

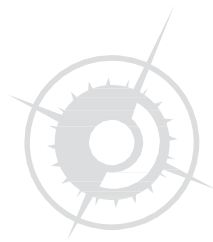
UNITED WAY OF EDDY COUNTY

Financial Statements
and
Independent Auditors' Report

For the Years Ended
August 31, 2020 and 2019

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Eddy County
Carlsbad, New Mexico

We have audited the accompanying financial statements of the United Way of Eddy County (a nonprofit organization) which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Eddy County as of August 31, 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.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

November 16, 2020
Albuquerque, New Mexico

UNITED WAY OF EDDY COUNTY

Statements of Financial Position

August 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 813,655	\$ 852,750
Cash restricted as to use	83,412	3,109
Unconditional promises to give, net	<u>136,729</u>	<u>126,836</u>
Total current assets	1,033,796	982,695
Investments	130,118	128,383
Property and equipment, net	<u>108,096</u>	<u>112,767</u>
Total assets	<u><u>\$ 1,272,010</u></u>	<u><u>\$ 1,223,845</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Campaign designations payable	\$ 287,325	\$ 213,344
Accrued expenses	14,239	12,885
Funds held as fiscal agent	<u>19,937</u>	<u>15,557</u>
Total current liabilities	321,501	241,786
PPP loan	<u>30,900</u>	<u>-</u>
Total liabilities	352,401	241,786
Net assets		
Without donor restrictions	836,197	978,950
With donor restrictions	<u>83,412</u>	<u>3,109</u>
Total net assets	<u>919,609</u>	<u>982,059</u>
Total liabilities and net assets	<u><u>\$ 1,272,010</u></u>	<u><u>\$ 1,223,845</u></u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY
Statement of Activities and Changes in Net Assets
For the year ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Campaign support			
Pledges, current campaign year	\$ 641,163	\$ 17,325	\$ 658,488
Less provision for uncollectible pledges	(28,505)	-	(28,505)
Campaign support, net	612,658	17,325	629,983
Contributions	-	185,308	185,308
Special events, net of direct costs of \$5,782	17,420	-	17,420
Interest income	1,962	-	1,962
Expense recovery and other	6,745	-	6,745
Net assets released from restrictions			
Restrictions satisfied by payment	122,330	(122,330)	-
Total public support and revenue	761,115	80,303	841,418
Distributions			
Distributions to program partners	257,585	-	257,585
Community impact grants	379,389	-	379,389
Total distributions	636,974	-	636,974
Program services			
Allocations and grants	169,427	-	169,427
211 referral services	2,764	-	2,764
Supporting services			
Management and general	55,914	-	55,914
Fundraising	32,381	-	32,381
Total program and supporting services	260,486	-	260,486
Unallocated payments to affiliated organizations			
United Way Worldwide	6,408	-	6,408
Total expenses	903,868	-	903,868
Changes in net assets	(142,753)	80,303	(62,450)
Net assets, beginning of year	978,950	3,109	982,059
Net assets, end of year	<u>\$ 836,197</u>	<u>\$ 83,412</u>	<u>\$ 919,609</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY
Statement of Activities and Changes in Net Assets
For the year ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Campaign support			
Pledges, current campaign year	\$ 772,557	\$ 17,493	\$ 790,050
Less provision for uncollectible pledges	(49,631)	-	(49,631)
Campaign support, net	722,926	17,493	740,419
Special events, net of direct costs of \$7,803	50,442	-	50,442
Interest income	4,412	-	4,412
Expense recovery and other	7,064	-	7,064
Net assets released from restrictions			
Restrictions satisfied by payment	15,066	(15,066)	-
Total public support and revenue	799,910	2,427	802,337
Distributions			
Distributions to program partners	136,404	-	136,404
Community impact grants	306,910	-	306,910
Total distributions	443,314	-	443,314
Program services			
Allocations and grants	152,069	-	152,069
211 referral services	6,304	-	6,304
Supporting services			
Management and general	62,179	-	62,179
Fundraising	44,211	-	44,211
Total program and supporting services	264,763	-	264,763
Unallocated payments to affiliated organizations			
United Way Worldwide	3,176	-	3,176
Total expenses	711,253	-	711,253
Changes in net assets	88,657	2,427	91,084
Net assets, beginning of year	890,293	682	890,975
Net assets, end of year	<u>\$ 978,950</u>	<u>\$ 3,109</u>	<u>\$ 982,059</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY
Statements of Cash Flows
For the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ (62,450)	\$ 91,084
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	4,671	4,963
Provision for uncollectible pledges	28,505	49,631
Increase in operating assets:		
Cash restricted as to use	(80,303)	(2,667)
Unconditional promises to give, net	(38,398)	(54,455)
Increase (decrease) in operating liabilities:		
Campaign designations payable	73,981	(49,330)
Accrued expenses	1,354	2,718
Funds held as fiscal agent	4,380	(1,943)
	<u>(68,260)</u>	<u>40,001</u>
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Purchases of investments	<u>(1,735)</u>	<u>(2,111)</u>
Net cash used by investing activities	(1,735)	(2,111)
Cash flows from financing activities		
Proceeds from note payable	<u>30,900</u>	<u>-</u>
Net cash provided by financing activities	<u>30,900</u>	<u>-</u>
Net (decrease) increase in cash	(39,095)	37,890
Cash and cash equivalents, beginning of year	<u>852,750</u>	<u>814,860</u>
Cash and cash equivalents, end of year	<u>\$ 813,655</u>	<u>\$ 852,750</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY

