

# **United Way of Rock River Valley**

## **Financial Statements**

June 30, 2017

# United Way of Rock River Valley

June 30, 2017

---

## Table of Contents

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Statement of functional expenses	5
Notes to financial statements	6



## **Independent Auditor's Report**

Board of Directors  
United Way of Rock River Valley  
612 North Main Street, Suite 300  
Rockford, Illinois 61103-6921

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Rock River Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year 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; 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***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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 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, 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 Rock River Valley as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

#### ***Report on Summarized Comparative Information***

We have previously audited the United Way of Rock River Valley's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

October 20, 2017  
Rockford, Illinois

# United Way of Rock River Valley

## Statement of Financial Position

June 30, 2017 with Summarized Financial Information for June 30, 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 1,163,065	\$ 1,329,017
Campaign pledges receivable, less allowance for uncollectible pledges of \$301,000 for 2017 and 2016	1,258,869	1,346,972
Grants receivable	1,600	6,198
Prepaid expenses	36,156	41,392
Investment securities, at fair value	2,786,837	2,456,927
Other assets	553	2,018
Equipment, net	27,730	43,974
Beneficial interest in trusts	722,616	683,094
<b>Total assets</b>	<b>\$ 5,997,426</b>	<b>\$ 5,909,592</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Payable to other organizations	\$ 74,990	\$ 97,541
Accounts payable and accrued expenses	119,621	132,416
Grants payable	757,700	841,559
<b>Total liabilities</b>	<b>\$ 952,311</b>	<b>\$ 1,071,516</b>
Net assets:		
Restricted:		
Temporarily	\$ 3,083,685	\$ 2,861,001
Unrestricted:		
Board designated	190,909	91,214
Undesignated	1,770,521	1,885,861
<b>Total net assets</b>	<b>5,045,115</b>	<b>4,838,076</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,997,426</b>	<b>\$ 5,909,592</b>

# United Way of Rock River Valley

## Statement of Activities

Year Ended June 30, 2017 with Summarized Financial Information for the Year Ended June 30, 2016

	2017	2016
Changes in unrestricted net assets:		
Unrestricted support and other revenue:		
Total campaign efforts	\$ 3,544,059	\$ 3,864,465
Less: amounts designated by donors for specific organizations	596,728	591,318
Public support - annual campaign, net	2,947,331	3,273,147
Endowment trust and estate income	79,163	78,849
Initiative funding	198,283	204,466
Unrealized gain (loss) on investment securities, net	32,312	(15,762)
Realized gain (loss) on investment securities/funds held in trust, net	13,411	(648)
Investment income, net of fees of \$3,115 and \$2,632, respectively	6,147	6,808
Government grants	10,000	51,290
Miscellaneous income	32,873	38,014
Net assets released from restrictions:		
Satisfaction of purpose restrictions	2,983	1,568
Satisfaction of time restrictions	140,109	152,481
<b>Total unrestricted support and revenues</b>	<b>3,462,612</b>	<b>3,790,213</b>
Grants to agencies, other organizations and expenses:		
Total funds granted to agencies and other United Ways	2,314,954	2,554,525
Less: Amounts funded through donors designations	596,728	591,318
Grants to agencies, net	1,718,226	1,963,207
Payments to affiliated organizations	41,547	44,113
Program services	1,129,962	1,421,429
Campaign	416,111	475,347
Management and general	172,411	176,349
<b>Total grants to agencies, other organizations and expenses</b>	<b>3,478,257</b>	<b>4,080,445</b>
<b>Change in unrestricted net assets</b>	<b>(15,645)</b>	<b>(290,232)</b>
Change in temporarily restricted net assets:		
Contributions, net of discount	5,865	3,521
Unrealized gain (loss) on investment securities, net	147,047	(106,011)
Realized gain on investment securities, net	99,909	25,291
Investment income, net of fees of \$16,439 and \$16,283, respectively	24,350	27,329
Change in beneficial interest in trust	88,605	(413)
Transfer	0	250,000
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(2,983)	(1,568)
Satisfaction of time restrictions	(140,109)	(152,481)
<b>Change in temporarily restricted net assets</b>	<b>222,684</b>	<b>45,668</b>
Change in permanently restricted net assets		
Transfer	0	(250,000)
<b>Change in total net assets</b>	<b>207,039</b>	<b>(494,564)</b>
<b>Total net assets beginning of the year</b>	<b>4,838,076</b>	<b>5,332,640</b>
<b>Total net assets at the end of the year</b>	<b>\$ 5,045,115</b>	<b>\$ 4,838,076</b>

See accompanying notes to financial statements.

