

UNITED WAY OF ODESSA, INC.

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

YEARS ENDED JUNE 30, 2020 AND 2019

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	21
Schedules of Operating Expense Ratio	22



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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, 2020 and 2019, 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.

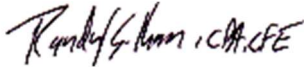
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2020 and 2019, 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.

A handwritten signature in black ink, reading "Randy G. Mann, CPA, CFE". The signature is written in a cursive, flowing style.

Lubbock, Texas
February 28, 2021

UNITED WAY OF ODESSA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 927,554	\$ 674,311
Campaign pledges, net of allowance for uncollectible pledges of \$120,824 and \$106,590, respectively	543,816	649,461
Prepaid expenses	5,225	6,308
TOTAL CURRENT ASSETS	<u>1,476,595</u>	<u>1,330,080</u>
INVESTMENTS		
Board designated endowment	417,775	419,142
Board designated trust account	280,772	274,331
	<u>698,547</u>	<u>693,473</u>
PROPERTY AND EQUIPMENT	<u>43,820</u>	<u>26,235</u>
TOTAL ASSETS	<u>\$ 2,218,962</u>	<u>\$ 2,049,788</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,954	\$ 17,981
Designations payable	19,186	46,156
Accrued expenses	12,196	3,244
Deferred campaign revenue	72,773	39,970
Paycheck Protection Program Loan	56,455	-
TOTAL CURRENT LIABILITIES	<u>162,564</u>	<u>107,351</u>
NET ASSETS		
<u>Without donor restrictions</u>		
Undesignated	686,659	570,557
Invested in property and equipment	43,820	26,235
Designated by board for operating reserve	175,515	175,515
Designated by board for endowment and trust account	686,060	680,986
	<u>1,592,054</u>	<u>1,453,293</u>
<u>With donor restrictions</u>		
Time restricted for future campaign	451,857	476,657
Perpetual in nature	12,487	12,487
	<u>464,344</u>	<u>489,144</u>
TOTAL NET ASSETS	<u>2,056,398</u>	<u>1,942,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,218,962</u>	<u>\$ 2,049,788</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CAMPAIGN SUPPORT			
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
NET CAMPAIGN REVENUES	<u>1,992</u>	<u>1,354,836</u>	<u>1,356,828</u>
OTHER SUPPORT & REVENUE			
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)
TOTAL OTHER REVENUES & SUPPORT	<u>154,598</u>	<u>55,750</u>	<u>210,348</u>
NET ASSETS RELEASED FROM RESTRICTIONS - 2018 campaign	<u>1,435,386</u>	<u>(1,435,386)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,591,976</u>	<u>(24,800)</u>	<u>1,567,176</u>
EXPENSES			
<u>Community grants & 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
TOTAL GRANTS & AFFILIATE PAYMENTS	<u>944,152</u>	<u>-</u>	<u>944,152</u>
<u>Program services</u>			
Planning & Agency Relations & Community Building & Networking	69,838	-	69,838
TOTAL PROGRAM SERVICES	<u>69,838</u>	<u>-</u>	<u>69,838</u>
<u>Support services</u>			
Management and general	280,440	-	280,440
Fundraising	158,785	-	158,785
TOTAL SUPPORT SERVICES	<u>439,225</u>	<u>-</u>	<u>439,225</u>
TOTAL EXPENSES	<u>1,453,215</u>	<u>-</u>	<u>1,453,215</u>
CHANGE IN NET ASSETS	<u>138,761</u>	<u>(24,800)</u>	<u>113,961</u>
BEGINNING NET ASSETS	<u>1,453,293</u>	<u>489,144</u>	<u>1,942,437</u>
ENDING NET ASSETS	<u>\$ 1,592,054</u>	<u>\$ 464,344</u>	<u>\$ 2,056,398</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
CAMPAIGN SUPPORT			
2018 Campaign support	\$ -	\$ 1,728,936	\$ 1,728,936
Less: Designations to other UW and UWO agencies	-	(227,689)	(227,689)
Net Campaign support before provision for uncollectible pledges	-	1,501,247	1,501,247
Less: Provision for uncollectible pledges	-	(106,590)	(106,590)
Net Campaign support to be released from restriction next year	-	1,394,657	1,394,657
Prior campaign support, net of pledge write-offs	(37,537)	-	(37,537)
NET CAMPAIGN REVENUES	(37,537)	1,394,657	1,357,120
OTHER REVENUES & SUPPORT			
Special designations received for disaster relief	-	96,511	96,511
Donations & sponsorships	67,180	-	67,180
In-kind contributions - facilities, goods & services	43,458	-	43,458
Investment income (loss) from PBAF Endowment and SWB Trust	30,087	-	30,087
Special event income	8,375	-	8,375
Reimbursement & other income	3,503	-	3,503
Interest income	1,716	-	1,716
Special designations paid out for disaster relief	-	(96,511)	(96,511)
TOTAL OTHER REVENUES & SUPPORT	154,319	-	154,319
NET ASSETS RELEASED FROM RESTRICTIONS - 2017 campaign	1,584,368	(1,584,368)	-
TOTAL SUPPORT AND REVENUES	1,701,150	(189,711)	1,511,439
EXPENSES			
<u>Community grants & affiliate payments</u>			
Community investment grants	1,070,000	-	1,070,000
Less: Designations to UWO agencies	(181,533)	-	(181,533)
Net Community investment grants	888,467	-	888,467
Venture grants	42,940	-	42,940
National & state affiliate payments	23,635	-	23,635
TOTAL GRANTS & AFFILIATE PAYMENTS	955,042	-	955,042
<u>Program services</u>			
Planning & Agency Relations & Community Building & Networking	70,146	-	70,146
TOTAL PROGRAM SERVICES	70,146	-	70,146
<u>Support services</u>			
Management and general	274,829	-	274,829
Fundraising	162,952	-	162,952
TOTAL SUPPORT SERVICES	437,781	-	437,781
TOTAL EXPENSES	1,462,969	-	1,462,969
CHANGE IN NET ASSETS	238,181	(189,711)	48,470
BEGINNING NET ASSETS	1,215,112	678,855	1,893,967
ENDING NET ASSETS	\$ 1,453,293	\$ 489,144	\$ 1,942,437

