

United Way of Rock River Valley

Financial Statements

June 30, 2020

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United Way
of Rock River Valley

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United Way of Rock River Valley

June 30, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

November 5, 2020
Rockford, Illinois

United Way of Rock River Valley

Statement of Financial Position

June 30, 2020 with Summarized Financial Information for June 30, 2019

Assets	2020	2019
Cash and cash equivalents	\$ 3,855,024	\$ 1,104,166
Campaign pledges receivable, less allowance for uncollectible pledges of \$301,000 for 2020 and 2019	581,637	1,274,769
Prepaid expenses	47,037	50,813
Investment securities, at fair value	3,091,693	3,038,882
Equipment, net	3,024	8,714
Beneficial interest in trusts	0	694,039
Other assets	160	603
Total assets	\$ 7,578,575	\$ 6,171,986
Liabilities and Net Assets		
Liabilities:		
Payable to other organizations	\$ 32,303	\$ 44,945
Accounts payable and accrued expenses	146,939	120,441
Grants payable	221,056	349,173
Long term debt	185,200	
Total liabilities	\$ 585,498	\$ 514,559
Net assets:		
With donor restrictions	\$ 2,766,911	\$ 3,245,873
Without donor restrictions:		
Board designated	330,660	288,011
Undesignated	3,895,506	2,123,543
Total net assets	6,993,077	5,657,427
Total liabilities and net assets	\$ 7,578,575	\$ 6,171,986

United Way of Rock River Valley

Statement of Activities

Year Ended June 30, 2020 with Summarized Financial Information for the Year Ended June 30, 2019

	2020	2019
Changes in without donor restrictions net assets:		
Unrestricted support and other revenue:		
Total campaign efforts	\$ 2,295,394	\$ 3,273,113
Less: amounts designated by donors for specific organizations	306,917	519,851
Public support - annual campaign, net	1,988,477	2,753,262
Endowment, trust and estate income	1,435,126	122,017
Initiative funding	34,075	116,478
Investment income, net of fees of \$3,697 and \$3,528, respectively	39,196	26,609
Miscellaneous income	68,022	80,833
Net assets released from restrictions:		
Satisfaction of purpose restrictions	789,252	19,098
Satisfaction of time restrictions	830,957	145,001
Total without donor restricted support and revenues	5,185,105	3,263,298
Grants to agencies, other organizations and expenses:		
Total funds granted to agencies and other United Ways	1,813,609	1,627,461
Less: amounts funded through donors designations	306,917	519,851
Grants to agencies, net	1,506,692	1,107,610
Payments to affiliated organizations	43,714	37,604
Program services	1,260,602	1,187,721
Management and general	168,391	165,634
Campaign	391,094	410,006
Total grants to agencies, other organizations and expenses	3,370,493	2,908,575
Change in without donor restrictions net assets	1,814,612	354,723
Change in with donor restrictions net assets:		
Contributions, net of discount	1,024,685	51,480
Investment income, net of fees of \$17,787 and \$17,631, respectively	90,354	108,603
Change in beneficial interest in trust	26,208	31,001
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(789,252)	(19,098)
Satisfaction of time restrictions	(830,957)	(145,001)
Change in with donor restrictions net assets	(478,962)	26,985
Change in total net assets	1,335,650	381,708
Total net assets beginning of the year	5,657,427	5,275,719
Total net assets at the end of the year	\$ 6,993,077	\$ 5,657,427

See accompanying notes to financial statements.

United Way of Rock River Valley

Statement of Cash Flows

Year Ended June 30, 2020 with Summarized Financial Information for the Year Ended June 30, 2019