# United Way of Rock River Valley

## Statement of Cash Flows

Year Ended June 30, 2017 with Summarized Financial Information for the Year Ended June 30, 2016

	2017	2016
Cash flows from operating activities:		
Change in total net assets	\$ 207,039	\$ (494,564)
Adjustments to reconcile change in total net assets to net cash used in operating activities:		
Depreciation	16,244	15,209
Unrealized (gain) loss on investment securities	(179,359)	121,773
Realized gain on investment securities/funds held in trust	(113,320)	(24,643)
Contribution for board designated investments	0	(50,000)
Changes in operating assets and liabilities:		
Pledges receivable	88,103	168,851
Grants receivable	4,598	28,586
Prepaid expenses	5,236	23,886
Other assets	1,465	5,849
Beneficial interest in trusts	(39,522)	53,777
Payable to other organizations	(22,551)	18,234
Accounts payable and accrued expenses	(12,795)	(60,777)
Grants payable	(83,859)	(277,272)
Net cash used in operating activities	(128,721)	(471,091)
Cash flows from investing activities:		
Purchase of equipment	0	(21,246)
Proceeds from sale and maturity of investment securities	1,044,538	781,926
Purchase of investment securities	(1,081,769)	(660,620)
Net cash provided by (used in) investing activities	(37,231)	100,060
Cash flows from financing activities:		
Proceeds from contribution to board designated investments	0	50,000
Net cash provided by financing activities	0	50,000
Net change in cash and cash equivalents	(165,952)	(321,031)
Cash and cash equivalents, beginning	1,329,017	1,650,048
Cash and cash equivalents, ending	\$ 1,163,065	\$ 1,329,017

See accompanying notes to financial statements.

# United Way of Rock River Valley

## Statement of Functional Expenses

Year Ended June 30, 2017 with Summarized Financial Information for the Year Ended June 30, 2016

	Program	Campaign	Management & General	2017 Total	2016 Total
Salaries	\$ 503,370	\$ 191,684	\$ 107,713	\$ 802,767	\$ 864,730
Employee health	74,092	32,353	16,937	123,382	120,103
Employee retirement	11,916	5,507	2,767	20,190	22,790
Payroll taxes and other	76,867	27,045	15,611	119,523	126,419
<b>Total salaries and related expenses</b>	<b>666,245</b>	<b>256,589</b>	<b>143,028</b>	<b>1,065,862</b>	<b>1,134,042</b>
Supplies	9,673	1,304	1,724	12,701	17,835
Telephone	3,467	456	639	4,562	5,049
Postage	6,856	897	1,254	9,007	7,967
Occupancy and rental	36,959	4,863	6,808	48,630	49,130
Equipment repair and maintenance	22,834	2,697	3,775	29,306	30,940
Campaign expense	0	105,662	0	105,662	153,877
Subscriptions, publications and dues	48,804	9,146	2,719	60,669	47,399
Non-campaign printing and events	8,000	1,053	1,459	10,512	11,229
Initiatives and events	247,179	22,980	0	270,159	507,074
Local travel	9,625	6,734	1,185	17,544	16,012
Training and out of town travel	9,321	979	1,296	11,596	12,683
Support of state organization	2,105	277	388	2,770	2,840
General insurance	2,093	275	386	2,754	2,696
Insurance for the board	4,373	575	806	5,754	5,481
Professional fees	40,082	0	4,670	44,752	53,662
<b>Total before depreciation</b>	<b>1,117,616</b>	<b>414,487</b>	<b>170,137</b>	<b>1,702,240</b>	<b>2,057,916</b>
Depreciation	12,346	1,624	2,274	16,244	15,209
<b>Total functional expenses</b>	<b>\$ 1,129,962</b>	<b>\$ 416,111</b>	<b>\$ 172,411</b>	<b>\$ 1,718,484</b>	<b>\$ 2,073,125</b>

See accompanying notes to financial statements.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 1 Significant Accounting Policies

### Nature of activities

The Organization was formed to conduct annual campaigns throughout the year to raise support for subsequent grants to participating agencies in Winnebago and Ogle Counties in Illinois. Pledges, primarily from residents and businesses of northern Illinois communities, are recorded in the statement of financial position as pledges receivable, and allowances are provided for amounts estimated to be uncollectible.

