

MOTRAN Alliance, Inc.

Financial Report

September 30, 2022

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Independent Auditor's Report

To the Board of Directors of
MOTRAN Alliance, Inc.
Midland, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MOTRAN Alliance, Inc. ("the Organization") (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of September 30, 2022, and 2021, and the related statements of revenues, expenses, and changes in net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of the Organization, as of September 30, 2022, and 2021, and its revenues, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

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

Emphasis of Matter — Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Board of Directors of
MOTRAN Alliance, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
December 12, 2022

Financial Statements

MOTRAN Alliance, Inc.
 Statements of Assets, Liabilities, and
 Net Assets – Modified Cash Basis
 September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash	\$ 364,153	\$ 327,070
Cash - restricted	3,343	34
	367,496	327,104
Total current assets		
	367,496	327,104
TOTAL ASSETS	\$ 367,496	\$ 327,104
LIABILITIES AND NET ASSETS		
TOTAL LIABILITIES	\$ -	\$ -
NET ASSETS		
Net assets with donor restrictions	3,343	34
Net assets without donor restrictions	364,153	327,070
	367,496	327,104
Total net assets		
	367,496	327,104
TOTAL LIABILITIES AND NET ASSETS	\$ 367,496	\$ 327,104

The Notes to Financial Statements
 are an integral part of these statements.

MOTRAN Alliance, Inc.

Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis Years Ended September 30, 2022 and 2021

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and other support		
Founding members dues	\$ 20,004	\$ 20,000
Members dues	78,250	74,000
Interest	1,373	276
County award	15,000	15,000
Permian Basin Coalition	-	50,000
Total revenue and other support without donor restrictions	114,627	159,276
Net assets released from restriction	281,691	284,991
Total revenue and other support without donor restrictions	396,318	444,267
EXPENSES		
Program services		
Salaries and benefits	195,000	198,998
Rent and utilities	9,400	10,500
Marketing and postage	19,390	30,905
Supplies	4,250	8,625
Contracted and professional services	22,605	23,000
Meetings and events	25,000	5,500
Travel	9,000	8,806
Management and general	48,131	44,155
Fundraising	26,459	26,205
Total expenses	359,235	356,694
Change in net assets without donor restrictions	37,083	87,573
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and support	285,000	279,500
Net assets released from restriction	(281,691)	(284,991)
Change in net assets with donor restrictions	3,309	(5,491)
Change in net assets	40,392	82,082
NET ASSETS, beginning of year	327,104	245,022
NET ASSETS, end of year	\$ 367,496	\$ 327,104

The Notes to Financial Statements
are an integral part of these statements.

MOTRAN Alliance, Inc.

Notes to Financial Statements

Note 1. The Organization and Nature of Operations

MOTRAN Alliance, Inc. (the Organization or MOTRAN) is a nonprofit community service organization which has been instrumental in the development of the La Entrada Al Pacifico Trade Corridor. MOTRAN is an active participant in the Task Force on Texas' Energy Sector Roadway Needs (the Task Force), formed in March 2012, to find ways to address the impact on the State of Texas' transportation infrastructure from the increased energy exploration and production activities in Texas. The Task Force is comprised of representatives from state agencies, local governments and the energy industry. Backed by this research, MOTRAN works to obtain additional funding needed for major expansion and repairs to the transportation infrastructures in the Permian Basin. MOTRAN has also developed the Drive Smart Campaign which is aimed at increasing driver awareness and empowering drivers to significantly reduce their chances of being in an accident. MOTRAN was incorporated under the laws of the state of Texas.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting records and the financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Net assets with donor restrictions represent donations from the Midland Development Corporation (the MDC) and the Odessa Development Corporation (the ODC) to be used as provided in the Economic Development Program Contracts between the MDC and MOTRAN and the ODC and MOTRAN. Net assets without donor restrictions are those net assets used for the general operating activities of the Organization.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Financial Statement Presentation

Financial Statement Presentation follows the recommendations of FASB in Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit organizations under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Support and Revenue

The Organization reports contributions with donor-imposed restrictions as net assets with donor restrictions; however, donor-imposed restrictions whose restrictions are met in the same fiscal year are reported as net assets without donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and changes in net assets as net assets without donor restrictions.

MOTRAN Alliance, Inc.

