses	589	2,762	1,177	3,939	4,528	
Equipment Rental & Services	492	2,310	985	3,295	3,787	
Repairs & Maintenance	2,988	14,023	5,977	20,000	22,988	
Telephone & Internet	551	2,587	1,103	3,690	4,241	
Community Impact	783	-	-	-	783	
Insurance	802	3,763	1,604	5,367	6,169	
Credit Card Processing Fees	-	3,377	-	3,377	3,377	
Postage	116	547	233	780	896	
Dues & Subscriptions	117	547	233	780	897	
Conferences	138	646	275	921	1,059	
<b>TOTAL BEFORE DEPRECIATION</b>	<b>56,545</b>	<b>251,632</b>	<b>133,215</b>	<b>384,847</b>	<b>441,392</b>	
Depreciation	724	3,397	1,448	4,845	5,569	
<b>TOTAL EXPENSES</b>	<b>\$ 57,269</b>	<b>\$ 255,029</b>	<b>\$ 134,663</b>	<b>\$ 389,692</b>	<b>\$ 446,961</b>	

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, 2020**

	<b>PROGRAM SERVICES</b>			<b>SUPPORT SERVICES</b>		<b>Total</b>
	<b>Planning &amp; Agency Relations &amp; Community Building &amp; Networking</b>	<b>Management &amp; General</b>	<b>Fund Raising</b>	<b>Total Support Services</b>		
Salaries	\$ 37,138	\$ 174,262	\$ 74,276	\$ 248,538	\$ 285,676	
Payroll Taxes	2,798	13,128	5,595	18,723	21,521	
Employee Benefits	6,693	31,404	13,385	44,789	51,482	
Occupancy	3,703	17,376	7,406	24,782	28,485	
Campaign Costs	-	-	26,607	26,607	26,607	
Marketing & Recognition costs	12,066	-	18,099	18,099	30,165	
Professional Fees	-	8,000	-	8,000	8,000	
Office Expenses	575	2,696	1,149	3,845	4,420	
Equipment Rental & Services	414	1,942	828	2,770	3,184	
Repairs & Maintenance	2,281	10,701	4,561	15,262	17,543	
Telephone & Internet	452	2,123	905	3,028	3,480	
Community Impact	732	-	-	-	732	
Insurance	888	4,164	1,775	5,939	6,827	
Credit Card Processing Fees	-	4,795	-	4,795	4,795	
Mileage Reimbursements	189	888	379	1,267	1,456	
Postage	181	849	362	1,211	1,392	
Dues & Subscriptions	173	814	347	1,161	1,334	
Conferences	519	2,438	1,039	3,477	3,996	
<b>TOTAL BEFORE DEPRECIATION</b>	<b>68,802</b>	<b>275,580</b>	<b>156,713</b>	<b>432,293</b>	<b>501,095</b>	
Depreciation	1,036	4,860	2,072	6,932	7,968	
<b>TOTAL EXPENSES</b>	<b>\$ 69,838</b>	<b>\$ 280,440</b>	<b>\$ 158,785</b>	<b>\$ 439,225</b>	<b>\$ 509,063</b>	

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, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (225,308)	\$ 113,961
Adjustments to reconcile excess (deficiency) of support and revenues over expenses to net cash provided by operating activities:		
Depreciation	5,569	7,968
Net investment return - PBAF endowment and SWB Trust	(189,556)	4,986
PPP Loan forgiveness	(110,131)	-
Donated fixed assets	-	(22,222)
Change in assets and liabilities:		
Decrease (increase) in pledges receivable	314,035	105,645
Decrease (increase) in prepaid expenses	3,851	1,083
Increase (decrease) in accounts payable and accrued expenses	(8,125)	(7,075)
Increase (decrease) in designations payable	(9,226)	(26,970)
Increase (decrease) in deferred revenue	4,049	32,803
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(214,842)</b>	<b>210,179</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets, equipment	(9,824)	(3,331)
Board designated contributions to endowment and trust	(10,553)	(10,060)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(20,377)</b>	<b>(13,391)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	53,215	56,455
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>53,215</b>	<b>56,455</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	(182,004)	253,243
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>927,554</b>	<b>674,311</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 745,550</b>	<b>\$ 927,554</b>
<b>Supplemental noncash financing activity</b>		
PPP Loan forgiveness	<b>\$ 110,131</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 2021 or 2020. 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 2021 or 2020, and none are in process through the date of this report.

Cash & Cash Equivalents

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.

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, 2021 AND 2020**

**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 2021 or 2020.

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.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. Contributed goods and services are recognized at fair market value at the time of donation. Volunteers 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 contributed services as they do not meet the recognition criteria 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.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated using an appropriate allocation measure such as square footage occupied by program and time utilization.

