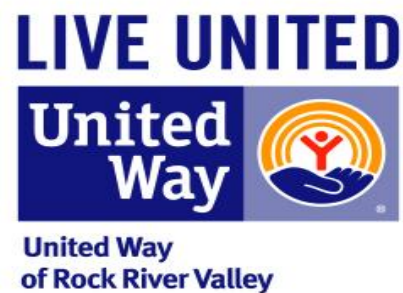


United Way of Rock River Valley

Financial Statements

Year Ended June 30, 2022 With Summarized
Comparative Totals for the Year Ended June 30, 2021



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United Way of Rock River Valley

Year Ended June 30, 2022

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of United Way of Rock River Valley (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2022, 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 ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Rock River Valley 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 GAAP, 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's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Rock River Valley'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'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.

Report on Summarized Comparative Information

We previously audited United Way of Rock River Valley's year ended June 30, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

Lincolnshire, Illinois
February 24, 2023

United Way of Rock River Valley

Statements of Financial Position

June 30, 2022 and 2021

<i>Assets</i>	2022	2021
Cash and cash equivalents	\$ 1,454,531	\$ 1,358,924
Campaign pledges receivable, less allowance for uncollectible pledges of \$200,000 for 2022 and \$250,000 for 2021	431,887	657,896
Prepaid expenses	46,123	47,084
Investment securities, at fair value	5,343,128	6,347,845
Equipment, net	19,045	19,485
Other assets	108,411	4,941
Total assets	\$ 7,403,125	\$ 8,436,175
<i>Liabilities and Net Assets</i>		
Liabilities:		
Payable to other organizations	\$ 66,568	\$ 44,183
Accounts payable and accrued expenses	260,357	182,280
Grants payable	8,303	287,273
Notes payable - Paycheck Protection Program	-	185,210
Total liabilities	\$ 335,228	\$ 698,946
Net assets:		
With donor restrictions	2,429,788	3,038,357
Without donor restrictions:		
Board designated	2,964,899	3,377,167
Undesignated	1,673,210	1,321,705
Total net assets	7,067,897	7,737,229
Total liabilities and net assets	\$ 7,403,125	\$ 8,436,175

See accompanying notes to financial statements.

United Way of Rock River Valley

Statements of Activities

Year Ended June 30, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	2022	2021
Changes in without donor restrictions net assets:		
Unrestricted support and other revenue:		
Total campaign efforts	\$ 2,144,587	\$ 2,678,166
Less: amounts designated by donors for specific organizations	305,475	464,590
Public support - annual campaign, net	1,839,112	2,213,576
Endowment, trust and estate income	74,432	72,694
Initiative funding	7,535	90,812
Investment income, net of fees of \$21,403 and \$4,585, respectively	(500,061)	273,614
Government grants	110,142	-
Other income	217,169	315,214
Net assets released from restrictions:		
Satisfaction of purpose restrictions	348,719	705,702
Satisfaction of time restrictions	144,546	135,244
Total without donor restricted support and revenues	2,241,594	3,806,856
Program services	1,758,424	2,832,555
Management and general	418,067	163,872
Campaign and other fundraising	125,866	337,723
Total functional expenses	2,302,357	3,334,150
Change in without donor restrictions net assets	(60,763)	472,706
Change in net assets with donor restrictions:		
Contributions	294,414	493,285
Investment income (loss), net of fees of \$20,313 and \$24,007, respectively	(409,718)	619,107
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(348,719)	(705,702)
Satisfaction of time restrictions	(144,546)	(135,244)
Change in net assets with donor restrictions	(608,569)	271,446
Change in total net assets	(669,332)	744,152
Total net assets at beginning of the year	7,737,229	6,993,077
Total net assets at end of the year	\$ 7,067,897	\$ 7,737,229

See accompanying notes to financial statements.