Notes to Financial Statements

Contributions from economic development programs with the ODC and the MDC provide a large portion of the revenues for the Organization. In accordance with terms of the ODC and the MDC contracts, the ODC and the MDC made contractual payments totaling \$285,000 and \$279,500 during both fiscal years ended September 30, 2022 and 2021, and are included as donor restricted and support on the statements of revenues, expenses and changes in net assets – modified cash basis. The Organization also receives membership dues without donor restrictions from founding members, corporate members and individual members.

Functional Allocation of Expenses

The Organization's costs of providing the various programs and supporting services are allocated across three separate functions.

Program Expense: Program expenses are generated in the pursuit of the mission of the Organization. The MOTRAN EDC program represents contractual funds that are spent to help advance and increase critical infrastructure necessary for continued economic development for the Midland-Odessa area. The Permian Basin Coalition is a regional effort to advance and increase infrastructure for the entire Permian Basin Region. The I-14 Initiative seeks to bring the I-14 Interstate to the Permian Basin Region. The Southwest Airlines program seeks to increase the presence of Southwest Airlines in the Permian Basin Region, including the addition of direct flights to Midland International Airport.

Management and general: Management and general expenses are generated through salaries for staff, rent and utilities, marketing and postage, supplies, and other administrative costs that are not directly or indirectly allocable to programs.

Fundraising: When necessary, the Organization holds events and promotional activities to raise awareness around the Organization and its mission. Fundraising expenses are comprised mainly of salaries and benefits and meetings expense.

Subsequent Events

The Organization has evaluated all events or transactions that occurred after September 30, 2022 through December 12, 2022, the date these financial statements were available to be issued.

Note 3. Liquidity

As a not-for profit organization, the Organization receives significant funding in the form of contributions that are restricted for a certain amount of time and/or for a particular manner, respectively. The Organization must maintain sufficient resources to meet those responsibilities to the contributors. Thus, financial assets may be available for general expenditures within a year. As part of managing the financial assets, the Organization ensure these become available when obligations are due.

MOTRAN Alliance, Inc.

Notes to Financial Statements

The following reflects the Organization's financial assets as of the statements of assets, liabilities, and net assets' date, including amounts not available within one year of the balance sheet date. Amounts not available include imposed restricted amounts.

	2022	2021
Cash and cash equivalents	\$ 367,496	\$ 327,104
Total financial assets, year end	367,496	327,104
Less restrictions		
Cash restricted in use	(3,343)	(34)
Total financial assets not available to be used within one year	(3,343)	(34)
Total financial assets available to meet general expenditures within one year	\$ 364,153	\$ 327,070

Note 4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and money market funds. Funds received from the MDC and the ODC are deposited in separate restricted money market accounts. As expenditures are incurred for approved activities, funds are transferred out of these money market accounts into MOTRAN's unrestricted money market account.

Note 5. Concentration of Credit Risk

The Organization's financial instruments that are subject to concentrations of credit risk consist primarily of cash and cash equivalents. In the normal course of operations, the Organization maintains cash balances on deposit, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents and certificates of deposit.

MOTRAN is supported by contributions from the MDC and the ODC, which accounted for approximately 72 percent and 63 percent of total revenue and support without restrictions and contributions and support with restrictions for the fiscal years ended September 30, 2022 and 2021, respectively.

Note 6. Net Asset Restrictions

As discussed in Note 2, MOTRAN receives significant revenue from the ODC and the MDC. Upon receipt, contributions are deposited into restricted bank accounts, one for the ODC and one for the MDC, and recorded as revenue. As approved expenses are incurred, cash is moved from the restricted accounts to the unrestricted money market account. MOTRAN is obligated to reimburse the ODC and the MDC any funds not spent by year-end. The refund balance is shown at year-end as a net asset with donor restriction and then is expensed in the following year when the reimbursement is made.

MOTRAN Alliance, Inc.

Notes to Financial Statements

As of September 30, 2022, the refund balance to be returned in fiscal year 2023 totaled to \$3,343 and net assets with donor restrictions totaled \$3,343. These funds will be refunded in fiscal year 2023. The net assets with restrictions as of September 30, 2021, and totaling \$34 were refunded in fiscal year 2022 and recorded as general and administrative expenses on the statement of revenues, expenses and changes in net assets – modified cash basis.

Note 7. Income Taxes

The Internal Revenue Service (IRS) has determined that the Organization is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code of 1986, as amended. There was no unrelated business income during the years ended September 30, 2022 and 2021.

