

United Way of Rock River Valley

Financial Statements

June 30, 2015

United Way of Rock River Valley

June 30, 2015

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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, 2015, and the related statement 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 of America; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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, 2015, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Information appearing on pages 23 - 25, is presented for purposes of additional analysis, 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. Such 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. In our opinion, the Supplementary Information appearing on pages 23 - 25 are 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 October 20, 2015, on our consideration of 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 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 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 United Way of Rock River Valley's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the United Way of Rock River Valley's 2014 financial statements, and we expressed an unmodified audit opinion on those audit financial statements in our report dated October 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Rockford, Illinois
October 20, 2015



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States 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, 2015, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Rock River Valley's internal control over financial reporting ("internal control") to determine the 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 United Way of Rock River Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as item 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. 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*.

Responses to Findings

United Way of Rock River Valley's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. United Way of Rock River Valley's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 United Way of Rock River Valley's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Rock River Valley's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Rockford, Illinois
October 20, 2015

United Way Rock River Valley

Statement of Financial Position

June 30, 2015 with Summarized Financial Information for June 30, 2014

Assets	2015	2014
Cash and cash equivalents	\$ 1,650,048	\$ 1,567,337
Campaign pledges receivable, less allowance for uncollectible pledges of \$301,000 for 2015 and 2014	1,515,823	1,547,264
Grants receivable	34,784	131,175
Prepaid expenses	65,278	45,272
Investment securities, at fair value	2,675,363	2,474,270
Other assets	7,867	2,072
Equipment, at cost, less accumulated depreciation	37,937	42,974
Beneficial interest in trusts	736,871	732,193
Total assets	\$ 6,723,971	\$ 6,542,557
Liabilities and Net Assets		
Liabilities:		
Payable to other organizations	\$ 79,307	\$ 105,401
Accounts payable and accrued expenses	193,193	137,391
Grants payable	1,118,831	1,106,223
Total liabilities	\$ 1,391,331	\$ 1,349,015
Net assets:		
Restricted:		
Temporarily	\$ 2,815,333	\$ 2,868,056
Permanently	250,000	250,000
Unrestricted:		
Board designated	210,166	264,647
Undesignated	2,057,141	1,810,839
Total net assets	5,332,640	5,193,542
Total liabilities and net assets	\$ 6,723,971	\$ 6,542,557

United Way Rock River Valley

Statement of Activities

Year Ended June 30, 2015 with Summarized Financial Information for the Year Ended June 30, 2014

	2015	2014
Changes in unrestricted net assets:		
Unrestricted support and other revenue:		
Total campaign efforts	\$ 3,952,226	\$ 4,026,724
Less: amounts designated by donors for specific organizations	564,475	473,050
Public support - annual campaign, net	3,387,751	3,553,674
Endowment trust and estate income	114,545	60,718
Initiative funding	336,958	134,364
Unrealized gain (loss) on investment securities	(10,558)	32,328
Realized gain on investment securities/funds held in trust	15,593	7,906
Investment income, net of fees of \$4,433 and \$2,206, respectively	13,735	9,535
Government grants	175,535	149,198
Miscellaneous income	55,534	70,552
Net assets released from restrictions:		
Satisfaction of purpose restrictions	14,050	16,587
Satisfaction of time restrictions	160,802	111,635
Total unrestricted support and revenues	4,263,945	4,146,497
Grants to agencies, other organizations and expenses:		
Total funds granted to agencies and other United Ways	2,597,412	2,666,427
Less: Amounts funded through donors designations	564,475	473,050
Grants to agencies, net	2,032,937	2,193,377
Payments to affiliated organizations	40,241	40,188
Program services	1,380,282	1,044,781
Campaign	425,416	520,739
Management and general	193,248	144,663
Total grants to agencies, other organizations and expenses	4,072,124	3,943,748
Change in unrestricted net assets	191,821	202,749
Change in temporarily restricted net assets:		
Contributions, net of discount	7,814	1,014,052
Unrealized gains (losses) on investment securities, net	(61,853)	103,452
Realized gain on investment securities, net	95,629	56,324
Investment income, net of fees of \$14,811 and \$9,461, respectively	22,139	27,176
Change in beneficial interest in trust	58,400	87,464
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(14,050)	(16,587)
Satisfaction of time restrictions	(160,802)	(111,635)
Change in temporarily restricted net assets	(52,723)	1,160,246
Change in total net assets	139,098	1,362,995
Total net assets beginning of the year	5,193,542	3,830,547
Total net assets at the end of the year	\$ 5,332,640	\$ 5,193,542

See accompanying notes to financial statements.