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

In February 2016, the FASB issued an accounting standard 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. The amendments in this Update are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued an accounting standard update (ASU 2020-07), requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Organization is currently evaluating the impact of these updates but does not expect a material impact on their financial statements.

COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Although cases have decline significantly, the financial, social, and medical effects of the virus continue to have an impact on society. The Organization follows federal, state, local, and self-imposed guidelines regarding health and safety protocols.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

COVID-19 (continued)

The following summarizes areas of impact on the Organization:

Fundraising activities: The Boo'ling for Charity fundraiser conducted by a local business supporter was cancelled in 2020. Workplace campaigns which constitute over 40% of annual revenue were reduced by approximately 100 compared with over 200 campaigns in the previous campaign year. The Annual Pillar Party was cancelled for 2020 and 2021.

Significant change in pledges and grants: Our 2020 campaign garnered approximately \$1.3 million, while as of November 30<sup>th</sup>, 2021, our 2021 campaign has garnered \$623,734.

Change in demand for services: In fiscal year 2020-21, the Organization funded 22 partner agencies totaling \$1,017,100. Social services assistance impact totaled 85,768 instances. In fiscal year 2021-22, due to a significantly reduced capital campaign revenue, UWO funded 19 agencies totaling \$759,200. Social services assistance impact totaled 82,504 instances,

Staff layoffs: In an effort to reduce overhead, the administrative assistant position was not funded and is unfilled.

2021 budget impact: The budget decreased roughly 17.5% from the previous fiscal year.

2022 expected budget impact: We anticipate the 2021 campaign proceeds to be significantly reduced from the 2020 campaign and thus, we anticipate the fiscal year 2022-23 to be significantly decreased greater than the 17.5% experienced in the previous year, which will reduce funding to partner agencies.

PPP Loan: Both loans were forgiven during the current fiscal year ended June 30, 2021 totaling \$110,131. Loan forgiveness income has been recognized in the current financial statements.

Subsequent Events

Management has evaluated subsequent events through March 23, 2022, the date which the financial statements were available to be issued.

In July 2021, the Organization was named as a party in an employment dispute whereby a claim was filed against the Organization and legal counsel was engaged. Mediation ensued, and the matter was turned over to insurance and settled in November 2021. The cost of the settlement totaled \$70,000, which is comprised of compensation of \$42,000 to the former employee and \$28,000 of legal fees; all of which was reimbursed by the Organization's insurance provider. Out-of-pocket legal costs associated with this matter totaled \$2,778. Since all matters pertaining to this claim occurred after the fiscal year end, no amounts were accrued or recognized in fiscal year ended June 30, 2021.

Other than the matter described, no other significant events have occurred that would require disclosure in the notes or recognition in the financial statements.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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	\$ 745,550
Endowment funds available for distribution	<u>14,725</u>
	<u>\$760,275</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.

**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 \$295,412 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.



**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3: ENDOWMENT INVESTMENTS (Continued)**

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.

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 taken in 2021 or 2020. Funds available for distribution totaled \$14,725 as of June 30, 2021 and 2020.

Endowment net asset composition is as follows:

<u>June 30, 2021</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
<u>Beneficial interest held by foundation</u>			
Permian Basin Area Foundation	\$ 12,487	\$ 544,925	\$ 557,412
<u>June 30, 2020</u>			
<u>Beneficial interest held by foundation</u>			
Permian Basin Area Foundation	\$ 12,487	\$ 405,288	\$ 417,775

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3: ENDOWMENT INVESTMENTS (Continued)**

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

	2021	2020
Endowment investments beginning of year	\$ 417,775	\$ 419,142
<u>Investment return:</u>		
Interest & dividends	10,215	10,315
Realized gains(losses)	42,457	678
Unrealized gains(losses)	86,893	(12,445)
Management fees	(7,942)	(6,975)
Total investment return	<u>131,623</u>	<u>(8,427)</u>
Contributions	<u>8,014</u>	<u>7,060</u>
Endowment investments end of year	<u>\$ 557,412</u>	<u>\$ 417,775</u>

**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.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 4: FAIR VALUE MEASUREMENTS (Continued)**

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.