United Way of Rock River Valley

Statements of Cash Flows

Year Ended June 30, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	2022	2021
Cash flows from operating activities:		
Change in total net assets	\$ (669,332)	\$ 744,152
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Depreciation	2,221	4,991
Unrealized loss (gain) on investment securities	1,149,996	(555,144)
Realized gain on investment securities/funds held in trust	(166,548)	(292,241)
Forgiveness of PPP loan	(185,210)	(185,200)
Changes in operating assets and liabilities:		
Pledges receivable	226,009	(76,259)
Other assets	(103,470)	(4,781)
Prepaid expenses	961	(47)
Payable to other organizations	22,385	11,880
Accounts payable and accrued expenses	78,077	35,341
Grants payable	(278,970)	66,217
Net cash flows from operating activities	76,119	(251,091)
Cash flows from investing activities:		
Purchases of equipment	(1,781)	(21,452)
Proceeds from sale and maturity of investment securities	2,077,523	1,168,314
Purchase of investments	(2,056,254)	(3,577,081)
Net cash flows from investing activities	19,488	(2,430,219)
Cash flows from financing activities:		
Proceeds from long-term debt	-	185,210
Net cash flows from financing activities	-	185,210
Net change in cash and cash equivalents	95,607	(2,496,100)
Cash and cash equivalent at beginning of year	1,358,924	3,855,024
Cash and cash equivalent at end of year	\$ 1,454,531	\$ 1,358,924
Supplemental disclosure of non cash financing activities:		
PPP loan forgiveness	\$ 185,210	\$ 185,200

See accompanying notes to financial statements.

United Way of Rock River Valley

Statements of Functional Expenses

Year Ended June 30, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

		Program	Management & General	Campaign & Other Fundraising	<u>2022</u> Total	<u>2021</u> Total
Salaries	\$	544,758	\$ 215,245	\$ 53,219	\$ 813,222	\$ 916,477
Employee health		43,834	28,786	3,120	75,740	105,322
Employee retirement		17,145	9,125	1,646	27,916	31,732
Payroll taxes and other		83,009	27,059	7,623	117,691	134,907
<hr/>						
Total Salaries and related expenses		688,746	280,215	65,608	1,034,569	1,188,438
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Supplies		4,690	2,267	609	7,566	10,548
Telephone		3,869	1,262	502	5,633	4,935
Postage		4,153	1,356	540	6,049	9,642
Occupancy		38,590	12,593	5,013	56,196	54,761
Equipment repair and maintenance		49,074	15,251	6,071	70,396	62,037
Total funds granted to agencies and other United Ways		568,265	-	-	568,265	1,177,795
Payments to affiliated organizations		27,413	8,946	3,561	39,920	56,872
Marketing		103,476	-	22,086	125,562	159,438
Subscriptions, publications and dues		234	17,362	8,249	25,845	36,567
Non-campaign printing		4,962	3,447	614	9,023	8,713
Bad debt		-	39,311	-	39,311	115,145
Initiatives and events		247,448	-	15	247,463	373,724
Local travel		767	1,276	1,731	3,774	3,413
Training and travel		6,979	5,229	2,768	14,976	658
Support of state organization		1,779	580	231	2,590	2,470
General insurance		3,003	7,612	390	11,005	10,573
Professional fees		3,333	21,160	7,500	31,993	53,430
<hr/>						
Total functional expenses before depreciation		1,756,781	417,867	125,488	2,300,136	3,329,159
<hr/>						
Depreciation		1,643	200	378	2,221	4,991
<hr/>						
Total functional expenses	\$	1,758,424	\$ 418,067	\$ 125,866	\$ 2,302,357	\$ 3,334,150

See accompanying notes to financial statements.

United Way of Rock River Valley

Notes to Financial Statements

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.

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:

Move the Middle – This initiative is aimed at middle school success. This year the Move the Middle initiative has reached 2,000 middle school students from Lincoln and RESA Middle Schools, resulting in 154 resource referrals, providing students with the help they need to get back on track. When middle schoolers stay on track, they become successful high schoolers and eventually employed, contributing adults.

Literacy Project – In Winnebago County, only 32% of third graders can read at grade level or above. United Way is working with twenty-six local agencies to change this staggering statistic. We are utilizing the power of collective impact to remove barriers to literacy, thereby lifting our whole community! A reading community decreases poverty, increases a viable workforce, reduces crime, and brings strong mental health.

24-Hour Resource Hotlines – We fund two critical hotlines for anyone living in Winnebago County to access anytime they need them. 2-1-1 gives people access to health and human services including housing, food, transportation, daycare, and other essential resources required to live healthy lives. 9-8-8 is for individuals struggling with mental health, suicidal ideations, domestic violence, and any other issue that would require a certified counselor. Both hotlines provide critical access for individuals in crisis needing assistance at any hour of any day.

Post Covid-19 Grants - United Way continued to support COVID-19 relief efforts by granting almost \$400,000 to 22 local agencies still struggling to regain their footing following the pandemic. Funds went to clients still unserved, programs not yet restarted and/or gaps in their funding that still existed.