United Way Rock River Valley

Statement of Cash Flows

Year Ended June 30, 2015 with Summarized Financial Information for the Year Ended June 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in total net assets	\$ 139,098	\$ 1,362,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,312	21,882
Unrealized (gain) loss on investment securities	72,411	(135,780)
Realized gain on investment securities/funds held in trust	(111,222)	(64,230)
Contribution for endowment	0	(1,000,001)
Changes in operating assets and liabilities:		
Pledges receivable	31,441	60,638
Grants receivable	96,391	(76,806)
Prepaid expenses	(20,006)	(2,142)
Other assets	(5,795)	(1,332)
Beneficial interest in trusts	(4,678)	(31,529)
Grants payable	12,608	(109,780)
Payable to other organizations	(26,094)	33,434
Accounts payable and accrued expenses	55,802	40,246
Net cash provided by operating activities	259,268	97,595
Cash flows from investing activities:		
Purchase of equipment	(14,275)	(18,081)
Purchase of investment securities	(903,467)	(2,701,956)
Proceeds from investment securities	741,185	1,601,099
Net cash used in investing activities	(176,557)	(1,118,938)
Cash flows from financing activities:		
Proceeds from contribution to endowment	0	1,000,001
Net cash provided by financing activities	0	1,000,001
Increase (decrease) in cash and cash equivalents	82,711	(21,342)
Cash and cash equivalents, beginning	1,567,337	1,588,679
Cash and cash equivalents, ending	\$ 1,650,048	\$ 1,567,337

United Way Rock River Valley

Statement of Functional Expenses

Year Ended June 30, 2015 with Summarized Financial Information for the Year Ended June 30, 2014

	Program	Campaign	Management & General	2015 Total	2014 Total
Salaries	\$ 527,437	\$ 186,669	\$ 113,884	\$ 827,990	\$ 724,215
Employee health	89,165	41,984	21,971	153,120	132,779
Employee retirement	10,629	6,489	3,887	21,005	19,505
Payroll taxes and other	74,464	31,048	16,541	122,053	104,341
	701,695	266,190	156,283	1,124,168	980,840
Supplies	11,677	1,799	2,437	15,913	18,039
Telephone	3,819	464	878	5,161	4,751
Postage	5,339	537	1,015	6,891	13,136
Occupancy and rental	32,687	3,976	12,467	49,130	48,565
Equipment repair and maintenance	18,802	1,941	3,668	24,411	28,790
Campaign expense		108,395		108,395	102,828
Subscriptions, publications and dues	18,197	3,137	4,180	25,514	17,323
Non-campaign printing and events	13,839	1,697	2,981	18,517	20,609
Initiatives and events	523,670	20,885		544,555	389,611
Local travel	9,263	9,085	1,183	19,531	18,565
Training and out of town travel	8,296	3,297	575	12,168	13,386
Support of state organization	3,086	375	709	4,170	4,890
General insurance	2,014	245	462	2,721	2,612
Insurance for the board	4,235	515	974	5,724	6,003
Professional fees	9,372	1,140	2,153	12,665	18,353
Total before depreciation	1,365,991	423,678	189,965	1,979,634	1,688,301
Depreciation	14,291	1,738	3,283	19,312	21,882
Total Functional Expenses	\$ 1,380,282	\$ 425,416	\$ 193,248	\$ 1,998,946	\$ 1,710,183

See accompanying notes to financial statements.

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

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, 2014, from which the summarized financial information was derived.

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

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, 2015 and 2014. The Organization's tax years that remain open and subject to possible examination by federal and State of Illinois jurisdictions include the tax years of 2012 through 2014.

