

**United Way of
Rock River Valley**

Financial Statements

June 30, 2018

United Way of Rock River Valley

June 30, 2018

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
October 20, 2018
Rockford, Illinois

United Way of Rock River Valley

Statement of Financial Position

June 30, 2018 with Summarized Financial Information for June 30, 2017

Assets	2018	2017
Cash and cash equivalents	\$ 1,005,547	\$ 1,122,784
Campaign pledges receivable, less allowance for uncollectible pledges of \$301,000 for 2018 and 2017	1,268,701	1,258,869
Grants receivable	225	2,153
Prepaid expenses	40,034	36,156
Investment securities, at fair value	3,005,828	2,827,118
Equipment, net	32,928	27,730
Beneficial interest in trusts	711,951	722,616
Total assets	\$ 6,065,214	\$ 5,997,426
Liabilities and Net Assets		
Liabilities:		
Payable to other organizations	\$ 77,776	\$ 74,990
Accounts payable and accrued expenses	117,497	119,621
Grants payable	594,222	757,700
Total liabilities	\$ 789,495	\$ 952,311
Net assets:		
Restricted:		
Temporarily	\$ 3,218,888	\$ 3,083,685
Unrestricted:		
Board designated	240,773	190,909
Undesignated	1,816,058	1,770,521
Total net assets	5,275,719	5,045,115
Total liabilities and net assets	\$ 6,065,214	\$ 5,997,426

United Way of Rock River Valley

Statement of Activities

Year Ended June 30, 2018 with Summarized Financial Information for the Year Ended June 30, 2017

	2018	2017
Changes in unrestricted net assets:		
Unrestricted support and other revenue:		
Total campaign efforts	\$ 3,521,858	\$ 3,544,059
Less: amounts designated by donors for specific organizations	524,933	596,728
Public support - annual campaign, net	2,996,925	2,947,331
Endowment trust and estate income	72,770	79,163
Initiative funding	175,336	198,283
Unrealized gain (loss) on investment securities, net	(5,715)	32,312
Realized gain on investment securities/funds held in trust, net	38,329	13,411
Investment income, net of fees of \$3,463 and \$3,115, respectively	6,303	6,147
Government grants	0	10,000
Miscellaneous income	33,724	32,873
Net assets released from restrictions:		
Satisfaction of purpose restrictions	11,375	2,983
Satisfaction of time restrictions	101,907	140,109
Total unrestricted support and revenues	3,430,954	3,462,612
Grants to agencies, other organizations and expenses:		
Total funds granted to agencies and other United Ways	2,035,174	2,314,954
Less: amounts funded through donors designations	524,933	596,728
Grants to agencies, net	1,510,241	1,718,226
Payments to affiliated organizations	38,331	41,547
Program services	1,181,283	1,129,962
Management and general	173,496	172,411
Campaign	432,202	416,111
Total grants to agencies, other organizations and expenses	3,335,553	3,478,257
Change in unrestricted net assets	95,401	(15,645)
Change in temporarily restricted net assets:		
Contributions, net of discount	16,005	5,865
Unrealized gain (loss) on investment securities, net	(3,084)	147,047
Realized gain on investment securities, net	158,087	99,909
Investment income, net of fees of \$16,476 and \$16,439, respectively	36,632	24,350
Change in beneficial interest in trust	40,845	88,605
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(11,375)	(2,983)
Satisfaction of time restrictions	(101,907)	(140,109)
Change in temporarily restricted net assets	135,203	222,684
Change in total net assets	230,604	207,039
Total net assets beginning of the year	5,045,115	4,838,076
Total net assets at the end of the year	\$ 5,275,719	\$ 5,045,115

See accompanying notes to financial statements.