### Basis of presentation

Net assets, revenues, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way of Rock River Valley and changes therein are classified and reported as follows:

#### *Unrestricted net assets:*

Net assets that are not subject to donor-imposed stipulations. The Board has designated an amount that requires Board approval prior to use. The balance of the unrestricted net assets are undesignated.

#### *Temporarily restricted net assets:*

Net assets subject to donor-imposed stipulations that may or will be met either by actions of United Way of Rock River Valley and/or the passage of time.

#### *Permanently restricted net assets:*

Net assets subject to donor-imposed stipulations that they be maintained permanently by United Way of Rock River Valley. Generally, the donors of these assets permit all or part of the income earned on related investments for unrestricted or temporarily restricted purposes.

### Basis of accounting

The Organization follows standards for accounting and financial reporting prescribed for voluntary health and welfare agencies. The financial statements are on the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

### Comparative financial information

The financial statements include certain prior-year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized financial information was derived.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 1 Significant Accounting Policies (Continued)

### Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Income tax status

The Organization was formed as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Management believes the Organization continues to qualify as a tax-exempt entity.

The Organization accounts for income taxes in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management does not believe any uncertain tax positions exist at June 30, 2017 and 2016. The Organization's tax years that remain open and subject to possible examination by federal and State of Illinois jurisdictions include the tax years of 2014 through 2016.

### Cash and cash equivalents

For purposes of reporting the statements of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all certificates of deposit with an original maturity of three months or less as cash and cash equivalents on the accompanying statements of financial position.

### Allowance for doubtful accounts

The Organization uses the allowance method to record an allowance for possible uncollectible campaign pledges receivable.

### Investment securities

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair market values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Premiums and discounts on debt securities are amortized or accreted and recorded to interest income over the remaining maturity period using the effective yield method.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## **Note 1 Significant Accounting Policies (Continued)**

### **Equipment**

Equipment purchased in excess of \$500 with an estimated useful life of at least three years is capitalized at cost, or if donated, at fair market value at the date of donation less accumulated depreciation. Depreciation is computed by the straight-line method over the estimate useful lives range of three to eight years.

Maintenance and repairs of equipment is charged to operations as incurred. Major improvements which extend the useful life, increase capacity, or improve the efficiency of equipment are capitalized. Fully depreciated assets are retained in property and accumulated depreciation until they are removed from service. Upon retirement, sale or other disposition of equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

### **Grants payable**

Grants of support to United Way funded organizations are determined on an annual basis. The Organization communicates the support grant commitment for the forthcoming twelve month period on or around June 30th each year. The commitment for the later six months of the twelve month period is contingent upon adequate direct public support from the annual fundraising campaign held later that year. Accordingly, the Organization records six months of the support grant commitment as a liability at June 30th. The later six months of the commitment is paid contingent on the outcome of the annual fundraising campaign.

### **Contributed support**

The Organization recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted or as temporarily restricted depending on whether there is an explicit, donor-imposed time requirement as to how long the assets must be maintained. Absent any donor-imposed time requirement, the Organization reports expirations of donor restrictions when long-lived assets are placed in service. Campaign funding designated for other organizations is not included in the total revenue and support on the statement of activities. Such amounts are deemed revenue and support of the recipient organization.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 1 Significant Accounting Policies (Continued)

### Donated services and other in-kind support

The Organization records in-kind support for professional services and materials when received. Contributed professional services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible property are recognized at fair market value when received. The Organization receives a significant amount of skilled, contributed time in the Organization's program services and in its fundraising campaigns which does not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

### Functional allocation of expenses

The costs of providing program services and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses allocated to the Campaign are considered fund raising related costs.

### Change in accounting policy

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement*. This ASU amends Accounting Standards Codification (ASC) Topic 820 and removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance in this ASU is effective for fiscal years beginning after December 15, 2016; with early adoption permitted. The Organization chose to early adopt this new guidance for the year ended June 30, 2017.