Cash and cash equivalents

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

Allowance for doubtful accounts

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

Investment securities

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

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 1 Significant Accounting Policies (Continued)

Equipment

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

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

Grants payable

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

Contributed support

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

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted or as temporarily restricted depending on whether there is an explicit, donor-imposed time requirement as to how long the assets must be maintained. Absent any donor-imposed time requirement, the Organization reports expirations of donor restrictions when long-lived assets are placed in service.

Campaign funding designated for other organizations is not included in the total revenue and support on the statement of activities. Such amounts are deemed revenue and support of the recipient organization.

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 1 Significant Accounting Policies (Continued)

Donated services and other in-kind support

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

Functional allocation of expenses

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

Subsequent events

The Organization has evaluated subsequent events through October 20, 2015, 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:

	2015	2014
Cash and cash equivalents:		
Cash on hand	\$150	\$150
Checking accounts, as agent	155	32,323
Checking/sweep accounts	744,313	702,409
Money market accounts	502,656	450,034
Savings account	175,651	175,428
Certificate of deposit	177,941	176,539
Trust and investment funds:		
Accrued income	1,743	1,279
Money market funds	47,439	29,175
Total cash and cash equivalents	\$1,650,048	\$1,567,337

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 2 Cash, Cash Equivalents and Short-Term Investments (Continued)

The checking accounts' balances of \$155 and \$32,323 as of June 30, 2015 and 2014, respectively, represents unremitted funds collected by the Organization that are payable to other not-for-profit organizations.

As of June 30, 2015, the carrying amount of the Organization's deposits in checking, money market and certificates of deposit was \$1,650,048 and the bank balance was \$1,871,443. Of the bank balance, \$767,085 was not covered by federal depository insurance.

Note 3 Campaign Pledges Receivable

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

	2015	2014
Campaign pledges receivable	\$1,816,823	\$1,848,264
Less allowance for uncollectible pledges	301,000	301,000
Net campaign pledges receivable	\$1,515,823	\$1,547,264

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

Bad debt expense charged against campaign revenue was \$152,344 and \$162,068 for the year ended June 30, 2015 and 2014, respectively.

Note 4 Investment Securities

The Organization's investments are stated at fair value and consist of the following at June 30, 2015 and 2014.

2015	Cost	Unrealized gain (loss)	Fair value
Mutual funds:			
Equities	\$1,535,700	\$167,837	\$1,703,537
Fixed income	755,975	(11,751)	744,224
Other	95,247	5,466	100,713
Stocks	119,887	7,002	126,889
Total investment securities	\$2,506,809	\$168,554	\$2,675,363

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 4 Investment Securities (Continued)

2014	Cost	Unrealized gain	Fair value
Mutual funds:			
Equities	\$1,386,925	\$224,113	\$1,611,038
Fixed income	720,485	6,475	726,960
Other	125,895	10,377	136,272
Total investment securities	\$2,233,305	\$240,965	\$2,474,270

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, 2015 and 2014 is summarized in the table below.

2015	Account A	Account B	Total
Investment securities, at beginning of year	\$2,101,696	\$372,574	\$2,474,270
Investment returns:			
Dividends, interest, and capital gain distributions	37,897	6,333	44,230
Realized gains	93,164	18,058	111,222
Unrealized gains (losses)	(57,658)	(14,753)	(72,411)
Investment fees	(16,531)	(2,713)	(19,244)
Total return on investments	56,872	6,925	63,797
Amounts transferred to Account A	254,562		254,562
Amounts transferred to restricted cash	(10,361)		(10,361)
Amounts transferred from restricted cash		176	176
Amounts designated for grants	(107,081)		(107,081)
Investment securities, at end of year	\$2,295,688	\$379,675	\$2,675,363

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 4 Investment Securities (Continued)

2014	Account A	Account B	Total
Investment securities, at beginning of year	\$894,827	\$278,576	\$1,173,403
Gifts available for investment	1,000,001	50,000	1,050,001
Investment returns:			
Dividends, interest, and capital gain distributions	36,637	9,011	45,648
Realized gains	56,324	7,906	64,230
Unrealized gains	103,452	32,328	135,780
Investment fees	(9,461)	(2,206)	(11,667)
Total return on investments	186,952	47,039	233,991
Amounts transferred to restricted cash		(3,041)	(3,041)
Amounts transferred from restricted cash	75,616		75,616
Amounts designated for grants	(55,700)		(55,700)
Investment securities, at end of year	\$2,101,696	\$372,574	\$2,474,270

Note 5 Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 5 Fair Value (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2015 and 2014.

Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

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 proceeding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

2015	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$2,675,363			\$2,675,363
Beneficial interest in trusts			\$736,871	736,871
Total	\$2,675,363		\$736,871	\$3,412,234

2014	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$2,474,270			\$2,474,270
Beneficial interest in trusts			\$732,193	732,193
Total	\$2,474,270		\$732,193	\$3,206,463

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 5 Fair Value (Continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2015 and 2014:

	2015	2014
Balance, beginning of year	\$732,193	\$700,664
Realized and unrealized gain	58,399	87,464
Distributions	(53,721)	(55,935)
Balance, end of year	\$736,871	\$732,193

The following table represents the Organization's Level 3 assets, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs at June 30, 2015 and 2014:

Instrument	2015 Fair Value	2014 Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average Discount Rate
Beneficial Interest in Trusts	\$736,871	\$732,193	Discounted Cash Flow	Original Duration Payout Dates Annual Payout Percentage	25 years Current to – July 1, 2020 5.00%	7.00%

Note 6 Equipment

At June 30, 2015 and 2014 equipment, at cost, consisted of the following:

	2015	2014
Equipment	\$208,152	\$193,877
Less accumulated depreciation	170,215	150,903
Equipment, net	\$37,937	\$42,974

Depreciation expense for the year ended June 30, 2015 and 2014 was \$19,312 and \$21,882, respectively.

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 7 Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 were as follows:

	2015	2014
Gift restricted to initiatives	\$2,815	\$9,051
Future operations - endowment	2,075,647	2,126,812
Present value of beneficial interest in charitable trust held by third party	736,871	732,193
Total temporarily restricted net assets	\$2,815,333	\$2,868,056

Permanently restricted net assets consist of contributions restricted by the donors for permanent endowment. The contributions must be held in perpetuity and the investment earnings and net appreciation are expendable for grants to participating agencies.

Note 8 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, 2015 and 2014 were \$63,300 and \$60,718 respectively.

In September 1995, the Organization was named a beneficiary of the Willard J. Corbett and Alice C. Corbett Charitable 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, 2015 and 2014 were \$53,721 and \$55,935 respectively.

In addition, the change in the asset value resulting from the increase (or 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 \$4,679 and \$31,529 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 is as follows:

	2015	2014
Receivable in less than one year	\$53,364	\$53,721
Receivable in one to five years	192,632	194,785
Receivable in more than five years	490,875	483,687
	\$736,871	\$732,193

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 9 Endowment Funds

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

The Organization's management has interpreted the Illinois Prudent Management of Institutional Funds Act (IL UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by IL UPMIFA. 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 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

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 9 Endowment Funds (Continued)

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:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$0	\$2,075,647	\$250,000	\$2,325,647

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$0	\$2,126,812	\$250,000	\$2,376,812

Changes in endowment net asset as of June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$2,126,812	\$250,000	\$2,376,812
Interest, dividends and realized gains, net		132,580		132,580
Investment fees		(14,811)		(14,811)
Unrealized losses		(61,853)		(61,853)
Amounts appropriated for expenditure		(107,081)		(107,081)
Endowment net assets, end of year	\$0	\$2,075,647	\$250,000	\$2,325,647

United Way of Rock River Valley

Notes to Financial Statements with Summarized Financial Information for the Year Ended June 30, 2014

Note 9 Endowment Funds (Continued)

Changes in endowment net asset as of June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$0	\$995,559	\$250,000	\$1,245,559
Contributions		1,000,000		1,000,000
Interest, dividends and realized gains, net		92,960		92,960
Investment fees		(9,461)		(9,461)
Unrealized gains		103,454		103,454
Amounts appropriated for expenditure		(55,700)		(55,700)
Endowment net assets, end of year	\$0	\$2,126,812	\$250,000	\$2,376,812

Note 10 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 \$21,005 and \$19,505 for the years ended June 30, 2015 and 2014, respectively.