The fair value assets measured on a recurring basis are as follows as of June 30, 2021 and 2020:

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 138,928	\$ 138,928	\$ -	\$ -
Exchange traded funds	193,046	193,046	-	-
Treasury money market	9,731	9,731	-	-
Endowment investments	557,412	-	-	557,412
	<u>\$ 899,117</u>	<u>\$ 341,705</u>	<u>\$ -</u>	<u>\$ 557,412</u>
<u>June 30, 2020</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 119,370	\$ 119,370	\$ -	\$ -
Exchange traded funds	146,966	146,966	-	-
Treasury money market	14,436	14,436	-	-
Endowment investments	417,775	-	-	417,775
	<u>\$ 698,547</u>	<u>\$ 280,772</u>	<u>\$ -</u>	<u>\$ 417,775</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	\$ 90,876	\$ -	\$ -	\$ 90,876
Leasehold Improvements	59,041	9,824	(10,545)	58,320
Total Cost	149,917	9,824	(10,545)	149,196
Accumulated Depreciation	(106,097)	(5,569)	10,545	(101,121)
Net Fixed Assets	<u>\$ 43,820</u>	<u>\$ 4,255</u>	<u>\$ -</u>	<u>\$ 48,075</u>

Depreciation expense totaled \$5,569 in 2021 and \$7,968 in 2020.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6: PAYCHECK PROTECTION PROGRAM LOAN**

On April 20, 2020, the Organization received loan proceeds in the amount of \$56,455 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses and organizations in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

The Organization received proceeds totaling \$53,215 from a second PPP loan in February 2021.

The Organization used loan proceeds for purposes consistent with the program. The SBA officially notified the Organization by letters dated October 9, 2020 and June 14, 2021 that the principal and accrued interest of both loans were forgiven in full . Therefore, the Organization recognized loan forgiveness income in the statement of activities totaling \$110,131.

**NOTE 7: 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>2021</u>	<u>2020</u>
Operating reserves	\$125,515	\$125,515
Capital projects	20,000	20,000
Emergency relief	30,000	30,000
PBAF Endowment	544,925	405,288
SWB Trust	<u>341,705</u>	<u>280,772</u>
	<u>\$1,062,145</u>	<u>\$861,575</u>

**NOTE 8: 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 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 \$21,181 in 2021 and \$18,571 in 2020.

**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 \$27,740 in 2021 and \$30,840 in 2020.

**UNITED WAY OF ODESSA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 11: OPERATING LEASE COMMITMENT**

In February 2019, the Organization entered into a 48-month non-cancelable operating lease for a copier machine. Future minimum lease payments under this lease are as follows for the fiscal years ending June 30:

2022	\$ 1,536
2023	<u>896</u>
	<u>\$ 2,432</u>

Rental expense under this lease totaled \$1,536 in 2021.

**NOTE 12: 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 13: COMMITMENTS & CONTINGENCIES**

In June 2021, the board of directors approved the community impact funding allocation of \$759,200 to be distributed during the next fiscal year to member agencies beginning July 2021. 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, 2021 AND 2020**

Agency	2021	2020
Boys & Girls Club of Odessa, Inc.	\$ 111,000	\$ 114,084
Bynum School	10,000	-
Campfire USA West Texas Council	15,000	20,000
CASA of the Permian Basin	53,000	53,550
Catholic Charities	48,000	46,000
Centers for Children and their Families	77,558	92,500
Communities in Schools	40,000	50,000
Crisis Center of West Texas	59,746	85,000
Family Crisis Center of Big Bend	20,000	20,000
Family Promise of Odessa	14,000	15,000
Girl Scouts of the Desert Southwest	25,000	33,000
Harmony Home	87,000	91,000
Meals on Wheels of Odessa	78,797	80,000
Mission Center Adult Day Services	16,000	16,000
Odessa Christmas in Action	64,000	72,866
Odessa Day Nursery	45,000	45,000
Odessa Family YMCA	99,000	85,500
Odessa LINKS	25,000	30,000
Permian Basin Mission Center	26,000	25,862
Safe Place of the Permian Basin, Inc.	9,000	9,000
Sharing Hands A Respite Experience	39,000	40,000
The Salvation Army	55,000	59,000
<b>Total</b>	<b>\$ 1,017,101</b>	<b>\$ 1,083,362</b>

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, 2021 AND 2020**

	<u>2021</u>
Gross Revenues & Support *	\$ <u>1,364,816</u>
Management & General Expenses	\$ 240,389
Fundraising Expense	111,268
Payments to Affiliates	<u>32,218</u>
Total Operating Expenses	\$ <u>383,876</u>
Net Operating Income	\$ <u><u>980,941</u></u>
Operating Expense Ratio	<u><u>28.13%</u></u>
	<u>2020</u>
Gross Revenues & Support *	\$ <u>1,847,958</u>
Management & General Expenses	\$ 265,800
Fundraising Expense	133,849
Payments to Affiliates	<u>23,138</u>
Total Operating Expenses	\$ <u>422,787</u>
Net Operating Income	\$ <u><u>1,425,171</u></u>
Operating Expense Ratio	<u><u>22.88%</u></u>

\* Before Uncollectible Pledges

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

See independent auditor's report