Accordingly, the presentation of the fair value of the Organization's beneficial interest in trusts as of June 30, 2016, have been moved from a Level 3 asset to a Level 2 asset within the hierarchy levels in the table presented in Note 7 in order to conform to the presentation used as of June 30, 2017. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

### Pending accounting pronouncements

On August 18, 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. When this standard is adopted, the primary accounting change will reduce the number of net asset classes from three to two, those

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 1 Significant Accounting Policies (Continued)

### Pending accounting pronouncements (continued)

with donor restrictions and those without. Additionally, this standard requires all nonprofits to report expenses by nature and function and improves information presented in financial statements that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. This new standard is effective for financial statements issued for annual periods beginning after December 15, 2017. The Organization is evaluating what impact this new standard will have on its financial statements.

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*. When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases as well as finance leases. This new standard is effective for financial statement issued for annual periods beginning after December 15, 2019. The Organization is evaluating what impact this new standard will have on its financial statements.

### Subsequent events

The Organization has evaluated subsequent events through October 20, 2017, which is the date these financial statements were available to be issued.

## Note 2 Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents, and short-term investments consisted of the following at June 30:

	2017	2016
Cash and cash equivalents:		
Cash on hand	\$300	\$300
Checking accounts, as agent	155	155
Checking/sweep accounts	422,571	430,404
Money market accounts	344,010	403,886
Savings account	175,972	175,827
Certificate of deposit	179,776	179,148
Trust and investment funds:		
Accrued income	1,695	2,640
Money market funds	38,586	136,657
<b>Total cash and cash equivalents</b>	<b>\$1,163,065</b>	<b>\$1,329,017</b>

As of June 30, 2017, \$159,492 was not covered by federal depository insurance.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 3 Campaign Pledges Receivable

Net campaign pledges receivable consisted of the following at June 30:

	2017	2016
Campaign pledges receivable	\$1,559,869	\$1,647,972
Less allowance for uncollectible pledges	301,000	301,000
Net campaign pledges receivable	\$1,258,869	\$1,346,972

All pledges receivable are expected to be collected within one year.

Bad debt expense charged against campaign revenue was \$256,340 and \$167,514 for the year ended June 30, 2017 and 2016, respectively.

## Note 4 Equipment

At June 30, 2017 and 2016 equipment, at cost, consisted of the following:

	2017	2016
Equipment	\$229,399	\$229,399
Less accumulated depreciation	201,669	185,425
Equipment, net	\$27,730	\$43,974

Depreciation expense for the year ended June 30, 2017 and 2016 was \$16,244 and \$15,209, respectively.

## Note 5 Investment Securities

The Organization's investments are stated at fair value and consist of the following at June 30:

2017	Cost	Unrealized gain (loss)	Fair value
Mutual funds:			
Equities	\$1,655,089	\$234,994	\$1,890,083
Fixed income	858,424	(6,374)	852,050
Other	47,201	(2,497)	44,704
Total investment securities	\$2,560,714	\$226,123	\$2,786,837

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

## Note 5 Investment Securities (Continued)

2016	Cost	Unrealized gain (loss)	Fair value
Mutual funds:			
Equities	\$1,502,548	\$38,783	\$1,541,331
Fixed income	769,202	(3,811)	765,391
Other	23,452	5,905	29,357
Stocks	114,968	5,879	120,847
Total investment securities	\$2,410,170	\$46,757	\$2,456,927

The Organization maintains its investment securities in separate investment accounts. Account A is for the temporarily restricted investment and the unappropriated net appreciation of the investment. Account B is for amounts designated by the Board of Directors that require board approval prior to use. Investment activity for the years ended June 30, 2017 and 2016 is summarized in the table below.