	2020	2019
Cash flows from operating activities:		
Change in total net assets	\$ 1,335,650	\$ 381,708
Adjustments to reconcile change in total net assets to net cash used in operating activities:		
Depreciation	5,690	6,235
Unrealized (gain) loss on investment securities	(15,840)	37,868
Realized gain on investment securities/funds held in trust	(45,077)	(117,211)
Changes in operating assets and liabilities:		
Pledges receivable	693,132	(6,068)
Other assets	443	(378)
Prepaid expenses	3,776	(10,779)
Beneficial interest in trusts	694,039	17,912
Payable to other organizations	(12,642)	(32,831)
Accounts payable and accrued expenses	26,498	2,944
Grants payable	(128,117)	(245,049)
Net cash flows from operating activities	2,557,552	34,351
Cash flows from investing activities:		
Proceeds from disposal of equipment	0	17,979
Proceeds from sale and maturity of investment securities	1,507,259	865,209
Purchase of investment securities	(1,499,153)	(818,920)
Net cash flows from investing activities	8,106	64,268
Cash Flows from finance activities		
Proceeds from long term debt	185,200	0
Net cash flows from finance activities	185,200	0
Net change in cash and cash equivalents	2,750,858	98,619
Cash and cash equivalents, beginning	1,104,166	1,005,547
Cash and cash equivalents, ending	\$ 3,855,024	\$ 1,104,166

See accompanying notes to financial statements.

United Way of Rock River Valley

Statement of Functional Expenses

Year Ended June 30, 2020 with Summarized Financial Information for the Year Ended June 30, 2019

	Program	Management & General	Campaign	2020 Total	2019 Total
Salaries	\$ 572,657	\$ 96,040	\$ 186,206	\$ 854,903	\$ 801,401
Employee health	67,767	12,352	24,040	104,159	128,262
Employee retirement	11,562	2,517	4,301	18,380	23,847
Payroll taxes and other	86,081	13,933	27,095	127,109	117,230
Total salaries and related expenses	738,067	124,842	241,642	1,104,551	1,070,740
Supplies	7,537	1,859	931	10,327	10,408
Telephone	3,654	901	450	5,005	4,981
Postage	5,921	1,452	726	8,099	13,759
Occupancy	38,850	9,580	4,790	53,220	51,927
Equipment repair and maintenance	45,002	10,567	5,284	60,853	67,083
Campaign expense	0	0	124,909	124,909	165,683
Subscriptions, publications and dues	29,624	5,866	2,933	38,423	39,975
Non-campaign printing	6,663	1,623	811	9,097	9,473
Initiatives and events	328,854	0	0	328,854	233,071
Local travel	5,684	907	2,703	9,294	15,248
Training and travel	13,361	1,577	1,307	16,245	10,289
Support of state organization	2,103	518	259	2,880	2,800
General insurance	7,075	1,744	872	9,691	8,133
Professional fees	24,053	5,931	2,965	32,949	49,221
Total before depreciation	1,256,448	167,367	390,582	1,814,397	1,752,791
Depreciation	4,154	1,024	512	5,690	6,235
Total functional expenses	\$ 1,260,602	\$ 168,391	\$ 391,094	\$ 1,820,087	\$ 1,759,026

See accompanying notes to financial statements.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

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 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, 2019, from which the summarized financial information was derived.

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, 2020 and 2019.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 1 Significant Accounting Policies (Continued)

Cash and cash equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments designated by the Board of Directors, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

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.

Equipment

Equipment purchased in excess of \$1,500 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.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 1 Significant Accounting Policies (Continued)

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.

Net Assets

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

Net assets without donor restrictions: net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated an amount that requires Board approval prior to use. The balance of the without donor restrictions net assets are undesignated.

Net assets with donor restrictions: net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be net by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

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.

Pending accounting pronouncements

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic organizations for annual periods beginning after December 15, 2019. Management is evaluating what impact this new standard will have on its financial statements.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU 2016-02 must be applied modified retrospectively. Management is evaluating what impact this new standard will have on its financial statements.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 1 Significant Accounting Policies (Continued)

In 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in ASU No. 2018-08 are effective for annual financial statements issued for the fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in ASU No. 2018-08 is permitted. The Organization has not elected to early implement the amendments.

