

UNITED WAY OF ROCK RIVER VALLEY

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

June 30, 2024

UNITED WAY OF ROCK RIVER VALLEY

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of United Way of Rock River Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Rock River Valley, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Rock River Valley, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of the United Way of Rock River Valley's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the United Way of Rock River Valley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United Way of Rock River Valley's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of the United Way of Rock River Valley's year ended June 30, 2023, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lucas Group CPAs + Advisors, PLLC

Rockford, Illinois
November 25, 2024

UNITED WAY OF ROCK RIVER VALLEY
Statement of Financial Position
June 30, 2024
With Summarized Financial Information as of June 30, 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 519,816	716,993
Cash - Restricted DCEO	639,737	-
Investments	7,717,829	6,946,338
Pledges receivable, net of allowance for credit losses pledges of \$67,000 and \$100,000, respectively	398,300	442,820
Prepaid expenses	33,063	37,247
Total current assets	9,308,745	8,143,398
Fixed assets:		
Property and equipment, net	27,040	31,099
Other assets:		
Right-of-use assets-operating lease	17,139	11,455
Beneficial interest in trusts	393,549	397,158
Total other assets	410,688	408,613
Total assets	9,746,473	8,583,110
LIABILITIES		
Current liabilities:		
Payable to other organizations	4,044	10,678
Accounts payable and accrued expenses	73,286	88,102
Grants payable	268,754	290,975
Operating lease liability	4,338	2,390
Total current liabilities	350,422	392,145
Long-term liabilities		
Operating lease liability	12,801	9,065
Total long-term liabilities	12,801	9,065
Total liabilities	363,223	401,210
NET ASSETS		
Without donor restrictions		
Undesignated	632,373	834,001
Board designated	5,045,190	4,446,951
With donor restrictions		
	3,705,687	2,900,948
Total net assets	9,383,250	8,181,900
Total liabilities and net assets	\$ 9,746,473	8,583,110

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

UNITED WAY OF ROCK RIVER VALLEY
Statement of Activities
For the Year Ended June 30, 2024
With Summarized Financial Information for the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
SUPPORT AND REVENUE				
Total campaign efforts	\$ 1,782,714	-	1,782,714	1,847,072
Less: accounts designated by donors for specific organizations	77,036	-	77,036	104,225
Public support - annual campaign, net	1,705,678	-	1,705,678	1,742,847
Endowment & estate income	72,917	-	72,917	79,247
Contribution revenue	23,146	-	23,146	397,158
Initiative funding	-	-	-	62,500
Grants	13,318	1,528,750	1,542,068	283,306
Investment income, net of expenses	90,043	49,201	139,244	129,761
Unrealized gains/(losses) on investments	500,879	222,208	723,087	494,301
Realized gain/(losses) on investments	11,999	25,775	37,774	(51,279)
Change in beneficial interest trust	-	(3,609)	(3,609)	-
In-Kind contributions	86,944	-	86,944	3,421
Other Income	15,660	-	15,660	29,942
	<u>2,520,584</u>	<u>1,822,325</u>	<u>4,342,909</u>	<u>3,171,204</u>
Net assets released from restrictions				
Satisfaction of purpose restrictions	1,017,586	(1,017,586)	-	-
Satisfaction of time restrictions	-	-	-	-
Total support and revenue	<u>3,538,170</u>	<u>804,739</u>	<u>4,342,909</u>	<u>3,171,204</u>
EXPENSES				
Program services	2,573,263	-	2,573,263	1,559,004
Supporting services:				
Management and general	308,460	-	308,460	256,622
Fundraising	259,836	-	259,836	241,575
Total expenses	<u>3,141,559</u>	<u>-</u>	<u>3,141,559</u>	<u>2,057,201</u>
Change in net assets	396,611	804,739	1,201,350	1,114,003
NET ASSETS				
Beginning	<u>5,280,952</u>	<u>2,900,948</u>	<u>8,181,900</u>	<u>7,067,897</u>
Ending	<u>\$ 5,677,563</u>	<u>3,705,687</u>	<u>9,383,250</u>	<u>8,181,900</u>

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

UNITED WAY OF ROCK RIVER VALLEY
Statement of Functional Expenses
For the Year Ended June 30, 2024
With Summarized Financial Information for the Year Ended June 30, 2023

