UNITED WAY OF ROCK RIVER VALLEY

Financial Statements and Independent Auditor's Report

June 30, 2023

UNITED WAY OF ROCK RIVER VALLEY

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LUCAS GROUP
CPAs + Advisors, LLC

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of United Way of Rock River Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Rock River Valley, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Rock River Valley, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Implementation of ASC 842, Lease

We draw attention to Note 13 of the financial statements, which describes the implementation of *Financial Accounting Standards Codification (ASC) 842, Leases.* As described in Note 13, the Organization adopted *ASC 842, Leases*, reporting a right to use asset and operating lease obligation in the Statement of Financial Position.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Rock River Valley, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Rock River Valley, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of the United Way of Rock River Valley's year ended June 30, 2022, was audited by other auditors, who expressed an unmodified opinion on those audited financial statements dated February 24, 2023.

Lucas Group CPAs + Advisors, LLC

Rockford, Illinois
February 26, 2024

UNITED WAY OF ROCK RIVER VALLEY

Statement of Financial Position

June 30, 2023

With Summarized Financial Information as of June 30, 2022

		2023	2022
ASSETS			
Current assets:			
Cash and cash equivalents	$	716,993	1,454,531
Investments		6,946,338	5,343,128
Pledges receivable, net of allowance for uncollectible pledges of $100,000 and $200,000, respectively		442,820	431,887
Other receivables		-	108,411
Prepaid expenses		37,247	46,123
Total current assets		8,143,398	7,384,080
Fixed assets:			
Property and equipment, net		31,099	19,045
Other assets:			
Right-of-use assets-operating lease		11,455	-
Beneficial interest in trusts		397,158	-
Total other assets		408,613	-
Total assets		8,583,110	7,403,125
LIABILITIES			
Current liabilities:			
Payable to other organizations		10,678	66,568
Accounts payable and accrued expenses		88,102	260,357
Grants payable		290,975	8,303
Operating lease liability		2,390	-
Total current liabilities		392,145	335,228
Long-term liabilities			
Operating lease liability		9,065	-
Total long-term liabilities		9,065	-
Total liabilities		401,210	335,228
NET ASSETS			
Without donor restrictions			
Undesignated		834,001	1,673,210
Board designated		4,446,951	2,964,899
With donor restrictions		2,900,948	2,429,788
Total net assets		8,181,900	7,067,897
Total liabilities and net assets	$	8,583,110	7,403,125

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

UNITED WAY OF ROCK RIVER VALLEY

Statement of Activities

June 30, 2023

With Summarized Financial Information as of June 30, 2022

		Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE					
Total campaign efforts	$	1,847,072	-	1,847,072	2,144,587
Less: accounts designated by donors for specific organizations		104,225	-	104,225	305,475
Public support - annual campaign, net		1,742,847	-	1,742,847	1,839,112
Endowment & estate income		75,952	3,295	79,247	74,432
Contribution revenue		-	397,158	397,158	-
Initiative funding		20,075	42,425	62,500	7,535
Grants		-	283,306	283,306	404,556
Investment income, net of expenses		88,004	41,757	129,761	73,667
Unrealized gains/(losses) on investments		353,845	140,456	494,301	(1,149,994)
Realized gain/(losses) on investments		(85,808)	34,529	(51,279)	166,548
In-Kind contributions		3,421	-	3,421	100
Other Income		29,942	-	29,942	217,169
		2,228,278	942,926	3,171,204	1,633,125
Net assets released from restrictions					
Satisfaction of purpose restrictions		337,998	(337,998)	-	-
Satisfaction of time restrictions		133,768	(133,768)	-	-
Total support and revenue		2,700,044	471,160	3,171,204	1,633,125
EXPENSES					
Program services		1,559,004	-	1,559,004	1,758,524
Supporting services:					
Management and general		256,622	-	256,622	418,067
Fundraising		241,576	-	241,576	125,866
Total expenses		2,057,201	-	2,057,201	2,302,457
Change in net assets		642,843	471,160	1,114,003	(669,332)
NET ASSETS					
Beginning		4,638,109	2,429,788	7,067,897	7,737,229
Ending	$	5,280,952	2,900,948	8,181,900	7,067,897