Ogle County Agency Grants – As this United Way transitioned Ogle County to the United Way of Lee County, we made final allocations to 14 agencies that provide health and human services in Ogle County for grants totaling \$97,000.

Strong Neighborhoods Initiative – Three Strong Neighborhood Houses are used as resource centers where neighbors can find a relaxed, easy way to form a relationship with a Community Police Officer or a member of the Sheriff's department. This initiative supports the families living in the surrounding areas by bringing human services to under-resourced neighborhoods. Nonprofit agencies use the Houses to offer services that are not easily accessed in the neighborhoods.

Dolly Parton Imagination Library – United Way of Rock River Valley funds the Dolly Parton Imagination Library at 100% of the program cost. This initiative supports literacy by promoting positive reading habits as soon as birth.

United Way of Rock River Valley

Notes to Financial Statements

Note 1: Significant Accounting Policies (Continued)

Nature of Activities (Continued)

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 coordinator 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.

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.

Basis of Accounting

The Organization follows standards for accounting and financial reporting prescribed for voluntary health and welfare agencies. The financial statements of the Organization have been prepared on the accrual basis of accounting with accounting principles generally accepted in the United States.

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 States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized financial information was derived.

United Way of Rock River Valley

Notes to Financial Statements

Note 1: Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the 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, 2022.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Investment Securities

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

Equipment

Equipment purchased in excess of \$1,500 with an estimated useful life of at least three years is capitalized at cost, or if donated, at fair market value at the date of donation less accumulated depreciation. Depreciation is computed by the straight-line method over the estimate useful lives range of three to eight years.

United Way of Rock River Valley

Notes to Financial Statements

Note 1: Significant Accounting Policies (Continued)

Equipment (Continued)

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.

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 2022 and 2021.

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 12 month period on or around June 30th each year. The grant is paid and recognized as expense within the year that the grant is awarded.

Contributed Support and Revenue Recognition

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.

United Way of Rock River Valley

Notes to Financial Statements

Note 1: Significant Accounting Policies (Continued)

Contributed Support and Revenue Recognition (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.

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.

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 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

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, those costs are allocated among functional categories based upon time and effort.

United Way of Rock River Valley

Notes to Financial Statements

Note 1: Significant Accounting Policies (Continued)

Pending Accounting Pronouncements

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

Reclassification

Certain amounts as previously reported in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 24, 2023, which is the date the financial statements were available to be issued.

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, 2022 and 2021, reduced by amounts not available for general expenditures:

	2022	2021
Total financial assets	\$ 7,337,957	\$ 8,369,606
Less those unavailable for general expenditure within one year due to:		
Time and purpose restriction	2,429,788	3,038,357
Board designated	2,964,899	2,971,943
Financial assets available to meet general expenditures within one year	\$ 1,943,270	\$ 2,359,306

United Way of Rock River Valley

Notes to Financial Statements

Note 3: Campaign Pledges Receivable

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

	2022	2021
Campaign pledges receivable	\$ 631,887	\$ 907,896
Less: Allowance for uncollectible pledges	(200,000)	(250,000)
Net campaign pledges receivable	\$ 431,887	\$ 657,896

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

Note 4: Equipment

Equipment consisted of the following at June 30:

	2022	2021
Equipment	\$ 145,080	\$ 143,299
Less: Accumulated Depreciation	(126,035)	(123,814)
Equipment, net	\$ 19,045	\$ 19,485

Depreciation expense for the years ended June 30, 2022 and 2021 was \$2,221 and \$4,991, respectively.

Note 5: Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain/(loss)	Fair value
Investment securities - 2022	\$ 5,701,456	\$ (358,328)	\$ 5,343,128
Investment securities - 2021	5,213,176	1,134,668	6,347,845

United Way of Rock River Valley

Notes to Financial Statements

Note 5: Investment Securities (Continued)

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, 2022 and 2021, is summarized in the table below.