Statement of Functional Expenses
For the year ended August 31, 2020

	<u>Program Services</u>				
	<u>Allocations and Grants</u>	<u>211 Referral Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related benefits					
Salaries and wages	\$ 94,702	\$ -	\$ 30,733	\$ 18,492	\$ 143,927
Employee benefits	11,730	-	4,946	2,672	19,348
Employment taxes and insurance	7,827	-	2,729	1,501	12,057
Advertising and marketing	2,793	-	1,013	647	4,453
Contractual services	7,156	-	3,101	1,670	11,927
Membership, registration and fees	21	-	71	90	182
Occupancy					
Insurance	4,202	-	1,821	981	7,004
Rents and leases	5,081	-	1,580	943	7,604
Repairs and maintenance	951	-	1,151	789	2,891
Telephone, internet and web	2,477	-	937	634	4,048
Utilities	1,889	-	-	-	1,889
Office supplies	5,657	-	2,238	1,218	9,113
Other	2,336	661	3,301	1,759	8,057
Scholarships	16,000	-	-	-	16,000
Training	4,504	-	1,826	985	7,315
Total expenses before depreciation	<u>167,326</u>	<u>661</u>	<u>55,447</u>	<u>32,381</u>	<u>255,815</u>
Depreciation	<u>2,101</u>	<u>2,103</u>	<u>467</u>	<u>-</u>	<u>4,671</u>
Total expenses	<u>\$ 169,427</u>	<u>\$ 2,764</u>	<u>\$ 55,914</u>	<u>\$ 32,381</u>	<u>\$ 260,486</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY

Statement of Functional Expenses
For the year ended August 31, 2019

	<u>Program Services</u>				
	<u>Allocations and Grants</u>	<u>211 Referral Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related benefits					
Salaries and wages	\$ 83,969	\$ -	\$ 37,583	\$ 20,439	\$ 141,991
Employee benefits	11,161	-	4,783	2,657	18,601
Employment taxes and insurance	6,939	-	2,737	1,851	11,527
Advertising and marketing	4,038	-	1,386	750	6,174
Contractual services	6,640	-	2,877	1,549	11,066
Membership, registration and fees	90	-	51	21	162
Occupancy					
Insurance	5,267	-	2,061	1,450	8,778
Rents and leases	6,072	-	2,228	1,224	9,524
Repairs and maintenance	442	-	941	613	1,996
Telephone, internet and web	2,208	11	900	485	3,604
Utilities	1,709	-	-	-	1,709
Office supplies	2,977	3,410	1,314	771	8,472
Other	3,418	649	4,042	11,769	19,878
Scholarships	13,000	-	-	-	13,000
Training	1,906	-	780	632	3,318
Total expenses before depreciation	<u>149,836</u>	<u>4,070</u>	<u>61,683</u>	<u>44,211</u>	<u>259,800</u>
Depreciation	<u>2,233</u>	<u>2,234</u>	<u>496</u>	<u>-</u>	<u>4,963</u>
Total expenses	<u>\$ 152,069</u>	<u>\$ 6,304</u>	<u>\$ 62,179</u>	<u>\$ 44,211</u>	<u>\$ 264,763</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 1 - NATURE OF ORGANIZATION

An independently and locally governed affiliate of United Way Worldwide, United Way of Eddy County (formerly United Way of Carlsbad & South Eddy County) (the Organization) was incorporated as a tax-exempt nonprofit organization in the state of New Mexico on August 26, 1957, and is primarily and directly responsible for its own operations. The Organization's purpose, as stipulated in the Amended and Restated Articles of Incorporation dated May 12, 2012, is to carry on programs for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations by the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present a statement of cash flows and statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments and Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments and pledges receivable. The Organization's cash management procedures are intended to limit its exposure to credit risk. The Organization maintains its cash balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured balances totaled approximately \$113,000 and \$67,000 as of August 31, 2020 and 2019, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance retrospectively to all periods presented in this report. Adoption of the new guidance did not result in significant changes to the accounting policies for revenue recognition, receivables, and deferred revenues since most of the Organization's revenue sources are not included in the scope of ASU 2014-09.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and money market accounts with original maturities of three months or less at the date of purchase.

The Organization places its cash and cash equivalents with high credit quality institutions. Substantially all of the Organization's non-interest bearing cash balances are fully insured as of August 31, 2020 and 2019.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Restricted as to Use

Cash restricted as to use as of August 31, 2020 and 2019, is comprised of amounts received with donor-imposed use restrictions specifically intended to benefit the community impact initiatives detailed above in program services.

Investments

Investments as of August 31, 2020 and 2019, are comprised of certificates of deposit with original maturities of six to twelve months and are reported at cost. Investments also include investments made with Carlsbad Community Foundation (CCF) in that organization's endowment fund holding and are recorded at fair market value.

Receivables

Unconditional promises to give are expected to be collected within one campaign cycle, which is typically the 18-month period beginning each September. Conditional promises to give are not included as support until the conditions upon which they depend are substantially met. An allowance for uncollectible, undesignated promises to give is established at the completion of each annual campaign. The allowance for uncollectible promises to give is based on historical collection experience and management's estimates of the collectability of the promises received. The allowance for uncollectible promises to give was established at \$43,600, or approximately 4% and 5%, of the 2020 and 2019 campaign pledges, respectively.

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair value, if donated. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Furniture, fixtures and equipment	3-10 years
Buildings and improvements	10-40 years

The Organization capitalizes expenditures for property and equipment, and donated property and equipment, that exceed \$1,000 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets. Repairs or betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such review. For the years ended August 31, 2020 and 2019, the Organization has not experienced any impairment losses on its long-lived assets.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. When applicable, the Organization recognizes interest and penalties related to unrecognized tax benefits as accrued expenses in the accompanying financial statements. The Organization did not recognize any interest and penalties for the years ended August 31, 2020 and 2019. The Organization is not aware of any matters which would jeopardize its tax-exempt status. There are no federal or state examinations in progress.