In accordance with current guidance related to accounting for uncertainties in income taxes, the Organization is required to recognize in its financial statements the financial effects of a tax position if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position.

Tax positions taken related to the Organization's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. If the Organization has an unrecognized uncertain tax position it will be recorded when the amount is paid in accordance with the entity's modified cash basis of accounting.

Note 8. Commitments and Contingencies

Economic Development Program Contracts

Annually, MOTRAN enters into economic development program contracts with the ODC and the MDC to provide economic development services on behalf of the ODC and the MDC. Under the terms of the contracts, MOTRAN receives and spends funds in accordance with a budget approved by the parties. Any unused funds at the termination of the contracts, September 30, 2022 and 2021, are to be returned to the ODC and the MDC. The contracts contain certain property rights provisions that require certain property acquired with ODC or MDC funds to be vested in the ODC or the MDC and or jointly vested in ODC and MOTRAN or the MDC and MOTRAN, as appropriate.

Office Lease

The Organization has a month-to-month lease with a quasi-state agency for the use of office space in the agency's building. Lease expense amounted to \$10,620 for both of the years ended September 30, 2022 and 2021.

Note 9. Expense by Function

Expense have allocated among program and management and general classifications on the basis of estimates made by management. The expenses of the Organization, as listed in the statement of activities, are to be categorized by function in accordance with FASB 958-758-20.

MOTRAN Alliance, Inc.

Notes to Financial Statements

The Organization's total expenses for the year ended September 30, 2022, consist of the following:

	Program Expense				Total Program Services	Supporting Expense		Total Supporting Services	Total Program and Supporting Services
	MOTRAN EDC Functions	Permian Basin Coalition	Southwest Airlines	I-14		Management and General	Fundraising		
Salaries and benefits	\$ 155,000	\$ 10,000	\$ 15,000	\$ 15,000	\$ 195,000	\$ 33,000	\$ 21,000	\$ 54,000	\$ 249,000
Rent and utilities	9,400	-	-	-	9,400	4,000	635	4,635	14,035
Insurance	-	-	-	-	-	3,700	-	3,700	3,700
Marketing and postage	13,390	1,000	2,500	2,500	19,390	1,000	500	1,500	20,890
Supplies and program expenses	3,500	250	250	250	4,250	1,400	1,000	2,400	6,650
Contracted and professional services	12,605	-	-	10,000	22,605	1,000	-	1,000	23,605
Meetings and events	9,000	8,000	3,000	5,000	25,000	3,000	2,324	5,324	30,324
Travel	3,000	3,000	-	3,000	9,000	1,031	1,000	2,031	11,031
	<u>\$ 205,895</u>	<u>\$ 22,250</u>	<u>\$ 20,750</u>	<u>\$ 35,750</u>	<u>\$ 284,645</u>	<u>\$ 48,131</u>	<u>\$ 26,459</u>	<u>\$ 74,590</u>	<u>\$ 359,235</u>

The Organization's total expenses for the year ended September 30, 2021 consist of the following:

	Program Expense				Total Program Services	Supporting Expense		Total Supporting Services	Total Program and Supporting Services
	MOTRAN EDC Functions	Permian Basin Coalition	Southwest Airlines	I-14		Management and General	Fundraising		
Salaries and benefits	\$ 153,000	\$ 6,998	\$ 15,000	\$ 24,000	\$ 198,998	\$ 32,000	\$ 20,000	\$ 52,000	\$ 250,998
Rent and utilities	9,000	500	500	500	10,500	3,400	455	3,855	14,355
Insurance	-	-	-	-	-	3,652	-	3,652	3,652
Marketing and postage	13,500	4,000	5,000	8,405	30,905	2,000	2,000	4,000	34,905
Supplies	8,025	100	250	250	8,625	770	2,750	3,520	12,145
Contracted and professional services	12,000	-	-	11,000	23,000	270	-	270	23,270
Meetings and events	4,500	500	-	500	5,500	63	-	63	5,563
Travel	3,000	500	-	5,306	8,806	2,000	1,000	3,000	11,806
	<u>\$ 203,025</u>	<u>\$ 12,598</u>	<u>\$ 20,750</u>	<u>\$ 49,961</u>	<u>\$ 286,334</u>	<u>\$ 44,155</u>	<u>\$ 26,205</u>	<u>\$ 70,360</u>	<u>\$ 356,694</u>