2017	Account A	Account B	Total
Investment securities, at beginning of year	\$2,103,184	\$353,743	\$2,456,927
Investment returns:			
Dividends, interest, and capital gain distributions	40,789	8,007	48,796
Realized gains (losses), net	99,909	13,411	113,320
Unrealized gains (losses), net	147,047	32,312	179,359
Investment fees	(16,439)	(3,115)	(19,554)
Total change in investments	271,306	50,615	321,921
Amounts transferred from restricted cash	40,174	58,841	99,015
Amounts designated for grants	(91,026)		(91,026)
Investment securities, at end of year	\$2,323,638	\$463,199	\$2,786,837

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

## Note 5 Investment Securities (Continued)

2016	Account A	Account B	Total
Investment securities, at beginning of year	\$2,295,688	\$379,675	\$2,675,363
Investment returns:			
Dividends, interest, and capital gain distributions	43,612	7,290	50,902
Realized gains (losses), net	25,291	(648)	24,643
Unrealized gains (losses), net	(106,011)	(15,762)	(121,773)
Investment fees	(16,283)	(2,632)	(18,915)
Total change in investments	(53,391)	(11,752)	(65,143)
Amounts transferred to Account A		50,000	50,000
Amounts transferred to restricted cash	(25,938)	(64,180)	(90,118)
Amounts transferred from restricted cash	(113,175)		(113,175)
Amounts designated for grants			
Investment securities, at end of year	\$2,103,184	\$353,743	\$2,456,927

## Note 6 Beneficial Interest in Trusts / Endowment Income

Community Foundation of Northern Illinois (CFNI) administers a designated \$1,000,000 endowment. Payments to United Way of Rock River Valley are determined by the CFNI trustees. Because of the variance powers granted by the CFNI trustees, income is recognized as payments are accrued. Payments received and recognized for the years ended June 30, 2017 and 2016 were \$67,059 and \$66,545 respectively.

In September 1995, the Organization was named a beneficiary of the Willard J. Corbett and Alice C. Corbett Charitable Trust (the "Trust"), which is administered by BMO Private Bank. According to the trust agreement, payments to the Organization are made annually each July 1 for 25 years starting July 1, 1996. Payments are to equal 5% of the trust's allocable principal balance and accumulated earnings in the trust valued on June 1st of each year. Payments received and recognized for the years ended June 30, 2017 and 2016 were \$49,083 and \$53,364 respectively.

In addition, the change in the asset value resulting from the increase (decrease) in the present value of future estimated cash flows from the Trust over its remaining life using a discount rate of seven percent were \$39,522 and (\$53,777) for the years ended June 30, 2017 and 2016, respectively. The discount rate is an estimate of future return; actual results could differ materially from this estimate in the near-term future.

# United Way of Rock River Valley

## Notes to Financial Statements for the Year Ended June 30, 2017 with Summarized Financial Information for the Year Ended June 30, 2016

---

### Note 6 Beneficial Interest in Trusts / Endowment Income (Continued)

The present value of unconditional promises to give under the Corbett Charitable Trust at June 30, 2017 and 2016 is as follows:

	2017	2016
Receivable in less than one year	\$51,510	\$49,814
Receivable in one to five years	671,106	633,280
	<u>\$722,616</u>	<u>\$683,094</u>

### Note 7 Fair Value

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial interest in trusts: Valued at the beneficial interest in assets held at the fair value of the Organization's share of the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by an asset charge. The underlying investments held in the investment pool are stocks and bonds.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2017 and 2016. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

# United Way of Rock River Valley

## Notes to Financial Statements for the Year Ended June 30, 2017 with Summarized Financial Information for the Year Ended June 30, 2016

---

### Note 7 Fair Value (Continued)

In 2017, in the adoption of ASC 2015-07, the fair value of the beneficial interest in trusts was reclassified from level 3 to level 2 for both 2017 and 2016.

<b>2017</b>	Level 1	Level 2	Level 3	Total
Mutual funds	\$2,786,837			\$2,786,837
Beneficial interest in trusts		\$722,616		722,616
<b>Total</b>	<b>\$2,786,837</b>	<b>\$722,616</b>	<b>\$0</b>	<b>\$3,509,453</b>

  

<b>2016</b>	Level 1	Level 2	Level 3	Total
Mutual funds	\$2,456,927			\$2,456,927
Beneficial interest in trusts		\$683,094		683,094
<b>Total</b>	<b>\$2,456,927</b>	<b>\$683,094</b>	<b>\$0</b>	<b>\$3,140,021</b>

### Note 8 Endowment Funds

The Organization's endowments consist of three funds; the Gloyd Family Endowment, the Kjellstrom Family Endowment, and the Holmbeck Endowment. The endowments were established to assure ongoing support of the annual campaign. As required by generally accepted accounting principles, net assets associated with the endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's management has interpreted the Illinois Prudent Management of Institutional Funds Act (IL UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by IL UPMIFA. In accordance with IL UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 8 Endowment Funds (Continued)

and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide total return utilizing capital growth strategy to achieve a balanced level of current income and the opportunity for future long term growth of capital. Accordingly, the Board recognizes a moderate level of portfolio volatility is inherent with such an investment strategy utilizing investment in stocks and/or mutual funds, bonds and/or bond mutual funds, and cash reserves and the Board has indicated a willingness to tolerate periodic declines in the value of the portfolios. Unless otherwise noted of dividend and/or income derived as a result of investment activity in the portfolios will be reinvested.