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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net Assets With Donor Restrictions (continued) – Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Nature of Activities

Program Services:

Allocations & Grants: The Organization's community support program goals are to provide economic assistance to seventeen locally "supported" nonprofit entities providing the following services to the local community:

Boys and Girls Club	Domestic violence shelter
Special needs providers	Income disadvantaged transitional housing
Income disadvantaged nutrition	
Youth safe-house	
Youth court advocacy providers	

In addition, the Organization provided expanded direct financial assistance to the community impact initiatives which are comprised of the emerging educational, health, and financial needs of the community.

211 Referral Services: The Organization provides health and human service referrals for Eddy County residents for a variety of purposes such as food, housing, utilities, child care, education, volunteer, and senior services.

Supporting Services:

Management & General: The Organization's management and general services are comprised of the perpetual activities necessary for administrative processes and management of the Organization's financial responsibilities.

Fundraising: The Organization's fundraising services are comprised of the activities necessary to identify, encourage, cultivate, and secure public and private financial support from local individuals, businesses, foundations, and institutions to perpetuate the viability and future of the Organization.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions – Unconditional promises to give are recognized as revenue when the gifts' underlying promises are received by the Organization. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or specific purpose.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributed Services – Support arising from contributed services are recorded at their estimated fair value at the date of service if the services require specialized skills, are provided by individuals possessing these skills and would need to be purchased by the Organization, if not provided by donation.

Unaudited – Uncompensated volunteers conduct a significant portion of the Organization's community advocacy programs, services and functions. The estimated fair value of these contributed services is not reflected in the accompanying financial statement because the services do not meet the requirements for recognition under ASC 958-605, 'Accounting for Contributions Received and Contributions Made' as of August 31, 2020 and 2019. The Organization's volunteers donated service hours as follows:

	<u>2020</u>	<u>2019</u>
Volunteer advocacy hours	836	3,792

Designations

Designations result from contributions by donors that are specifically directed to individual organizations and agencies. When received, these funds are distributed to the intended organizations as the pledges are receipted in accordance with the Organization's funding distribution schedule.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocations

Allocations result from contributions by donors that are not specifically directed to individual organizations and agencies. These funds are allocated for distribution to various member agencies and programs based on need and other criteria deemed appropriate by the Board of Directors. Total allocations are accrued at the conclusion of each annual fundraising campaign when approved by the Board of Directors, which is performed in January of the following year.

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses totaled \$4,453 and \$6,174 for the years ended August 31, 2020 and 2019, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 10,000	\$ 10,000
Buildings and improvements	134,506	134,506
Office equipment and furnishings	<u>25,382</u>	<u>25,382</u>
Total property and equipment	169,888	169,888
Accumulated depreciation	<u>(61,792)</u>	<u>(57,121)</u>
Property and equipment, net	<u>\$ 108,096</u>	<u>\$ 112,767</u>

Depreciation expense for the years ended August 31, 2020 and 2019 is \$4,671 and \$4,963, respectively.

NOTE 4 - INVESTMENTS

Investments consist of certificates of deposit and investments made with Carlsbad Community Foundation (CCF) in that organization's endowment fund. The fair market value of the investments held at CCF are recorded at their fair value as stated by CCF.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 4 - INVESTMENTS (continued)

The certificates of deposit are stated at cost, which are not required to be classified in one of the levels prescribed by the fair value hierarchy. The fair market value of the investments held at CCF are recorded at their fair value as stated by CCF.

Earnings on the investments totaled \$1,962 and \$4,412 for the years ended August 31, 2020 and 2019, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of August 31, 2020 and 2019.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENT (continued)

Although not required, the table below includes cash restricted for long-term purposes to reconcile the tables to the statements of financial position.

