

UNITED WAY OF ROCK RIVER VALLEY

**Financial Statements and
Independent Auditor's Report**

June 30, 2025

UNITED WAY OF ROCK RIVER VALLEY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Rock River Valley
Rockford, Illinois

Opinion

We have audited the accompanying financial statements of United Way of Rock River Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of June 30, 2025, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 United Way of Rock River Valley, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Rock River Valley, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Governmental Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 United Way of Rock River Valley, Inc.'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 United Way of Rock River Valley, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidated Year-End Financial Report on page 22-24 is presented for purposes of additional analysis, as required by the Illinois Grant Accountability and Transparency Act (GATA), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the GATA Consolidated Year-End Financial Report is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the United Way of Rock River Valley's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the United Way of Rock River Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United Way of Rock River Valley's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of the United Way of Rock River Valley's year ended June 30, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lucas Group CPAs + Advisors, PLLC

Rockford, Illinois
November 19, 2025

UNITED WAY OF ROCK RIVER VALLEY
Statement of Financial Position
June 30, 2025
With Summarized Financial Information as of June 30, 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 729,228	519,816
Cash - Restricted DCEO	684,428	639,737
Investments	8,878,357	7,717,829
Pledges receivable, net of allowance for credit losses		
pledges of \$44,423 and \$67,000, respectively	588,533	398,300
Prepaid expenses	32,881	33,063
Total current assets	<u>10,913,427</u>	<u>9,308,745</u>
Fixed assets:		
Property and equipment, net	<u>43,098</u>	<u>27,040</u>
Other assets:		
Right-of-use assets-operating lease	13,503	17,139
Beneficial interest in trusts	412,467	393,549
Total other assets	<u>425,970</u>	<u>410,688</u>
Total assets	<u><u>11,382,495</u></u>	<u><u>9,746,473</u></u>
LIABILITIES		
Current liabilities:		
Payable to other organizations	8,715	4,044
Accounts payable and accrued expenses	84,231	73,286
Grants payable	216,490	268,754
Deferred revenue	-	-
Operating lease liability	5,000	4,338
Total current liabilities	<u>314,436</u>	<u>350,422</u>
Long-term liabilities		
Operating lease liability	8,503	12,801
Total long-term liabilities	<u>8,503</u>	<u>12,801</u>
Total liabilities	<u>322,939</u>	<u>363,223</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,011,471	632,373
Board designated	6,057,097	5,045,190
With donor restrictions	3,990,988	3,705,687
Total net assets	<u>11,059,556</u>	<u>9,383,250</u>
Total liabilities and net assets	<u><u>\$ 11,382,495</u></u>	<u><u>9,746,473</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ROCK RIVER VALLEY
Statement of Activities
For the Year Ended June 30, 2025
With Summarized Financial Information for the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
SUPPORT AND REVENUE				
Total campaign efforts	\$ 1,499,038	-	1,499,038	1,782,714
Less: accounts designated by donors for specific organizations	-	-	-	77,036
Public support - annual campaign, net	1,499,038	-	1,499,038	1,705,678
Endowment & estate income	525,471	-	525,471	72,917
Contribution revenue	10,571	-	10,571	23,146
Initiative funding	268,820	-	268,820	-
Grants	286,051	885,091	1,171,142	1,542,068
Investment income, net of expenses	95,918	97,775	193,693	139,244
Unrealized gains/(losses) on investments	432,159	133,583	565,742	723,087
Realized gain/(losses) on investments	48,731	47,766	96,497	37,774
Change in beneficial interest trust	-	18,918	18,918	(3,609)
In-Kind contributions	141,774	-	141,774	86,944
Other Income	83,485	-	83,485	15,660
	<u>3,392,018</u>	<u>1,183,133</u>	<u>4,575,151</u>	<u>4,342,909</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	897,832	(897,832)	-	-
Satisfaction of time restrictions	-	-	-	-
Total support and revenue	<u>4,289,850</u>	<u>285,301</u>	<u>4,575,151</u>	<u>4,342,909</u>
EXPENSES				
Program services	2,057,402	-	2,057,402	2,573,263
Supporting services:				
Management and general	247,102	-	247,102	308,460
Fundraising	594,341	-	594,341	259,836
Total expenses	<u>2,898,845</u>	<u>-</u>	<u>2,898,845</u>	<u>3,141,559</u>
Change in net assets	1,391,005	285,301	1,676,306	1,201,350
NET ASSETS				
Beginning	<u>5,677,563</u>	<u>3,705,687</u>	<u>9,383,250</u>	<u>8,181,900</u>
Ending	<u>\$ 7,068,568</u>	<u>3,990,988</u>	<u>11,059,556</u>	<u>9,383,250</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ROCK RIVER VALLEY
Statement of Functional Expenses
For the Year Ended June 30, 2025
With Summarized Financial Information for the Year Ended June 30, 2024