Note 11 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 and \$43,665 in rent expense for the years ended June 30, 2015 and June 30, 2014, respectively. Required lease payments are as follows:

June 30,	
2016	\$44,730
2017	44,730
2018	44,730
2019	22,365
	\$156,555

United Way of Rock River Valley

Notes to Financial Statements

with Summarized Financial Information for the Year Ended June 30, 2014

Note 12 Line of Credit

The Organization had a credit line of \$300,000 from Alpine Bank & Trust Co. which expired in May 2015. The note bears interest at an initial rate of 4.50% and is collateralized by substantially all assets of the Organization. The Organization did not renew the line of credit nor establish a new line of credit. Total principal and accrued interest balance was \$0 at June 30, 2015 and 2014.

Note 13 Annual Campaign Concentration

Included in the public support-annual campaign for the years ended June 30, 2015 and 2014, are pledges from a major contributor and its employees of approximately (% of total annual campaign revenue) \$692,581 (18.40%) and \$694,483 (17.68%), respectively. The balance of this contributor's pledges receivable was \$344,465 and \$350,032 at June 30, 2015 and 2014, respectively.

No other contributors accounted for 10% or more of the annual campaign support in 2015 or 2014.

Note 14 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.

Supplementary Information

United Way Rock River Valley

Schedule of Program Costs

For the Year Ended June 30, 2015

		Agency Amount	All Other Not Allocated	FAC
_*7843				
Program Expenses				
1	Program Staff Salaries	0	0	0
2	Program Clerical Staff Salaries	0	0	0
3	Program Payroll Taxes and Fringe Benefits	0	0	0
4	Program Consultants	0	0	0
5	Consumer Wages and Fringe Benefits	0	0	0
6	Medicine and Drugs	0	0	0
7	All Other Program Equipment and Supplies	0	0	0
8	Staff Transportation	0	0	0
9	Client Transportation	0	0	0
10	Transportation To/From School	0	0	0
11	Direct Service Staff Conferences & Conventions	0	0	0
12	Program Insurance	0	0	0
13	Direct Client Specific Assistance	0	0	0
14	Telecommunication Costs Assigned to Program	0	0	0
15	Foster Care Payments	0	0	0
16	Other (Specify)	175,534	0	175,534
17	Total Program Expenses	175,534	0	175,534
Support Expenses				
18	Support Salaries	0	0	0
19	Support Payroll Taxes and Fringe Benefits	0	0	0
20	Dietary Supplies	0	0	0
21	Housekeeping and Laundry Supplies	0	0	0
22	Other (Specify)	0	0	0
23	Total Support Expenses	0	0	0
Occupancy Expenses				
24	Occupancy Salaries	0	0	0
25	Occupancy Payroll Taxes and Fringe Benefits	0	0	0
26	Building & Equipment Operations and Maintenance	24,411	24,411	0
27	Vehicle Depreciation	0	0	0
28	All Other Depreciation & Amortization	19,312	19,312	0
29	Vehicle Rent	0	0	0
30	All Other Lease/Rent/Taxes	49,130	49,130	0
31	Equipment Under \$500	0	0	0
32	Mortgage & Installment Interest	0	0	0
33	Operating Interest	0	0	0
34	Other (Specify)	0	0	0
35	Total Occupancy Expenses	92,853	92,853	0
Administrative and Office Expenses				
36	Administrative Salaries	827,990	827,990	0
37	Administrative Payroll Taxes and Fringe Benefits	296,178	296,178	0
38	Administrative Consultants	12,665	12,665	0
39	Telecommunication Costs Not Assigned to Program	5,161	5,161	0
40	Office Supplies and Equipment	39,591	39,591	0
41	Allocation of Management and General (G & A)	0	0	0
42	Other (Specify)	548,984	548,984	0
43	Total Administrative Expenses	1,730,569	1,730,569	0
44	Total Expenses	1,998,956	1,823,422	175,534

United Way Rock River Valley

Schedule of Program Costs (Continued)