The Organization has a policy of appropriating for distribution each year up to 5% of its temporarily restricted endowment fund market value, following valuation of the fund at December 31, to support the annual campaign. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually at a nominal average return. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund is as follows as of June 30:

		Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
<b>2017</b>	Unrestricted			
Donor-restricted endowment funds	\$0	\$2,353,419	\$0	\$2,353,419
<b>2016</b>	Unrestricted			
Donor-restricted endowment funds	\$0	\$2,173,139	\$0	\$2,173,139

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

## Note 8 Endowment Funds (Continued)

Changes in endowment net asset as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,173,139	\$0	\$2,173,139
Interest, dividends and realized gains, net		140,698		140,698
Investment fees		(16,439)		(16,439)
Unrealized gains		147,047		147,047
Amounts appropriated for expenditure		(91,026)		(91,026)
Endowment net assets, end of year	\$0	\$2,353,419	\$0	\$2,353,419

Changes in endowment net asset as of June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,075,647	\$250,000	\$2,325,647
Interest, dividends and realized gains, net		68,903		68,903
Investment fees		(16,283)		(16,283)
Unrealized losses		(106,011)		(106,011)
Transfer (a)		250,000	(250,000)	0
Amounts appropriated for expenditure		(99,117)		(99,117)
Endowment net assets, end of year	\$0	\$2,173,139	\$0	\$2,173,139

(a) In 2016, the Organization was granted authority, by the donor, to make an annual 5% distribution from the formerly permanently restricted endowment net asset. This may result in a market value that is lower than the corpus of the original gift of \$250,000; however, the Organization will continue to manage the endowment funds in accordance with Illinois UPMIFA. Accordingly, these net assets are now considered temporarily restricted.

# United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2017  
with Summarized Financial Information for the Year Ended June 30, 2016

---

## Note 9 Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 were as follows:

	2017	2016
Gift restricted to initiatives	\$7,650	\$4,768
Future operations - endowment	2,353,419	2,173,139
Present value of beneficial interest in charitable trust held by third party	722,616	683,094
<b>Total temporarily restricted net assets</b>	<b>\$3,083,685</b>	<b>\$2,861,001</b>

## Note 10 Annual Campaign Concentration

Included in the public support-annual campaign for the years ended June 30, 2017 and 2016, are pledges from a major contributor and its employees of approximately (percent of total annual campaign revenue) \$616,059 (17.8%) and \$638,539 (17.2%), respectively. The balance of this contributor's pledges receivable was \$276,134 and \$287,880 at June 30, 2017 and 2016, respectively.

No other contributors accounted for 10% or more of the annual campaign support in 2017 or 2016.

## Note 11 Staffing Contract

The Organization has a contract with an outside staffing agency, whereby the staff at the Organization is employees of the staffing agency. The agency is responsible for the payment of all related employee wages and benefits that are then billed to the Organization. The Organization is charged an annual fee based on the terms of the contract.

## Note 12 Retirement Plan

The Organization has established a defined contribution plan to provide continued benefit to substantially all of its employees. United Way makes contributions to the plan based on a percentage of the participant's salary or wages. Participants may also make voluntary contributions which will be matched by United Way up to a certain percentage. Employer contributions to the plan were \$20,190 and \$22,790 for the years ended June 30, 2017 and 2016, respectively.

## Note 13 Operating Lease

The Organization entered into an operating lease for office space effective through December 31, 2018. The lease payment includes utilities, property taxes and maintenance expenses. The Organization incurred \$44,730 in rent expense for the years ended June 30, 2017 and June 30, 2016. Required lease payments are as follows as of June 30: 2018 - \$44,730 and 2019 - \$22,365 totaling \$67,095.