	Program Services		Supporting Services			
	Fund Distribution	Management and General	Fundraising	Total 2025	Total 2024	
Salaries	\$ 275,567	\$ 93,976	\$ 428,955	\$ 798,498	\$ 759,975	
Payroll taxes and other	36,111	16,492	60,262	112,865	112,335	
Employee benefits	42,040	8,278	40,908	91,226	112,568	
Employee retirement	6,333	756	12,648	19,737	13,722	
	360,051	119,502	542,773	1,022,326	998,600	
Grant payments	439,263	-	-	439,263	899,812	
Payments to affiliated organizations	13,106	6,779	2,712	22,597	12,482	
Total funds granted to agencies and other United Ways	492,966	-	-	492,966	407,471	
Initiatives and events	376,659	-	-	376,659	267,893	
Supplies	6,177	3,196	1,279	10,652	15,019	
Dues and subscriptions	21,495	11,119	4,447	37,061	33,711	
Equipment repair	36,679	18,972	7,589	63,240	58,437	
Insurance	-	-	-	-	-	
Insurance for the board	7,348	3,801	1,520	12,669	12,489	
Postage	3,304	1,709	684	5,697	3,923	
Professional fees	16,537	8,554	3,421	28,512	57,750	
Marketing	100,840	52,159	20,862	173,861	214,634	
Non-campaign printing	-	-	-	-	4,451	
Training and Travel	1,421	735	294	2,450	5,504	
Occupancy	6,396	3,309	1,324	11,029	19,315	
Telephone	2,563	1,325	530	4,418	4,443	
Uncollectable	12,429	6,428	3,097	21,954	34,320	
Other expenses	14,423	7,460	2,987	24,870	447	
In-kind expenses	141,774	-	-	141,774	84,944	
Depreciation	3,971	2,054	822	6,847	5,914	
Total functional expenses	\$ 2,057,402	\$ 247,102	\$ 594,341	\$ 2,898,845	\$ 3,141,559	

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ROCK RIVER VALLEY
Statement of Cash Flows
For the Year Ended June 30, 2025
With Summarized Financial Information for the Year Ended June 30, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,676,306	1,201,350
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,847	5,914
Non-cash portion of lease expense for operating leases	4,395	4,453
Repayments of right-of-use lease liabilities - operating leases	(4,395)	(4,453)
Unrealized (gain)/loss on investments	(565,742)	(723,087)
Realized gain(loss on investment securities	(96,497)	(37,774)
Change in value of beneficial interest in trusts	(18,918)	3,609
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	(190,233)	44,520
(Increase) decrease in other assets	-	-
(Increase) decrease in prepaid expenses	182	4,184
Increase (decrease) in accounts payable and accrued expenses	10,945	(14,816)
Payable to other organizations	4,671	(6,634)
Increase (decrease) in grants payable	(52,264)	(22,221)
Net cash provided by (used in) operating activities	<u>775,297</u>	<u>455,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(22,906)	(1,855)
Purchase of investments	(628,791)	(134,563)
Proceeds from sale of investments	130,503	123,933
Net cash provided by (used in) investing activities	<u>(521,194)</u>	<u>(12,485)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	254,103	442,560
Cash and cash equivalents		
Beginning	<u>1,159,553</u>	<u>716,993</u>
Ending	\$ <u><u>1,413,656</u></u>	<u><u>1,159,553</u></u>
Cash and cash equivalents	\$ 729,228	519,816
Restricted cash- DCEO	684,428	639,737
	\$ <u><u>1,413,656</u></u>	<u><u>1,159,553</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. 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 County 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 uncollectable.