United Way of Rock River Valley

Statement of Cash Flows

Year Ended June 30, 2018 with Summarized Financial Information for the Year Ended June 30, 2017

	2018	2017
Cash flows from operating activities:		
Change in total net assets	\$ 230,604	\$ 207,039
Adjustments to reconcile change in total net assets to net cash used in operating activities:		
Depreciation	11,608	16,244
Unrealized (gain) loss on investment securities	8,799	(179,359)
Realized gain on investment securities/funds held in trust	(196,416)	(113,320)
Changes in operating assets and liabilities:		
Pledges receivable	(9,832)	88,103
Grants receivable	1,928	4,598
Prepaid expenses	(3,878)	5,236
Other assets	0	1,465
Beneficial interest in trusts	10,665	(39,522)
Payable to other organizations	2,786	(22,551)
Accounts payable and accrued expenses	(2,124)	(12,795)
Grants payable	(163,478)	(83,859)
Net cash used in operating activities	(109,338)	(128,721)
Cash flows from investing activities:		
Purchase of equipment	(16,806)	0
Proceeds from sale and maturity of investment securities	1,237,975	1,044,538
Purchase of investment securities	(1,229,068)	(982,753)
Net cash provided by (used in) investing activities	(7,899)	61,785
Net change in cash and cash equivalents	(117,237)	(66,936)
Cash and cash equivalents, beginning	1,122,784	1,189,720
Cash and cash equivalents, ending	\$ 1,005,547	\$ 1,122,784

See accompanying notes to financial statements.

United Way of Rock River Valley

Statement of Functional Expenses

Year Ended June 30, 2018 with Summarized Financial Information for the Year Ended June 30, 2017

	Program	Management & General	Campaign	2018		2017	
				Total	Total	Total	Total
Salaries	\$ 536,800	\$ 103,771	\$ 185,276	\$ 825,847	\$ 802,767		
Employee health	99,216	17,523	33,545	150,284	123,382		
Employee retirement	14,461	2,568	4,790	21,819	20,190		
Payroll taxes and other	79,286	12,984	25,868	118,138	119,523		
Total salaries and related expenses	729,763	136,846	249,479	1,116,088	1,065,862		
Supplies	6,380	1,555	61	7,996	12,701		
Telephone	3,614	723	480	4,817	4,562		
Postage	10,099	1,820	244	12,163	9,007		
Occupancy	36,488	7,297	4,865	48,650	48,630		
Equipment repair and maintenance	30,081	6,316	3,368	39,765	29,306		
Campaign expense	0	0	138,804	138,804	105,662		
Subscriptions, publications and dues	42,443	2,542	465	45,450	60,669		
Non-campaign printing	8,374	498	996	9,868	10,512		
Initiatives and events	221,881	0	18,995	240,876	270,159		
Local travel	12,478	1,123	2,670	16,271	17,544		
Training and out of town travel	11,686	1,087	2,204	14,977	11,596		
Support of state organization	2,145	429	286	2,860	2,770		
General insurance	6,378	1,276	849	8,503	8,508		
Professional fees	51,214	10,243	6,828	68,285	44,752		
Total before depreciation	1,173,024	171,755	430,594	1,775,373	1,702,240		
Depreciation	8,259	1,741	1,608	11,608	16,244		
Total functional expenses	\$ 1,181,283	\$ 173,496	\$ 432,202	\$ 1,786,981	\$ 1,718,484		

See accompanying notes to financial statements.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 1 Significant Accounting Policies

Nature of activities

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

Basis of presentation

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

Unrestricted net assets:

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

Temporarily restricted net assets:

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

Permanently restricted net assets:

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

Basis of accounting

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

Comparative financial information

The financial statements include certain prior-year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized financial information was derived.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 1 Significant Accounting Policies (Continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax status

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

The Organization accounts for income taxes in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management does not believe any uncertain tax positions exist at June 30, 2018 and 2017.

Cash and cash equivalents (change in accounting policy)

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. Prior to June 30, 2018, cash and cash equivalents included financial instruments designated by the Board of Directors, endowments that are perpetual in nature, or other long-term purposes. Previously reported as of June 30, 2017, cash and cash equivalents totaled \$1,163,065 which has been reclassified totaling \$1,122,784. Previously reported as of June 30, 2017, investment securities, at fair value totaled \$2,786,837 which has been reclassified totaling \$2,827,118.