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

	PROGRAM SERVICES			SUPPORT SERVICES	
	Planning & Agency Relations & Community Building & Networking	Management & General	Fund Raising	Total Support Services	Total
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
TOTAL BEFORE DEPRECIATION	68,802	275,580	156,713	432,293	501,095
Depreciation	1,036	4,860	2,072	6,932	7,968
TOTAL EXPENSES	\$ 69,838	\$ 280,440	\$ 158,785	\$ 439,225	\$ 509,063

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, 2019

	PROGRAM SERVICES			SUPPORT SERVICES	
	Planning & Agency Relations & Community Building & Networking	Management & General	Fund Raising	Total Support Services	Total
Salaries	\$ 36,122	\$ 169,495	\$ 72,243	\$ 241,738	\$ 277,860
Payroll Taxes	2,812	13,192	5,623	18,815	21,627
Employee Benefits	7,249	34,014	14,498	48,512	55,761
Occupancy	3,679	17,264	7,359	24,623	28,302
Campaign Costs	-	-	30,983	30,983	30,983
Marketing & Recognition costs	13,022	-	19,532	19,532	32,554
Professional Fees	-	7,900	-	7,900	7,900
Office Expenses	526	2,470	1,053	3,523	4,049
Equipment Rental & Services	393	1,846	787	2,633	3,026
Repairs & Maintenance	2,268	10,641	4,536	15,177	17,445
Telephone & Internet	451	2,119	903	3,022	3,473
Community Impact	908	-	-	-	908
Insurance	585	2,744	1,170	3,914	4,499
Credit Card Processing Fees	-	3,138	-	3,138	3,138
Mileage Reimbursements	108	506	216	722	830
Postage	206	969	413	1,382	1,588
Dues & Subscriptions	406	1,907	813	2,720	3,126
Conferences	629	2,952	1,258	4,210	4,839
TOTAL BEFORE DEPRECIATION	69,364	271,157	161,387	432,544	501,908
Depreciation	782	3,672	1,565	5,237	6,019
TOTAL EXPENSES	\$ 70,146	\$ 274,829	\$ 162,952	\$ 437,781	\$ 507,927