United Way of Rock River Valley exists to unite the collective power of our community to improve lives. We accomplish this by assessing the greatest needs, raising funds to address those needs, mobilizing others to meet those needs, and measuring the results of the interventions. The following list is the initiatives we are currently focused on to collectively work together in our community to address the most pressing needs:

Collective Impact Initiatives and Supports

United for Literacy – In Winnebago County, only 32% of children can read at grade level by the end of third grade. This is a crisis that adversely affects these children's ability to succeed in school, graduate and lead successful adult lives. Our BOLD goal through our United for Literacy initiative is to increase our counties childhood literacy rate to 75% by the year 2034. We do this in the impact areas of read aloud, increasing parent involvement, widespread book distribution, increasing community awareness about the importance of reading to children and more. This past year we reached 20,000 children, trained 200 new volunteers, distributed 123,798 books, provided for 105 literacy events for children and families.

24-Hour Resource Hotlines – We fund 2-1-1 hotlines for anyone living in Winnebago County to access anytime they need. 2-1-1 is a critical resource that connects thousands of people to trained specialists offering help with disaster assistance, food health care and insurance, stable housing and utility assistance, employment services, veteran services, and childcare and family services.

Strong Neighborhoods House – Through collaborative partnerships with other local impact organizations, we provide a pathway for community residents to gain support through the programs and services offered in our Strong Neighborhood Houses.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities, continued

Dolly Parton Imagination Library – United Way of Rock River Valley funds the Dolly Parton Imagination Library at 50% of the program cost. This initiative supports literacy by promoting positive reading habits as soon as birth. The Imagination Library brings age-appropriate books to children ages 0 – 5 years old when their families register for the program. Books are mailed out each month, directly to the child's home and continue until the child's fifth birthday.

Federal Emergency Management Agency (FEMA) – United Way of Rock River Valley serves as the administrator for the Local FEMA Board in Winnebago County. The Local FEMA Board is responsible for announcing FEMA funding, accepting applications, handling the notification of grant awards, submitting the board plan to the National FEMA Administrator, monitoring compliance with spending plans, verifying reimbursement submissions and verifying final reports.

Supporting services

Management and General – Includes overall direction and administration of United Way of Rock River Valley and ensures that the organization is well-managed; is responsible for strategic planning; develops and strengthens community relationships, including maintaining a strong and effective Board of Directors; has responsibility for all staff management, including hiring and training; properly and accurately maintains general records; is responsible for fiscal management, including financial statements, audits, contributions and accounts receivable, accounts payable and in-kind contributions.

Campaign and other Fundraising – Develops, implements, and refines overarching resource development plans to secure resources necessary to support the organizational mission and business model. Researches, develops, and implements new strategies and best practices to strengthen current resource development efforts. Increases revenue by broadening the base of support through innovation and development of new revenue streams. Cultivates and maintains relationships with current and prospective donors. Engages staff and the Board of Directors in the process to cultivate donors and secure revenue. Develops, implements, and manages current and prospective donor cultivation and stewardship practices.

B. Accounting Basis

The Organization follows standards for accounting and financial reporting prescribed for not-for-profit organizations. The financial statements of the Organization have been prepared on the accrual basis of accounting with accounting principles generally accepted in the United States.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

C. 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.

D. 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 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, 2025 and 2024.

E. Cash and Cash Equivalents, and Restricted Cash

For purposes of the Statement of Cash Flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less as cash and cash equivalents. The Organization's bank accounts exceeded the FDIC limit of \$250,000 by \$1,239,140 and \$767,258 at June 30, 2025 and 2024, respectively.

F. Allowance for Doubtful Accounts

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

G. 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 over accreted and recorded to interest income over the remaining maturity period using the effective yield method.

H. Beneficial Interest in Trusts

The Organization is a residual beneficiary of split-interest agreements whereby another entity serves as trustee. These split-interest agreement includes charitable remainder trusts.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

H. Beneficial Interest in Trusts (Continued)

Charitable remainder trust

Under the charitable remainder trust, the trustee holds and invests the assets and pays the annuitant(s) on a periodic basis for their lifetime. Upon the death of the annuitant(s), the Organization will receive payments from the trust (or proportionate share), on annual basis until the trust principal is zero. These payments will be for general use. Donor restricted contribution (based on inherent time restrictions) is recognized when the Organization is notified of the existence of the remainder trust agreement based on the fair value of the assets less the fair value of the payments to made to other beneficiaries (measured using a present value technique).

I. Property and 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.

J. Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2025 and 2024.