Note 2 Liquidity and Availability of Financial Assets

The Organizations monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The Organization's primary source of support are contributions and income from investments in endowments. Some of that support is required to be used in accordance with the purpose restrictions imposed by the funder. The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures:

	2020	2019
Total financial assets	\$7,528,514	\$6,112,459
Less those unavailable for general expenditure within one year due to:		
Time and purpose restrictions	2,767,239	3,245,873
Board designated	330,660	288,011
Financial assets available to meet cash needs for general expenditures within one year	\$4,430,615	\$3,578,575

Note 3 Cash, Cash Equivalents and Short-Term Investments

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

	2020	2019
Cash and cash equivalents:		
Cash on hand	\$602	\$600
Checking/sweep accounts	110,121	84,900
Money market accounts	3,567,990	842,448
Savings account	176,311	176,218
Total cash and cash equivalents	\$3,855,024	\$1,104,166

As of June 30, 2020, \$2,951,123 was not covered by federal depository insurance.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 4 Campaign Pledges Receivable

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

	2020	2019
Campaign pledges receivable	\$882,637	\$1,575,769
Less allowance for uncollectible pledges	301,000	301,000
Net campaign pledges receivable	\$581,637	\$1,274,769

All pledges receivable are expected to be collected within one year. Bad debt expense charged against campaign revenue was \$223,244 and \$225,503 for the year ended June 30, 2020 and 2019, respectively.

Note 5 Equipment

At June 30, 2020 and 2019 equipment, at cost, consisted of the following:

	2020	2019
Equipment	\$121,847	\$121,847
Less accumulated depreciation	118,823	113,133
Equipment, net	\$3,024	\$8,714

Depreciation expense for the year ended June 30, 2020 and 2019 was \$5,690 and \$6,235, respectively.

Note 6 Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain	Fair value
Investment securities – 2020	\$2,857,656	\$234,037	\$3,091,693
Investment securities – 2019	\$2,850,214	\$188,668	\$3,038,882

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, 2020 and 2019 is summarized in the table below.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 6 Investment Securities (Continued)

2020	Account A	Account B	Total
Investment securities, at beginning of year	\$2,507,169	\$531,713	\$3,038,882
Investment returns:			
Dividends, interest, and capital gain distributions	57,067	10,805	67,872
Contributions		56,217	56,217
Realized gains, net	10,359	5,481	15,840
Unrealized gains, net	40,716	4,361	45,077
Investment fees	(17,787)	(3,697)	(21,484)
Total change in investment securities	90,355	73,167	163,522
Amounts designated for grants	(110,711)		(110,771)
Investment securities, at end of year	\$2,486,813	\$604,880	\$3,091,693
2019	Account A	Account B	Total
Investment securities, at beginning of year	\$2,494,655	\$511,173	\$3,005,828
Investment returns:			
Dividends, interest, and capital gain distributions	61,091	9,868	70,959
Realized gains, net	96,826	20,385	117,211
Unrealized losses, net	(31,683)	(6,185)	(37,868)
Investment fees	(17,631)	(3,528)	(21,159)
Total change in investment securities	108,603	20,540	129,143
Amounts designated for grants	(96,089)		(96,089)
Investment securities, at end of year	\$2,507,169	\$531,713	\$3,038,882

Note 7 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, 2020 and 2019 were \$68,640 and \$67,535 respectively.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020 with Summarized Financial Information for the Year Ended June 30, 2019

Note 7 Beneficial Interest in Trusts / Endowment Income (Continued)

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, 2020 and 2019 were \$720,246, and \$48,913 respectively. The Corbett Charitable Trust was distributed in full to the respective beneficiaries during the year ended June 30, 2020.

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 (\$20,440) and (\$17,912) for the years ended June 30, 2020 and 2019, respectively. The discount rate is an estimate of future return; actual results could differ materially from this estimate in the near-term future.

The present value of unconditional promises to give under the Corbett Charitable Trust at June 30, 2020 and 2019 is as follows:

	2020	2019
Receivable in less than one year	\$0	\$694,039
Receivable in one to two years	0	0
	<u>\$0</u>	<u>\$694,039</u>

Note 8 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, 2020 and 2019.