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 113,961	\$ 48,470
Adjustments to reconcile excess (deficiency) of support and revenues over expenses to net cash provided by operating activities:		
Depreciation	7,968	6,019
Net investment income(loss) - PBAF endowment and SWB Trust	4,986	(30,087)
Donated fixed assets	(22,222)	-
Change in assets and liabilities:		
Decrease (increase) in pledges receivable	105,645	16,907
Decrease (increase) in prepaid expenses	1,083	(5,237)
Increase (decrease) in accounts payable and accrued expenses	(7,075)	17,214
Increase (decrease) in designations payable	(26,970)	11,365
Increase (decrease) in deferred revenue	32,803	(8,030)
NET CASH FROM OPERATING ACTIVITIES	<u>210,179</u>	<u>56,621</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets, equipment	(3,331)	(18,753)
Board designated contributions to endowment and trust	(10,060)	(28,080)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(13,391)</u>	<u>(46,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan	56,455	-
NET CASH FROM FINANCING ACTIVITIES	<u>56,455</u>	<u>-</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	253,243	9,788
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>674,311</u>	<u>664,523</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 927,554</u></u>	<u><u>\$ 674,311</u></u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 2020 or 2019. 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 2020 or 2019, 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, 2020 AND 2019

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) as described in Note 2; 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 2020 or 2019.

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, 2020 AND 2019

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, 2020 AND 2019

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

Adopted in the current year:

On January 1, 2019, the Organization adopted ASU No. 2014-09, "Revenue from Contracts with Customers". This ASU establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance.

In June 2018, The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The adoption of this update had no significant impact on the Organization.

In August 2018, the FASB issued accounting standard update (ASU 2018-13), which removes and modifies several disclosure requirements on fair value measurements Topic 820. The following disclosure requirements were removed from Topic 820: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. 2) the policy for timing of transfers between levels. 3) the valuation processes for Level 3 fair value measurements. 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The amendments in this Update are effective for all entities for fiscal years, and

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Guidance (continued)

interim periods within those fiscal years, beginning after December 15, 2019. As permitted, the Organization elected to early adopt this update and has implemented for 2019 and applied to all periods presented.

Future updates

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. The Organization is currently evaluating the impact of the adoption of this update but does not expect a material impact on their financial statements.

The Organization is currently evaluating the impact of the adoption of the future updates to its financial statements. The adoption of these updates is not expected to have a material impact on the Organization’s 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. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The full extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on all persons associated with the Organization, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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. The Annual Pillar Party was also cancelled.

Campaign support: Last year at approximately the same timeframe, workplace campaigns completed 223 compared to 157 this year. As a result, campaign pledges made decreased by more than 50% from \$1,335,619 down to \$648,675.

Change in demand for services: Fewer workplace in-person campaigns are in demand. UWO has tried to counter with Zoom and an 11-minute YouTube Video. Daily inquiries are received by individuals for rent and utilities assistance.

Staff layoffs: No direct layoffs due to the pandemic impact, however a staff member was terminated due to job performance. This position has not been filled due to budget restrictions.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID-19 – (continued)

Budget: No impact thus far on the 2020-2021 budget. For the fiscal year 2021-2022 budget, a reduction in availability of Community Impact/Allocations funding is expected.

PPP Loan: UWO applied for and received \$56,455 in proceeds under the Paycheck Protection Program in April 2020. The loan was officially forgiven October 9, 2020.

Subsequent Events

Management has evaluated subsequent events through February 28, 2021, the date which the financial statements were available to be issued.