Carlsbad Community Foundation: Valued at evaluated price which is based on a compilation of primarily observable market information or a broker quote in a non-active market.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit Carlsbad Community Foundation	\$ 105,183	\$ -	\$ -	\$ 105,183
	-	24,935	-	24,935
Total fair market value	<u>\$ 105,183</u>	<u>\$ 24,935</u>	<u>\$ -</u>	<u>\$ 130,118</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit Carlsbad Community Foundation	\$ 104,562	\$ -	\$ -	\$ 104,562
	-	23,821	-	23,821
Total fair market value	<u>\$ 104,562</u>	<u>\$ 23,821</u>	<u>\$ -</u>	<u>\$ 128,383</u>

NOTE 6 - PPP LOAN

In April 2020, the Organization received loan proceeds in the amount of \$30,900 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 6 - PPP LOAN (continued)

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Forgiveness of the loan is contingent upon the satisfaction of conditions stipulated in the loan agreement that, as of year-end, have not been fully satisfied. As such, the entire amount of the loan is recognized as a noncurrent liability in the statement of financial position. The Organization has used the proceeds for purposes consistent with the agreement and believes that its use of the loan proceeds will meet the conditions for at least partial forgiveness of the loan.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions restricted for time and purpose are as follows as of August 31:

	<u>2020</u>	<u>2019</u>
Day of Caring	\$ 9,109	\$ 3,109
COVID relief	<u>74,303</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 83,412</u>	<u>\$ 3,109</u>

NOTE 8 - RETIREMENT PLAN

The Organization provides a SIMPLE IRA retirement plan for employees who have attained the age of 21. The plan provides for up to a 3% matching contribution of compensation, or a 2% non-elective contribution for each eligible employee. The Organization's contribution was \$1,274 and \$3,126 for the years ended August 31, 2020 and 2019, respectively, and is included in "employee benefits" in the statements of functional expenses.

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 9 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are comprised of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Pledges receivable in less than one year	\$ 180,329	\$ 170,436
Allowance for uncollectible pledges	(43,600)	(43,600)
Unconditional promises to give, net	<u>\$ 136,729</u>	<u>\$ 126,836</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Credit and Operational Risk

Due to the fact that Organization's programs are concentrated in South Eddy County, New Mexico, the level of contributions may be affected by changes in economic or other conditions which affect this locale.

NOTE 11 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Organization did not pay interest or income taxes for the years ended August 31, 2020 and 2019. The Organization did not have any non-cash transaction activity for the years ended August 31, 2020 and 2019.

NOTE 12 - LEASES

The Organization leases office equipment that expires in 2023. Rent expense for the years ended August 31, 2020 and 2019 was \$1,199, and is included in "rents and leases" in the statements of functional expenses. Future minimum lease payments related to these leases are as follows:

2021	\$ 1,199
2022	1,199
2023	<u>600</u>
Total	<u>\$ 2,998</u>

UNITED WAY OF EDDY COUNTY

Notes to the Financial Statements

August 31, 2020 and 2019

NOTE 13 - LIQUIDITY AND AVAILABILITY

The Organization receives significant revenue from pledges without donor restrictions, and such support represented approximately 72% and 90% of annual program funding in 2020 and 2019, respectively. As part of the Organization’s liquidity management, it ensures its financial assets are available as its general expenditures, liabilities and other obligations become due. As of August 31, 2020 and 2019, the Organization had a working capital of approximately \$712,295 and \$740,909 and average days cash on hand of 329 days and 438 days, respectively.

Financial assets available for general expenditures within one year as of August 31 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 897,067	\$ 855,859
Unconditional promises to give, net	<u>136,729</u>	<u>126,836</u>
Total financial assets	1,033,796	982,695
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(83,412)	(3,109)
Plus net assets with purpose restrictions expected to be met within one year	<u>80,000</u>	<u>3,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,030,384</u></u>	<u><u>\$ 982,586</u></u>

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2020 the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended August 31, 2020.

In December 2019, the World Health Organization declared the outbreak from the novel strain of coronavirus to constitute a “Public Health Emergency of International Concern”. The outbreak has resulted in a disruption of supply chains, production, and sales across a broad range of industries. The extent of the impact on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which the outbreak may impact the Organization’s financial condition and results of operations is uncertain.