K. Grants Payable

Grants of support to United Way funded organizations are determined on an annual basis. The Organization communicated the support grants commitment for the forthcoming 12 month period on or around June 30th each year. The grants are paid and recognized as expense within the year that the grant is awarded.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

L. Contributed Support and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return-are not recognized until the conditions on which they depend have been met. All campaign and initiative revenue sources are considered contributions. The Organization recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or as donor 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. All net campaign funding is considered non donor restricted, unless specifically restricted by the individual donor. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grants awards that are contributions are evaluated for conditions and recognized as revenue when the conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

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, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

M. 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 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.

N. Donated Services and Other In-Kind Support

The Organization records in-kind support for professional services and materials in the statement of activities in accordance with financial accounting standards which requires only contributions of services received that (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 a 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. The organization receives \$46,926 in various gift cards and other supplies and in-kind rent of \$94,848 and \$86,944 for the fiscal years ended June 30, 2025 and 2024, respectively.

O. Functional Allocation of Expenses

United Way of Rock River Valley follows guidelines established by United Way Worldwide's "Functional Expenses and Overhead Reporting Standards" for allocating costs among functional expense categories. In general, where a specific cost can be identified with a particular function, the cost is charged directly to that function. If costs cannot be identified directly with specific functional categories, these costs are allocated among functional categories based upon time and effort.

P. Advertising

The Organization expenses its advertising costs as they are incurred. The amount reported in the statement of activities for the years ended June 30, 2025 and 2024 was \$173,861 and \$214,634, respectively.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Comparative Financial Information

The financial statements include certain prior-year summarized financial information in total, but not by net asset class, which was audited with an unmodified report dated November 25, 2024. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized financial information was derived.

Note 2. Liquidity and Availability of Financial Assets

The Organization 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, 2025 and 2024, reduced by amounts not available for general expenditures (the table does not include amounts related to the charitable remainder trust):

	2025	2024
Cash and cash equivalents	\$ 729,228	\$ 519,816
Cash-Restricted DCEO	684,428	639,738
Pledges receivable	588,533	398,300
Investments	8,878,358	7,717,829
Less: donor restrictions	(3,990,988)	(3,705,687)
Less: board designated	(6,057,097)	(5,045,190)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 832,462</u>	<u>\$ 524,806</u>

Note 3. Campaign Pledges Receivable

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

	2025	2024
Pledges receivable	\$ 632,956	\$ 465,300
Less: allowance for uncollectible pledges	(44,423)	(67,000)
Net pledges receivable	<u>\$ 588,533</u>	<u>\$ 398,300</u>

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 4. Equipment

Equipment consisted of the following at June 30:

	2025	2024
Capital assets being depreciated:		
Furniture and equipment	\$ 144,185	127,909
Less accumulated depreciation	<u>(101,087)</u>	<u>(100,869)</u>
Net property and equipment	<u>\$ 43,098</u>	<u>27,040</u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$6,847 and \$5,914, respectively.

Note 5. Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain/(loss)	Fair Value
Investment securities-2025	\$7,377,451	\$1,500,906	\$8,878,357
Investment securities-2024	\$6,849,869	\$ 867,960	\$7,717,829

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 and others but require board approval prior to use. Investment activity for the years ended June 30, 2025 and 2024, is summarized in the table below.

2025	Account A	Account B	Total
Investment securities, beginning of year	\$2,672,639	\$5,045,190	\$7,717,829
Investment return:			
Dividends, interest and capital gain distributions	87,164	149,039	236,203
Realized gain/(loss), net	47,766	48,731	96,497
Unrealized gain/(loss), net	163,583	402,160	565,743
Investment fees	(19,387)	(34,148)	(53,535)
Contributions/withdrawals	(130,505)	444,153	313,648
Change in accrued income	-	1,972	1,972
Total change in investment securities	148,621	1,011,907	1,160,528
Less: Amounts designated for grants	-	-	-
Investment securities, end of year	<u>\$2,821,260</u>	<u>\$6,057,097</u>	<u>\$8,878,357</u>

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 5. Investment Securities (Continued)

2024	Account A	Account B	Total
Investment securities, beginning of year	\$2,499,387	\$4,446,951	\$6,946,338
Investment return:			
Dividends, interest and capital gain distributions	66,347	114,511	180,858
Realized gain/(loss), net	25,775	11,998	37,773
Unrealized gain/(loss), net	222,208	501,801	724,009
Investment fees	(18,072)	(29,497)	(47,569)
Contributions/withdrawals	(123,933)	-	(123,933)
Change in accrued income	927	(574)	353
Total change in investment securities	173,252	598,239	771,491
Less: Amounts designated for grants	-	-	-
Investment securities, end of year	\$2,672,639	\$5,045,190	\$7,717,829

Note 6. Beneficial Interest in Trusts / Endowment Income

Community Foundation of Northern Illinois (CFNIL) administers a designated \$1,000,000 endowment. Payments to United Way of Rock River Valley are determined by the CFNIL trustees. Because of the variance powers granted by the CFNIL trustees, income is recognized as payments are accrued. Payments received and recognized for the years ended June 30, 2025 and 2024 are \$77,920 and \$77,057, respectively.

Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a three charitable remainder annuity trust, which was created in 2006 upon the death of the trust settlor. Each living beneficiary is to receive 5% of the net fair market value of the trust assets determined on the first day of the taxable year from income, to the extent that income is insufficient, then from principal. Upon death of the beneficiary, Four remainder beneficiaries are to receive 25% of an amount equal to 5% of the net fair market value of the trust estate valued as of the first day of each taxable year of the trust. The Organization has recorded a beneficial interest in this trust as restricted support based on the present value of the expected future cash flow payments, calculated using the estimated life expectancy of the beneficiaries, and a discount rate of 6%. The estimated value of the Organization's beneficial interest in the trusts was \$412,467 and \$393,549 as of June 30, 2025 and 2024, respectively.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 7. Fair Value

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The 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 methodologies used at June 30, 2025 and 2024.

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 that price. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial Interest in Trusts

- Charitable remainder trust – Valued at the fair value of the investment of the trust as quoted on a national exchange, less the present value of future cash distributions to be paid over the life expectancy of designated beneficiaries, discounted at a rate approximating current market rates.

The following table set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2025 and 2024. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

2025	Level 1	Level 2	Level 3	Total
Mutual Funds	\$8,878,357	\$ -	\$ -	\$8,878,357
Beneficial interest in trusts:				
Charitable remainder trusts	-	-	412,467	412,467
2024	Level 1	Level 2	Level 3	Total
Mutual Funds	\$7,717,829	\$ -	\$ -	\$7,717,829
Beneficial interest in trusts:				
Charitable remainder trusts	-	-	393,549	393,549

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

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 (ILUPMIFA) 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 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 capital. Accordingly, the Board recognized a moderate level of portfolio volatility is inherent with such an investment strategy utilizing investment 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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 8. Endowment Funds (Continued)

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
2025			
Mutual Funds	\$ -	\$ 2,821,260	\$ 2,821,260
2024			
Mutual Funds	\$ -	\$ 2,672,639	\$ 2,672,639

Changes in endowment net asset for the year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 2,672,639	\$ 2,672,639
Interest, dividends and capital gain distributions, net	-	87,164	87,164
Realized gains, net	-	47,766	47,766
Unrealized losses, net	-	163,583	163,583
Investment fees	-	(19,387)	(19,387)
Contributions/withdrawals	-	(130,505)	(130,505)
Change in accrued income	-	-	-
Endowment net assets, end of year	\$ -	\$ 2,821,260	\$ 2,821,260

Changes in endowment net asset for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 2,499,387	\$ 2,499,387
Interest, dividends and capital gain distributions, net	-	66,347	66,347
Realized gains, net	-	25,775	25,775
Unrealized losses, net	-	222,208	222,208
Investment fees	-	(18,072)	(18,072)
Contributions/withdrawals	-	(123,933)	(123,933)
Change in accrued income	-	927	927
Endowment net assets, end of year	\$ -	\$ 2,672,639	\$ 2,672,639

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	2025	2024
Gift restricted to initiatives	\$ 7,329	\$ 4,447
Future operations - endowment	2,821,260	2,672,639
Grants	749,932	635,052
Beneficial interest in trusts - Charitable remainder	412,467	393,549
Total net assets with donor restrictions	\$ 3,990,988	\$ 3,705,687

Note 10. 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 11. 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 are \$19,737, and \$13,722 for the years ended June 30, 2025 and 2024, respectively.

Note 12. Campaign Reassignment

During the year, the board made the decisions to reassign Ogle County campaign and pledges receivable to the United Way of Lee County. As of June 30, 2025 and 2024 the Organization owes United Way of Lee County \$0 and \$6,369, respectively.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2025

Note 13. Operating Lease

During October 2022, the Organization entered into a lease for a postage machine. The monthly rental payment is \$789 a month. During October 2023, the Organization entered into a financing-lease agreement for a copy machine. The monthly rental payment is \$211 for 60 months.