In October 2020, the Organization received official notification from the SBA that the PPP Loan was forgiven in full, totaling \$56,455 in principal and \$270 in interest.

Other than the continued impact of COVID-19 and the PPP Loan forgiveness described above, no other significant events have occurred that would require disclosure in the notes or recognition in the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents without donor restrictions	\$ 927,554
Endowment spending rate available for distribution	<u>14,725</u>
	<u>\$ 942,279</u>

Endowment funds consists of funds designated by the board as endowments. These funds are managed by the Permian Basin Area Foundation (PBAF) through an endowment agreement as described in Note 3. 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 endowment 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 as described in Note 3. The policy calls for appropriating an annual distribution of 5% 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.

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

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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. 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 a donor bequest without restrictions. In 2016, contributions to the endowment totaled \$120,513, of which \$111,794 was from a donor bequest without restrictions designated by the board to the endowment, \$7,475 of additional board designated contributions, and \$1,244 was donor-restricted funds. In 2018, board designated contributions totaled \$4,063. Contributions designated by the board totaled \$7,060 in 2020 and \$22,080 in 2019.

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. 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.

The board of directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original donor's gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

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

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

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3: ENDOWMENT INVESTMENTS (Continued)

Assets in the permanent funds of Permian Basin Area Foundation are invested with long-term objectives of corpus protection and value growth employing proven professional investment managers and diligent performance monitoring. The Foundation's investment strategy embraces a defined asset allocation model and disciplined re-balancing to maintain actual values within the allocation policy. The diversified portfolio includes positions in large cap, mid-cap, small cap, and international equities, equities, as well as fixed income securities. The investment committee of the PBAF governs policy and monitors investment management and performance relative to standard benchmarks and peer group comparisons. As established in their agreement, the PBAF has a policy for appropriating an annual distribution of 5% 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 2020 or 2019. Funds available for distribution totaled \$14,725 as of June 30, 2020 and 2019.

Endowment net asset composition as of June 30, 2020:

<u>Board designated</u>	<u>Cost</u>	<u>Fair Value</u>
Permian Basin Area Foundation	\$ 377,910	\$ 405,288
 <u>Donor restricted (perpetuity)</u>		
Permian Basin Area Foundation	12,487	12,487
Total	<u>\$ 390,397</u>	<u>\$ 417,775</u>

Endowment net asset composition as of June 30, 2019:

<u>Board designated</u>	<u>Cost</u>	<u>Fair Value</u>
Permian Basin Area Foundation	\$ 366,832	\$ 406,655
 <u>Donor restricted (perpetuity)</u>		
Permian Basin Area Foundation	12,487	12,487
Total	<u>\$ 379,319</u>	<u>\$ 419,142</u>

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3: ENDOWMENT INVESTMENTS (Continued)

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

	2020	2019
Endowment investments beginning of year	\$ 419,142	\$ 378,340
<u>Investment return:</u>		
Interest & dividends	10,315	8,490
Realized gains(losses)	678	33,091
Unrealized gains(losses)	(12,445)	(15,744)
Management fees	(6,975)	(7,115)
Total investment return	(8,427)	18,722
Contributions	7,060	22,080
Endowment investments end of year	<u>\$ 417,775</u>	<u>\$ 419,142</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 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, 2020 AND 2019

NOTE 4: 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, 2020 and 2019:

<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>
<u>June 30, 2019</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 104,273	\$ 104,273	\$ -	\$ -
Exchange traded funds	159,176	159,176	-	-
Treasury money market	10,882	10,882	-	-
Endowment investments	419,142	-	-	419,142
	<u>\$ 693,473</u>	<u>\$ 274,331</u>	<u>\$ -</u>	<u>\$ 419,142</u>

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.