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

UNITED WAY OF ROCK RIVER VALLEY
Statement of Functional Expenses
June 30, 2023
With Summarized Financial Information as of June 30, 2022

	Program Services	Supporting Services			
	Fund Distribution	Management and General	Fundraising	**Total 2023**	**Total 2022**
Salaries	$ 525,212	$ 128,652	$ 160,302	$ 814,165	$ 813,222
Payroll taxes and other	77,185	19,531	22,576	119,292	117,691
Employee benefits	46,258	17,019	20,583	83,860	75,740
Employee retirement	13,310	3,352	4,091	20,752	27,916
	661,964	168,554	207,551	1,038,069	1,034,569
Payments to affiliated organizations	15,605	8,072	3,229	26,906	39,920
Total funds granted to agencies and other United Ways	489,280	-	-	489,280	568,265
Initiatives and events	234,078	-	-	234,078	247,463
Supplies	3,632	1,879	752	6,263	7,566
Dues and subscriptions	9,952	5,148	2,059	17,159	25,845
Equipment repair	36,341	18,797	7,519	62,657	70,396
Insurance	4,045	2,092	837	6,974	4,373
Insurance for the board	3,965	2,051	820	6,836	6,632
Postage	2,066	1,069	428	3,563	6,049
Professional fess	36,545	18,903	7,561	63,009	31,993
Marketing	38,015	19,663	7,865	65,544	125,562
Non-campaign printing	5,598	2,896	1,158	9,652	9,023
Training and Travel	2,545	1,316	526	4,387	18,750
Occupancy	33,839	17,505	7,002	58,345	56,196
Telephone	3,268	1,690	676	5,634	5,633
Uncollectable	(28,444)	(14,711)	(7,087)	(50,242)	39,311
Support of state organization	-	-	-	-	2,590
In-kind expenses	3,421	-	-	3,421	100
Depreciation	3,287	1,700	680	5,667	2,221
Total functional expenses	$ 1,559,004	$ 256,622	$ 241,576	$ 2,057,201	$ 2,302,457

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

UNITED WAY OF ROCK RIVER VALLEY

Statement of Cash Flows

June 30, 2023

With Summarized Financial Information as of June 30, 2022

		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$	1,114,003	(669,332)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		5,667	2,221
Unrealized (gain)/loss on investments		(494,301)	1,149,996
Realized gain(loss on investment securities		51,280	(166,548)
Change in value of beneficial interest in trusts		(397,158)	-
Forgiveness of PPP Loan		-	(185,210)
(Increase) decrease in pledges receivable		(10,933)	226,009
(Increase) decrease in other assets		-	(103,470)
(Increase) decrease in prepaid expenses		8,876	961
Increase (decrease) in accounts payable and accrued expenses		(172,255)	78,077
Payable to other organizations		(55,890)	22,385
Increase (decrease) in grants payable		282,672	(278,970)
Net cash provided by (used in) operating activities		331,961	76,119
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment		(17,722)	(1,781)
Purchase of investments		(1,172,000)	(2,056,254)
Proceeds from sale of investments		120,223	2,077,523
Net cash provided by (used in) investing activities		(1,069,499)	19,488
Net Increase (Decrease) in Cash and Cash Equivalents		(737,538)	95,607
Cash and cash equivalents			
Beginning		1,454,531	1,358,924
Ending	$	716,993	1,454,531
Supplemental disclosure of non-cash financing activities:			
PPP Loan forgiveness		-	$ 185,210

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

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities

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

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

Collective Impact Initiatives and Supports

Move the Middle – This initiative is aimed at middle school success. The Move the Middle initiative served students from Lincoln and RESA Middles Schools, resulting in resource referrals and provided students 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.

United for Literacy – In Winnebago County, approx. 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.

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.

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities, continued

Dolly Parton Imagination Library – United Way of Rock River Valley funds the Dolly Parton Imagination Library at 100% of the program cost. This initiative supports literacy by promoting positive reading habits as soon as birth. The Imagination Library brings age-appropriate books to children ages 0 – 5 years old when their families register for the program. Books are mailed out each month, directly to the child's home and continue until the child's fifth birthday.

Federal Emergency Management Agency (FEMA) – United Way of Rock River Valley serves as the 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.