Allowance for doubtful accounts

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

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 1 Significant Accounting Policies (Continued)

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

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

Grants payable

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

Contributed support

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

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 1 Significant Accounting Policies (Continued)

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.

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

On August 18, 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. When this standard is adopted, the primary accounting change will reduce the number of net asset classes from three to two, those with donor restrictions and those without. Additionally, this standard requires all nonprofits to report expenses by nature and function and improves information presented in financial statements that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. This new standard is effective for financial statements issued for annual periods beginning after December 15, 2017. The Organization is evaluating what impact this new standard will have on its financial statements.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018 with Summarized Financial Information for the Year Ended June 30, 2017

Note 1 Significant Accounting Policies (Continued)

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

Subsequent events

The Organization has evaluated subsequent events through October 20, 2018, which is the date these financial statements were available to be issued.

Note 2 Cash, Cash Equivalents and Short-Term Investments

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

	2018	2017
Cash and cash equivalents:		
Cash on hand	\$300	\$300
Checking accounts, as agent	0	155
Checking/sweep accounts	282,354	422,571
Money market accounts	366,357	344,010
Savings account	176,095	175,972
Certificate of deposit	180,441	179,776
Total cash and cash equivalents	\$1,005,547	\$1,122,784

As of June 30, 2018, \$15,412 was not covered by federal depository insurance.

Note 3 Campaign Pledges Receivable

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

	2018	2017
Campaign pledges receivable	\$1,569,701	\$1,559,869
Less allowance for uncollectible pledges	301,000	301,000
Net campaign pledges receivable	\$1,268,701	\$1,258,869

All pledges receivable are expected to be collected within one year. Bad debt expense charged against campaign revenue was \$174,786 and \$256,340 for the year ended June 30, 2018 and 2017, respectively.

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 4 Equipment

At June 30, 2018 and 2017 equipment, at cost, consisted of the following:

	2018	2017
Equipment	\$183,516	\$229,399
Less accumulated depreciation	150,588	201,669
Equipment, net	\$32,928	\$27,730

Depreciation expense for the year ended June 30, 2018 and 2017 was \$11,608 and \$16,244, respectively.

Note 5 Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain	Fair value
Investment securities – 2018	\$2,779,369	\$226,459	\$3,005,828
Investment securities – 2017	\$2,600,995	\$226,123	\$2,827,118

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, 2018 and 2017 is summarized in the table below.

2018	Account A	Account B	Total
Investment securities, at beginning of year	\$2,353,419	\$473,699	\$2,827,118
Investment returns:			
Dividends, interest, and capital gain distributions	53,108	8,321	61,429
Realized gains, net	158,085	38,331	196,416
Unrealized losses, net	(3,084)	(5,715)	(8,799)
Investment fees	(16,476)	(3,463)	(19,939)
Total change in investments	191,633	37,474	229,107
Amounts designated for grants	(50,397)		(50,397)
Investment securities, at end of year	\$2,494,655	\$511,173	\$3,005,828

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 5 Investment Securities (Continued)

2017	Account A	Account B	Total
Investment securities, at beginning of year	\$2,173,139	\$423,084	\$2,596,223
Investment returns:			
Dividends, interest, and capital gain distributions	40,789	8,007	48,796
Realized gains (losses), net	99,909	13,411	113,320
Unrealized gains (losses), net	147,047	32,312	179,359
Investment fees	(16,439)	(3,115)	(19,554)
Total change in investments	271,306	50,615	321,921
Amounts designated for grants	(91,026)		(91,026)
Investment securities, at end of year	\$2,353,419	\$473,699	\$2,827,118

Note 6 Beneficial Interest in Trusts / Endowment Income

Community Foundation of Northern Illinois (CFNI) administers a designated \$1,000,000 endowment. Payments to United Way of Rock River Valley are determined by the CFNI trustees. Because of the variance powers granted by the CFNI trustees, income is recognized as payments are accrued. Payments received and recognized for the years ended June 30, 2018 and 2017 were \$67,005 and \$67,059 respectively.