	Program Services		Supporting Services		Total 2024	Total 2023
	Fund Distribution	Management and General	Fundraising			
Salaries	\$ 490,254	\$ 120,089	\$ 149,632	\$ 759,975	\$ 814,165	
Payroll taxes and other	72,684	18,392	21,259	112,335	119,292	
Employee benefits	62,094	22,845	27,629	112,568	83,860	
Employee retirement	8,801	2,216	2,705	13,722	20,752	
	<u>633,833</u>	<u>163,542</u>	<u>201,225</u>	<u>998,600</u>	<u>1,038,069</u>	
Grant payments	899,812	-	-	899,812		
Payments to affiliated organizations	7,239	3,745	1,498	12,482	26,906	
Total funds granted to agencies and other United Ways	407,471	-	-	407,471	489,280	
Initiatives and events	267,893	-	-	267,893	234,077	
Supplies	8,710	4,506	1,803	15,019	6,263	
Dues and subscriptions	19,552	10,114	4,045	33,711	17,159	
Equipment repair	33,893	17,531	7,013	58,437	62,657	
Insurance	-	-	-	-	6,974	
Insurance for the board	7,244	3,747	1,498	12,489	6,836	
Postage	2,275	1,177	471	3,923	3,563	
Professional fess	33,495	17,325	6,930	57,750	63,009	
Marketing	124,488	64,390	25,756	214,634	65,544	
Non-campaign printing	2,582	1,335	534	4,451	9,652	
Training and Travel	3,193	1,651	660	5,504	4,387	
Occupancy	11,202	5,795	2,318	19,315	58,345	
Telephone	2,577	1,333	533	4,443	5,634	
Uncollectable	19,430	10,048	4,842	34,320	(50,242)	
Support of state organization	-	-	-	-	-	
Other expenses		447		447	-	
In-kind expenses	84,944	-	-	84,944	3,421	
Depreciation	3,430	1,774	710	5,914	5,667	
Total functional expenses	<u>\$ 2,573,263</u>	<u>\$ 308,460</u>	<u>\$ 259,836</u>	<u>\$ 3,141,559</u>	<u>\$ 2,057,201</u>	

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

UNITED WAY OF ROCK RIVER VALLEY
Statement of Cash Flows
For the Year Ended June 30, 2024
With Summarized Financial Information for the Year Ended June 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,201,350	1,114,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,914	5,667
Non-cash portion of lease expense for operating leases	4,453	2,472
Repayments of right-of-use lease liabilities - operating leases	(4,453)	(2,472)
Unrealized (gain)/loss on investments	(723,087)	(494,301)
Realized gain(loss) on investment securities	(37,774)	51,280
Change in value of beneficial interest in trusts	3,609	(397,158)
Forgiveness of PPP Loan	-	-
(Increase) decrease in pledges receivable	44,520	(10,933)
(Increase) decrease in other assets	-	-
(Increase) decrease in prepaid expenses	4,184	8,876
Increase (decrease) in accounts payable and accrued expenses	(14,816)	(172,255)
Payable to other organizations	(6,634)	(55,890)
Increase (decrease) in grants payable	(22,221)	282,672
Net cash provided by (used in) operating activities	455,045	331,961
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(1,855)	(17,722)
Purchase of investments	(134,563)	(1,172,000)
Proceeds from sale of investments	123,933	120,223
Net cash provided by (used in) investing activities	(12,485)	(1,069,499)
Net Increase (Decrease) in Cash and Cash Equivalents	442,560	(737,538)
Cash and cash equivalents		
Beginning	716,993	1,454,531
Ending	\$ 1,159,553	716,993
Cash and cash equivalents	\$ 519,816	716,993
Restricted cash- DCEO	639,737	-
	\$ 1,159,553	716,993

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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities

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

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

Collective Impact Initiatives and Supports

United for Literacy – In Winnebago County, only 32% of children can read at grade level by the end of third grade. This is a crisis that adversely affects these children’s ability to succeed in school, graduate and lead successful adult lives. Our BOLD goal through our United for Literacy initiative is to increase our counties childhood literacy rate to 75% by the year 2034. We do this in the impact areas of read aloud, increasing parent involvement, widespread book distribution, increasing community awareness about the importance of reading to children and more. This past year we reached 10,122 children, trained 200 new volunteers, distributed 63,254 books, provided for 48 literacy events for children and 31 family literacy events and engaged volunteers for 16 classrooms in the Harlem School District.