For the Year Ended June 30, 2015

Non-reimbursable Expenses				
45	Depreciation on DMHDD Funded Capital Assets Included Above	0	0	0
46	Cost of Production and Workshop Client Wages Included Above	0	0	0
47	Other (Specify)	0	0	0
48	Total Non-Reimbursable Expenses	0	0	0
49	Net Expenses	1,998,956	1,823,422	175,534

Other Specify Detail

Program 1	FAC			<u>Amount</u>
		<u>Line Nbr</u>	<u>Description</u>	
		16	FAC Fee for Service Billings	155,534
		16	FAC Fiscal Agent Fees	20,000

United Way Rock River Valley

Schedule of Program Revenue

For the Year Ended June 30, 2015

-*7843

	Agency Amount	All Other Not Allocated	FAC
Fees & Purchase of Service			
1 Department of Aging	0	0	0
2 Department of Children and Family Services	175,534	0	175,534
3 Department of Corrections	0	0	0
4 Medicaid Rehab Option (MRO) Payments	0	0	0
5 Department of Human Services	0	0	0
6 Department of Public Aid	0	0	0
7 Department of Public Health	0	0	0
8 Local Education Agency/School District	0	0	0
9 Local Government	0	0	0
10 Federal Government	0	0	0
11 Other Government Agencies	0	0	0
12 Client/Family Program Fees (incl. SSI, SSA, pensions, etc)	0	0	0
13 Special Service Fees for Individual Clients	0	0	0
14 Diagnostic Service Fees	0	0	0
15 Other (Specify)	0	0	0
16 Total Fees & Purchase of Services	175,534	0	175,534
Grant Revenues			
17 Department of Aging	0	0	0
18 Department of Children and Family Services	0	0	0
19 Department of Corrections	0	0	0
20 Donated/Certified Funds Initiative (DFI/CFI)	0	0	0
21 Department of Human Services	0	0	0
22 Department of Public Aid	0	0	0
23 Department of Public Health	0	0	0
24 Local Education Agency/School District	0	0	0
25 Local Government Awards	0	0	0
26 Federal Government Awards	0	0	0
27 Other Government Awards	0	0	0
28 JTPA/CETA	0	0	0
29 Other (Specify)	0	0	0
30 Total Grant Revenues	0	0	0
Contributions & Other			
31 Restricted to Operations	0	0	0
32 Restricted to Capital	0	0	0
33 Unrestricted	4,526,966	4,526,966	0
34 Contributions - Goods and Services	0	0	0
35 Child & Adult Food Programs (school meals, commodities)	0	0	0
36 School Transportation Payments (to/from school)	0	0	0
37 Sales of Goods and Services	0	0	0
38 Rent Income	0	0	0
39 Gain on Sale of Assets	0	0	0
40 Cafeteria and Vending Machine	0	0	0
41 Other (Specify)	0	0	0
42 Total Contributions and Other	4,526,966	4,526,966	0
Investment Income			
43 Income on Restricted Assets/Investments	55,915	55,915	0
44 Income on Unrestricted Assets/Investments	18,770	18,770	0
45 Total Investment Income	74,685	74,685	0
46 Total Revenues	4,777,185	4,601,651	175,534

United Way of Rock River Valley

Schedule of Finding and Response

For the Year Ended June 30, 2015

Financial Statement Finding

2015-001

Inadequate Segregation of Duties

Condition/Criteria - There is inadequate control over the functions of processing and recording the financial transactions of the Organization due to the inadequate segregation of duties stemming from limited personnel.

Effects - Many of the accounting functions are performed by the same individuals.

Cause - The Organization has a limited number of staff to allow for adequate segregation of duties.

Recommendation - It does not appear to be economically feasible to hire additional personnel to help segregate the accounting functions. However, Management and the Board's close supervision and review of accounting information appears to be at least, in part, an appropriate manner to help reduce risk of errors and irregularities in the Organization's accounting and financial reporting.

Management response - The Organization's management and Board's close supervision and review of accounting information is the most economical and appropriate manner to help prevent and detect errors and irregularities in the Organization's accounting and financial reporting.