In September 1995, the Organization was named a beneficiary of the Willard J. Corbett and Alice C. Corbett Charitable Trust (the "Trust"), which is administered by BMO Private Bank. According to the trust agreement, payments to the Organization are made annually each July 1 for 25 years starting July 1, 1996. Payments are to equal 5% of the trust's allocable principal balance and accumulated earnings in the trust valued on June 1st of each year. Payments received and recognized for the years ended June 30, 2018 and 2017 were \$51,510 and \$49,083 respectively.

In addition, the change in the asset value resulting from the increase (decrease) in the present value of future estimated cash flows from the Trust over its remaining life using a discount rate of seven percent were (\$10,665) and \$39,522 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 is as follows:

	2018	2017
Receivable in less than one year	\$48,913	\$51,510
Receivable in one to two years	663,038	671,106
	\$711,951	\$722,616

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018 with Summarized Financial Information for the Year Ended June 30, 2017

Note 7 Fair Value

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2018 and 2017. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

2018	Level 1	Level 2	Level 3	Total
Mutual funds	\$3,005,828			\$3,005,828
Beneficial interest in trusts		\$711,951		711,951
Total	\$3,005,828	\$711,951	\$0	\$3,717,779

2017	Level 1	Level 2	Level 3	Total
Mutual funds	\$2,827,118			\$2,786,837
Beneficial interest in trusts		\$722,616		722,616
Total	\$2,827,118	\$722,616	\$0	\$3,509,453

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 8 Endowment Funds

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

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

United Way of Rock River Valley

Notes to Financial Statements for the Year Ended June 30, 2018
with Summarized Financial Information for the Year Ended June 30, 2017

Note 8 Endowment Funds (Continued)

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:

2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$0	\$2,494,655	\$0	\$2,494,655
2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$0	\$2,353,419	\$0	\$2,353,419

Changes in endowment net asset as of June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,353,419	\$0	\$2,353,419
Interest, dividends and realized gains, net		211,193		211,193
Investment fees		(16,476)		(16,476)
Unrealized losses		(3,084)		(3,084)
Amounts appropriated for expenditure		(50,397)		(50,397)
Endowment net assets, end of year	\$0	\$2,494,655	\$0	\$2,494,655

United Way of Rock River Valley

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Note 8 Endowment Funds (Continued)

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

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

Note 9 Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 were as follows:

	2018	2017
Gift restricted to initiatives	\$12,282	\$7,650
Future operations - endowment	2,494,655	2,353,419
Present value of beneficial interest in charitable trust held by third party	711,951	722,616
Total temporarily restricted net assets	\$3,218,888	\$3,083,685

Note 10 Annual Campaign Concentration

Included in the public support-annual campaign for the years ended June 30, 2018 and 2017, are pledges from a major contributor and its employees of approximately (percent of total annual campaign revenue) \$585,107 (17.5%) and \$616,059 (17.8%), respectively. The balance of this contributor's pledges receivable was \$244,147 and \$276,134 at June 30, 2018 and 2017, respectively.

No other contributors accounted for 10% or more of the annual campaign support in 2018 or 2017.

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Notes to Financial Statements for the Year Ended June 30, 2017
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Note 11 Staffing Contract

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

Note 12 Retirement Plan

The Organization has established a defined contribution plan to provide continued benefit to substantially all of its employees. United Way makes contributions to the plan based on a percentage of the participant's salary or wages. Participants may also make voluntary contributions which will be matched by United Way up to a certain percentage. Employer contributions to the plan were \$21,819 and \$20,190 for the years ended June 30, 2018 and 2017, respectively.

Note 13 Operating Lease

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