As of June 30, 2025, the right-of-use (ROU) asset had a balance of \$13,503, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities (\$5,000) and long-term liabilities (\$8,503). Future lease payments as of June 30, 2025 are:

<u>Years Ending June 30,</u>	
2026	\$ 5,773
2027	5,773
2028	3,406
2029	263
Total lease payments	<u>15,215</u>
Less: interest	<u>(1,712)</u>
Present value of lease liabilities	<u>\$ 13,503</u>
Principal due in 2026	<u>\$ 5,000</u>

The following summarizes cash flow information related to leases for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of the operating lease liability	\$ 4,394	\$ 4,453
Lease assets obtained in exchange for operating lease obligations	\$ -	\$ 10,134

Note 14. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in financial statements through November 19, 2025, which is the date the financial statements were available to be issued.

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Grantee Name	United Way of Rock River Valley
ID Numbers	Audit: 59837 Grantee: 695521 UEI: U4FMN1MW8LN1 FEIN: 362167843
Audit Period	7/1/2024 12:00:00 AM - 6/30/2025 12:00:00 AM
Last Update	11/24/2025 3:39:21 PM
Program Count	2

EXPENDITURES BY PROGRAM

CSFA #	Program Name	State	Federal	Total	Match
420-00-1771	Construction and/or Renovation to Buildings, Additions, or Structures	439,263.40	0.00	439,263.40	0.00
420-00-2725	Provision of services to the public from named line GRF &/or FIF source	885,091.20	0.00	885,091.20	0.00
	All other federal expenditures		0.00	0.00	
TOTALS		1,324,354.60	0.00	1,324,354.60	0.00

EXPENDITURES BY CATEGORY

Amount	Category
1,324,354.60	Expenditures for all budget lines for DCEO grants

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Commerce And Economic Opportunity
CSFA Number	420-00-1771
Program Name	Construction and/or Renovation to Buildings, Additions, or Structures
Popular Name	Grants Management Program
Program Contact	Name: David E. Parr Phone: 217-524-5199 Email: david.parr@illinois.gov
State Amount Expended	439263.40
Federal Amount Expended	0.00

Expenditures by Category

439,263.40	Expenditures for all budget lines for DCEO grants
439,263.40	TOTAL

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

State Agency	Department Of Commerce And Economic Opportunity
CSFA Number	420-00-2725
Program Name	Provision of services to the public from named line GRF &/or FIF source
Popular Name	GRF &/or FIF from named lines
Program Contact	Name: David Parr Phone: 217-524-5199 Email: david.parr@illinois.gov
State Amount Expended	885091.20
Federal Amount Expended	0.00

Expenditures by Category

885,091.20	Expenditures for all budget lines for DCEO grants
885,091.20	TOTAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
United Way of Rock River Valley
Rockford, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Rock River Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the United Way of Rock River Valley's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way of Rock River Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way of Rock River Valley's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

Segregation of Duties:

Based on the number of individuals employed by the Organization and as is common to an entity of your size, a lack of segregation of duties exists within the accounting function. This lack of segregation of duties may result in an inadequate control over the recording of transactions in the accounting records. The lack of segregation of duties is a significant deficiency in internal control that potentially reduces the effectiveness of other general controls that may exist.

The primary purpose of segregation of duties is to enhance the likelihood of preventing a material error or irregularity. The secondary purpose of segregation of duties is to detect a material error or irregularity if one should occur. Adequate segregation of duties is attained by involving different individuals in the authorization of a transaction, the execution of the transaction, the recording of the transaction, the review and reconciliation of the transaction, and the physical custody of any resulting asset.

We recognize that the Organization may not be large enough to make the employment of additional persons for the purpose of segregation of duties practicable from a financial standpoint. However, we are required under professional responsibilities to bring this situation to your attention.

Management's Response: Management believes there are other procedures that minimize the risk of segregation of duties.

Assistance in the Preparation of Financial Statements:

While it is not unusual for an organization your size to engage the auditor to assist in the drafting of the financial statements and accompanying notes, auditing standards advise that an entity's internal control over financial reporting extends to the financial statements. Therefore, reliance on the auditor to assist with the drafting of the financial statements and accompanying notes results in a deficiency in internal control.

Management's Response: Management prepares monthly financials and provides to the board for review. The finance director has the experience to review the financials.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the United Way of Rock River Valley's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

United Way of Rock River Valley's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on United Way of Rock River Valley's response to the findings identified in our audit and described above. United Way of Rock River Valley's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lucas Group CPAs + Advisors, PLLC

Rockford, Illinois
November 19, 2025