Supporting services

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

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

B. Accounting Basis

The Organization follows standards for accounting and financial reporting prescribed for 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.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Use of Estimates

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

D. Income Tax Status

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

The Organization accounts for income taxes in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 740, Accounting for Uncertainty Income Taxes. The standard provides detailed guidance for the financial statement and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management does not believe any uncertain tax positions exist at June 30, 2023 and 2022.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less as cash and cash equivalents. The Organization's bank accounts exceeded the FDIC limit of $250,000 by $179,964 at June 30, 2023.

F. Allowance for Doubtful Accounts

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

G. Investment Securities

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

H. Beneficial Interest in Trusts

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Beneficial Interest in Trusts (Continued)

Charitable remainder trust

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

I. Property and Equipment

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

J. Property and 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.

K. 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 2023 and 2022.

L. Grants Payable

Grants of support to United Way funded organizations are determined on an annual basis. The Organization communicated 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.

Note 1. Summary of Significant Accounting Policies (Continued)

M. 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.

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.

N. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Donated Services and Other In-Kind Support

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

P. Functional Allocation of Expenses

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

Q. Advertising

The Organization expenses its advertising costs as they are incurred. The amount reported in the statement of activities for the years ended June 30, 2023 and 2022 was $65,544 and $125,562, respectively.

R. Revenue and Revenue Recognition

The Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive model for recognizing revenue as performance obligations, as defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The adoption of ASC 606 did not have a material impact on the financial statements of the Organization upon adoption.

S. Comparative Financial Information

The financial statements include certain prior-year summarized financial information in total, but not by net asset class, which was audited by other auditors with an unmodified report dated February 24, 2023. Such information does noes 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, 2022, from which the summarized financial information was derived.

Note 1. Summary of Significant Accounting Policies (Continued)

T. Reclassification

Certain amounts as previously recorded in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Such reclassification have no effect on reported amounts of net assets or changes in net assets.

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, 2023 and 2022, reduced by amounts not available for general expenditures (the table does not include amounts related to the charitable remainder trust):

	2023	2022
Cash and cash equivalents	$ 716,993	$ 1,454,531
Pledges receivable	442,820	540,298
Investments	6,946,338	5,343,128
Less: donor restrictions	(2,503,790)	(2,429,788)
Less: board designated	(4,446,951)	(2,964,899)
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,155,410	$ 1,943,271

Note 3. Campaign Pledges Receivable

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

	2023	2022
Pledges receivable	$ 542,820	$ 631,887
Less: allowance for uncollectible pledges	(100,000)	(200,000)
Net pledges receivable	$ 442,820	$ 431,887

Note 4. Equipment

Equipment consisted of the following at June 30:

	2023	2022
Capital assets being depreciated:		
Furniture and equipment	$ 162,801	145,080
Less accumulated depreciation	(131,702)	(126,035)
Net property and equipment	$ 31,099	19,045

Depreciation expense for the years ended June 30, 2023 and 2022, was $5,667 and $2,221, respectively.

Note 5. Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain/(loss)	Fair Value
Investment securities-2023	$6,800,451	$ 145,887	$6,946,338
Investment securities-2022	5,701,456	(358,328)	5,343,128

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, 2023 and 2022, is summarized in the table below.

2023	Account A	Account B	Total
Investment securities, beginning of year	$2,416,413	$2,926,715	$5,343,128
Investment return:			
Dividends, interest and capital gain distributions	59,044	100,441	159,485
Realized gain/(loss), net	34,530	(88,869)	(54,339)
Unrealized gain/(loss), net	140,456	353,845	494,301
Investment fees	(17,288)	(22,675)	(39,963)
Contributions/withdrawals	-	1,172,000	1,172,000
Non-cash activity	-	3,061	3,061
Change in accrued income	-	2,434	2,434
Total change in investment securities	216,742	1,520,236	1,736,978
Less: Amounts designated for grants	(133,768)	-	(133,768)
Investment securities, end of year	$2,499,387	$4,446,951	$6,946,338

Note 5. Investment Securities (Continued)

2022	Account A	Account B	Total
Investment securities, 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, end of year	$2,416,413	$2,926,715	$5,343,128

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, 2023 and 2022 are $75,952 and $70,976, respectively.

Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a three charitable remainder annuity trust, which was created in 2006 upon the death of the trust settlor. Each living beneficiary is to receive 5% of the net fair market value of the trust assets determined on the first day of the taxable year from income, to the extent that income is insufficient, then from principal. Upon death of the beneficiary, Four remainder beneficiaries are to receive 25% of an amount equal to 5% of the net fair market value of the trust estate valued as of the first day of each taxable year of the trust. The Organization has recorded a beneficial interest in this trust as restricted support based on the present value of the expected future cash flow payments, calculated using the estimated life expectancy of the beneficiaries, and a discount rate of 6%. As of June 30, 2023, the estimated value of the Organization's beneficial interest in the trusts was $397,158.

Note 7. Fair Value

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest

Note 7. Fair Value (Continued)

priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

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

Beneficial Interest in Trusts

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

The following table set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2023 and 2022. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

2023	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 6,946,338	$ -	$ -	$ 6,946,338
Beneficial interest in trusts:				
Charitable remainder trusts	-	-	397,158	397,158

2022	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 5,343,128	$ -	$ -	$ 5,343,128

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

Note 8. Endowment Funds (Continued)

funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

In accordance with IL UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide total return utilizing capital growth strategy to achieve a balanced level of current income and the opportunity for future long term growth capital. Accordingly, the Board recognized a moderate level of portfolio volatility is inherent with such an investment strategy utilizing investment stocks and/or mutual funds, bonds and/or bond mutual funds, and cash reserves and the Board has indicated a willingness to tolerate periodic declines in the value of the portfolios. Unless otherwise noted of dividend and/or income derived as a result of investment activity in the portfolios will be reinvested.

The Organization has a policy of appropriating for distribution each year up to 5% of its temporarily restricted endowment fund market value, following valuation of the fund at December 31, to support the annual campaign. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually at a nominal average return. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 8. Endowment Funds (Continued)

Endowment net asset composition by type of fund is as follows as of June 30:

2023	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Mutual Funds	$ -	$ 2,499,388	$ 2,499,388
2022			
Mutual Funds	$ -	$ 2,416,413	$ 2,416,413

Changes in endowment net asset for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	$ 2,416,413	$ 2,416,413
Interest, dividends and capital gain distributions, net	-	59,044	59,044
Realized gains, net	-	34,530	34,530
Unrealized losses, net	-	140,456	140,456
Investment fees	-	(17,287)	(17,287)
Contributions/withdrawals	-	(133,768)	(133,768)
Endowment net assets, end of year	$ -	$ 2,499,388	$ 2,499,388

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

Note 9. Net Assets with Donor Restrictions

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

	2023	2022
Gift restricted to initiatives	$ 4,402	$ 13,375
Future operations - endowment	2,499,388	2,416,413
Beneficial interest in trusts - Charitable remainder	397,158	-
Total net assets with donor restrictions	$ 2,900,948	$ 2,429,788

Note 10. Staffing Contract

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

Note 11. Retirement Plan

The Organization has established a defined contribution plan to provide continued benefit to substantially all of its employees. United Way makes contributions to the plan based on a percentage of the participant's salary or wages. Participants may also make voluntary contributions which will be matched by United Way up to a certain percentage. Employer contributions to the plan are $20,752 and $27,916 for the years ended June 30, 2023 and 2022, respectively.

Note 12. Campaign Reassignment

During the year, the board made the decisions to reassign Ogle County campaign and pledges receivable to the United Way of Lee County. As of June 30, 2023 and 2022 the Organization owes United Way of Lee County $7,749 and $57,933.

Note 13. Operating Lease

During October 2022, the Organization entered into a lease for a copy machine. The monthly rental payment is $789 a month. As of June 30, 2023, the right-of-use (ROU) asset had a balance of $11,455, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities ($2,390) and long-term liabilities ($9,065). Future lease payments as of June 30, 2023 are:

Years Ending June 30,	
2024	$ 3,156
2025	3,156
2026	3,156
2027	3,156
2028	789
Total lease payments	13,413
Less: interest	(1,958)
Present value of lease liabilities	$ 11,455

Note 14. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in financial statements through February 26, 2024, which is the date the financial statements were available to be issued.