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.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 8 Fair Value (Continued)

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, 2020 and 2019. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

2020	Level 1	Level 2	Level 3	Total
Mutual funds	\$3,091,693			\$3,091,693
Total	\$3,091,693	\$0	\$0	\$3,091,693

2019	Level 1	Level 2	Level 3	Total
Mutual funds	\$3,038,882			\$3,038,882
Beneficial interest in trusts		\$694,039		694,039
Total	\$3,038,882	\$694,039	\$0	\$3,732,921

Note 9 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.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2020
with Summarized Financial Information for the Year Ended June 30, 2019

Note 9 Endowment Funds (Continued)

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 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:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
2020			
Donor-restricted endowment funds	\$0	\$2,486,813	\$2,486,813
2019			
Donor-restricted endowment funds	\$0	\$2,507,169	\$2,507,169

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Note 9 Endowment Funds (Continued)

Changes in endowment net asset as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,507,169	\$2,507,169
Interest, dividends and realized gains, net		67,427	67,427
Investment fees		(17,787)	(17,787)
Unrealized gains		40,715	40,715
Amounts appropriated for expenditure		(110,711)	(110,771)
Endowment net assets, end of year	\$0	\$2,486,813	\$2,486,813

Changes in endowment net asset as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,494,655	\$2,494,655
Interest, dividends and realized gains, net		157,916	157,916
Investment fees		(17,631)	(17,631)
Unrealized losses		(31,683)	(31,683)
Amounts appropriated for expenditure		(96,088)	(96,088)
Endowment net assets, end of year	\$0	\$2,507,169	\$2,507,169

Note 10 Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

	2020	2019
Gift restricted to initiatives	\$280,098	\$44,665
Future operations - endowment	2,486,813	2,507,169
Present value of beneficial interest in charitable trust held by third party	0	694,039
Total net assets with donor restrictions	\$2,766,911	\$3,245,873

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Note 11 Annual Campaign Concentration

Included in the public support-annual campaign for the years ended June 30, 2020 and 2019, are pledges from two major contributors and its employees. Below are these pledges, percent of total annual campaign revenue, pledges receivable and percent of total pledges receivable at June 30, 2020 and 2019:

	Contributor A				Contributor B			
	2020		2019		2020		2019	
Pledges	\$0	0.0%	\$502,144	16.4%	\$98,699	4.3%	\$413,408	13.5%
Pledges receivable	\$0	0.0%	\$299,390	20.7%	\$47,873	5.5%	\$261,166	18.1%

No other contributors accounted for 10% or more of the annual campaign support in 2020 or 2019.

Note 12 Staffing Contract

The Organization has a contract with an outside staffing agency, whereby the staff at the Organization are 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 13 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 \$18,380 and \$23,847 for the years ended June 30, 2020 and 2019, respectively.

Note 14 Operating Lease

The Organization entered into an operating lease for office space effective May 1, 2020 through April 30, 2021. Upon expiration of the initial term, the lease shall automatically renew for a subsequent twelve-month term unless a default or either party provides the other with 90 days written notice to terminate the lease. The Organization incurred \$46,967 and \$45,848 in rent expense for the years ended June 30, 2020 and June 30, 2019.

Note 15 Note Payable – Paycheck Protection Program

In April 2020, the Organization obtained a note payable of \$185,200. This amount represents a note payable from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist Organizations in navigating the Coronavirus pandemic. The Organization has determined the note payable is a conditional grant. Accordingly, the note payable is reported as a note payable until the conditions are substantially met and explicitly waived.

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Note 15 Note Payable – Paycheck Protection Program (Continued)

The Organization has interpreted the condition of the note payable to be the approval of the forgiveness application by the lender and SBA. Should the conditions of the note payable not be substantially met or explicitly waived, all or a portion of the note payable will be accounted as a loan bearing interest at 1%. The Organization anticipates that the conditions of the note payable will be substantially met and the full amount of the note payable will be recognized as revenue.

Note 16 Business Conditions

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency (the "COVID-19 crisis"). In March 2020, the WHO classified the COVID-19 crisis as a pandemic and the full outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the not-for-profit industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 crisis and the global responses to curb its spread, the Organization is not able to estimate the effects if the COVID-19 crisis on future operations; however, should it continue, it may have an adverse effect on future operations, financial position, and liquidity in the fiscal year 2021 if revenues are depressed and temporary declines in investment values worsen or do not improve.