2022	Account A	Account B	Total
Investment securities, at beginning of year	\$ 2,970,678	\$ 3,377,167	\$ 6,347,845
Investment return:			
Dividends, interest and capital gain distributions	48,211	66,783	114,994
Realized gains, net	142,563	23,985	166,548
Unrealized losses, net	(580,179)	(569,817)	(1,149,996)
Investment fees	(20,314)	(21,403)	(41,717)
Contributions	-	50,000	50,000
Total change in investment securities	(409,719)	(450,452)	(860,171)
Less: Amounts designated for grants	(144,546)	-	(144,546)
Investment securities, at end of year	\$ 2,416,413	\$ 2,926,715	\$ 5,343,128
2021	Account A	Account B	Total
Investment securities, at beginning of year	\$ 2,486,813	\$ 604,880	\$ 3,091,693
Investment return:			
Dividends, interest and capital gain distributions	62,383	10,218	72,601
Realized gains, net	84,042	208,199	292,241
Unrealized gains, net	496,689	58,455	555,144
Investment fees	(24,007)	(4,585)	(28,592)
Contributions	-	2,500,000	2,500,000
Total change in investment securities	619,107	\$ 2,772,287	\$ 891,394
less: Amounts designated for grants	(135,242)	-	(135,242)
Investment securities, at end of year	\$ 2,970,678	\$ 3,377,167	\$ 6,347,845

United Way of Rock River Valley

Notes to Financial Statements

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, 2022 and 2021, were \$70,976 and \$69,631 respectively.

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, 2022 and 2021.

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.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2022 and 2021. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

2022	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 5,343,128	\$ -	\$ -	\$ 5,343,128
2021	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,347,845	\$ -	\$ -	\$ 6,347,845

United Way of Rock River Valley

Notes to Financial Statements

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.

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.

United Way of Rock River Valley

Notes to Financial Statements

Note 8: Endowment Funds (Continued)

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
2022			
Donor-restricted endowment funds	\$ -	\$ 2,416,413	\$ 2,416,413
2021			
Donor-restricted endowment funds	\$ -	\$ 2,970,678	\$ 2,970,678

Changes in endowment net asset for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, Beginning of year	\$ -	\$ 2,970,678	\$ 2,970,678
Interest, dividends and capital gain distributions, net	-	48,211	48,211
Realized gains, net	-	142,563	142,563
Unrealized losses, net	-	(580,179)	(580,179)
Investment fees	-	(20,314)	(20,314)
Amounts appropriated for expenditure	-	(144,546)	(144,546)
Endowment net assets, end of year	\$ -	\$ 2,416,413	\$ 2,416,413

Changes in endowment net asset for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 2,486,813	\$ 2,486,813
Interest, dividends and capital gain distributions, net	-	62,383	62,383
Realized gains, net	-	84,042	84,042
Unrealized gains, net	-	496,689	496,689
Investment fees	-	(24,007)	(24,007)
Amounts appropriated for expenditure	-	(135,242)	(135,242)
Endowment net assets, end of year	\$ -	\$ 2,970,678	\$ 2,970,678

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Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions

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

	2022	2021
Gift restricted to initiatives	\$ 13,375	\$ 67,679
Future operations - endowment	2,416,413	2,970,678
Total net assets with donor restrictions	\$ 2,429,788	\$ 3,038,357

Note 10: Employee Retention Tax Credit

The Organization filed for an employee retention tax credit (ERTC) related to the second quarterly period of 2021. The Organization views these credits as a grant by analogizing to guidance in IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. For the year ended June 30, 2022, the Organization has recorded grant revenue of \$108,411 on the statements of activities with a corresponding other asset on the statements of net position.

Laws and regulations concerning government programs, including the ERTC established by the CARES act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERTC, and it is not possible to determine the impact (if any) this would have upon the Organization.

Note 11: 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 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 \$27,916 and \$31,732 for the years ended June 30, 2022 and 2021, respectively.

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Notes to Financial Statements

Note 13: Operating Lease

The Organization entered into an operating lease for office space effective May 1, 2022 through April 30, 2023. Upon expiration of the initial term, the lease shall automatically renew for a subsequent twelve-month term unless a default or either party provides the other with 90 days written notice to terminate the lease. The Organization incurred \$48,290 and \$47,201 in rent expense for the years ended June 30, 2022 and 2021.

Note 14: Paycheck Protection Program

During 2021 and in response to COVID-19 crisis, the Organization applied for and received a loan of \$185,210 pursuant to the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA). The loan bears interest at a rate of 1% and was set to mature November 2026. The Organization applied for and received full loan forgiveness of \$185,210. Notification was received from the SBA that the loan was fully forgiven on January 12, 2022. The income is recorded in other income on the statements of activities.

Note 15: Campaign Reassignment

During the year, the board made the decision to reassign Ogle County campaign reserves and pledges receivable to the United Way of Lee County. As of June 30, 2022, the Organization owes United Way of Lee County \$57,933 and is included in the payable to other organizations balance.