NOTE 5: PROPERTY AND EQUIPMENT

The following is a summary of changes in fixed assets:

	<u>Beginning</u>	<u>Additions</u>	<u>(Dispositions)</u>	<u>Ending</u>
Furniture & Equipment	\$ 87,545	\$ 3,331	\$ -	\$ 90,876
Leasehold Improvements	36,819	22,222	-	59,041
Total Cost	<u>124,364</u>	<u>25,553</u>	<u>-</u>	<u>149,917</u>
Accumulated Depreciation	<u>(98,129)</u>	<u>(7,968)</u>	<u>-</u>	<u>(106,097)</u>
Net Fixed Assets	<u>\$ 26,235</u>	<u>\$ 17,585</u>	<u>\$ -</u>	<u>\$ 43,820</u>

Depreciation expense totaled \$7,968 in 2020 and \$6,019 in 2019.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 6 months after then end of the covered period. Terms of the loan as of June 30, 2020 are for the Organization to repay any remaining balance of \$56,455, plus interest accrued at 1% per annum in monthly payments beginning on November 17, 2020. Principal and interest payments will be required through the maturity date of April 17, 2022. The Organization used loan proceeds for purposes consistent with the program and applied for forgiveness in August 2020. The SBA officially notified the Organization that the loan was forgiven in full on October 9, 2020, at which time the Organization recognized the debt extinguishment and loan forgiveness income in their statement of activities.

Accordingly, the Organization recorded a note payable of \$56,455 as of June 30, 2020. No forgiveness income has been recorded for the year ended June 30, 2020 as the loan was not officially forgiven until subsequent to year-end.

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>2020</u>	<u>2019</u>
Operating reserves	\$125,515	\$125,515
Capital projects	20,000	20,000
Emergency relief	30,000	30,000
PBAF Endowment	405,288	406,655
SWB Trust	<u>280,772</u>	<u>274,331</u>
	<u>\$861,575</u>	<u>\$856,501</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 \$18,571 in 2020 and \$24,729 in 2019.

UNITED WAY OF ODESSA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$30,840 in 2020 and \$28,937 in 2019.

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:

2021	\$ 1,536
2022	1,536
2023	<u>896</u>
	<u>\$ 3,968</u>

Rental expense under this lease totaled \$1,559 in 2020.

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 May 2020, the board of directors approved the community investment awards to be distributed during the next fiscal year to member agencies beginning July 2020 totaling \$1,017,100 for community investments awards. 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, 2020 AND 2019

Agency	2020	2019
American Red Cross serving the Permian Basin Area	\$ -	\$ 10,000
Boys & Girls Club of Odessa, Inc.	114,084	103,020
Campfire USA West Texas Council	20,000	20,000
CASA of the Permian Basin	53,550	50,500
Catholic Charities	46,000	43,000
Centers for Children and their Families	92,500	97,500
Communities in Schools	50,000	55,000
Crisis Center of West Texas	85,000	89,230
Family Crisis Center of Big Bend	20,000	-
Family Promise of Odessa	15,000	12,000
Girl Scouts of the Desert Southwest	33,000	37,000
Harmony Home	91,000	81,750
Meals on Wheels of Odessa	80,000	80,000
Mission Center Adult Day Services	16,000	18,000
Odessa Christmas in Action	72,866	72,000
Odessa Day Nursery	45,000	40,500
Odessa Family YMCA	85,500	86,000
Odessa LINKS	30,000	32,000
Permian Basin Mission Center	25,862	34,500
Safe Place of the Permian Basin, Inc.	9,000	10,500
Sharing Hands A Respite Experience	40,000	35,500
The Salvation Army	59,000	62,000
Total	\$ <u>1,083,362</u>	\$ <u>1,070,000</u>

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, 2020 AND 2019

2020

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>

2019

Gross Revenues & Support *	\$ <u>1,807,163</u>
Management & General Expenses	\$ 260,189
Fundraising Expense	139,037
Payments to Affiliates	<u>23,635</u>
Total Operating Expenses	\$ <u>422,861</u>
Net Operating Income	\$ <u><u>1,384,302</u></u>
Operating Expense Ratio	<u><u>23.40%</u></u>

* Before Uncollectible Pledges

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

See independent auditor's report