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

Strong Neighborhoods Initiative – Through our Strong Neighborhood Houses, United Way supports the work of local nonprofits by providing them space for free. The organizations were strategically chosen to serve the surrounding community as a reflection of need in that area. From drug awareness to suicide prevention to housing acquisition supports, each nonprofit serves to enhance and build up the neighborhoods where the houses exist. In two of three houses, the local police departments have a strong presence, providing neighbors security while breaking down the walls of prejudice on both sides.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities, continued

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

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

Supporting services

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

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

B. Accounting Basis

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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

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, 2024 and 2023.

E. Cash and Cash Equivalents, and Restricted Cash

For purposes of the Statement of Cash Flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less as cash and cash equivalents. The Organization's bank accounts exceeded the FDIC limit of \$250,000 by \$767,528 and \$179,964 at June 30, 2024 and 2023, respectively. As of June 30, 2024, \$639,737 was restricted for the Illinois Department of Commerce and Economic Opportunity grant use only.

F. Allowance for Doubtful Accounts

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

G. Investment Securities

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

H. Beneficial Interest in Trusts

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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

H. Beneficial Interest in Trusts (Continued)

Charitable remainder trust

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

I. Property and Equipment

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

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

J. Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2024 and 2023.

K. 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.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

L. Contributed Support and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return-are not recognized until the conditions on which they depend have been met. All campaign and initiative revenue sources are considered contributions. The Organization recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or as donor restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All net campaign funding is considered non donor restricted, unless specifically restricted by the individual donor. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

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

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.

M. Net Assets

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

Net assets with donor restrictions: net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be net by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

N. Donated Services and Other In-Kind Support

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

O. Functional Allocation of Expenses

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

P. Advertising

The Organization expenses its advertising costs as they are incurred. The amount reported in the statement of activities for the years ended June 30, 2024 and 2023 was \$214,634 and \$65,544, respectively.

Q. Comparative Financial Information

The financial statements include certain prior-year summarized financial information in total, but not by net asset class, which was audited with an unmodified report dated February 26, 2023. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized financial information was derived.

R. Reclassification

Certain amounts as previously recorded in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Such reclassification have no effect on reported amounts of net assets or changes in net assets.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

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, 2024 and 2023, reduced by amounts not available for general expenditures (the table does not include amounts related to the charitable remainder trust):

	2024	2023
Cash and cash equivalents	\$ 519,816	\$ 716,993
Pledges receivable	398,300	442,820
Investments	7,717,829	6,946,337
Less: donor restrictions, (Less DCEO Restricted \$635,052 for 2024)	(3,070,635)	(2,900,948)
Less: board designated	(5,045,190)	(4,446,951)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 520,120	\$ 758,251

Note 3. Campaign Pledges Receivable

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

	2024	2023
Pledges receivable	\$ 465,300	\$ 542,820
Less: allowance for uncollectible pledges	(67,000)	(100,000)
Net pledges receivable	\$ 398,300	\$ 442,820

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 4. Equipment

Equipment consisted of the following at June 30:

	2024	2023
Capital assets being depreciated:		
Furniture and equipment	\$ 127,909	162,801
Less accumulated depreciation	(100,869)	(131,702)
Net property and equipment	\$ 27,040	31,099

Depreciation expense for the years ended June 30, 2024 and 2023, was \$5,914 and \$5,667, respectively.

Note 5. Investment Securities

Investment securities consist of the following as of June 30:

	Cost	Unrealized gain/(loss)	Fair Value
Investment securities-2024	\$6,849,868	\$ 867,961	\$7,717,829
Investment securities-2023	\$6,800,451	\$ 145,887	\$6,946,338

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, 2024 and 2023, is summarized in the table below.

2024	Account A	Account B	Total
Investment securities, beginning of year	\$2,499,387	\$4,446,951	\$6,946,338
Investment return:			
Dividends, interest and capital gain distributions	66,347	114,511	180,858
Realized gain/(loss), net	25,775	11,998	37,773
Unrealized gain/(loss), net	222,208	501,801	724,009
Investment fees	(18,072)	(29,497)	(47,569)
Contributions/withdrawals	(123,933)	-	(123,933)
Non-cash activity	-	(922)	(922)
Change in accrued income	927	349	1,276
Total change in investment securities	173,252	598,240	771,492
Less: Amounts designated for grants	-	-	-
Investment securities, end of year	\$2,672,639	\$5,045,190	\$7,717,829

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 5. Investment Securities (Continued)

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	(133,768)	1,172,000	1,038,232
Non-cash activity	-	3,060	3,060
Change in accrued income	-	2,434	2,434
Total change in investment securities	82,974	1,520,236	1,603,210
Less: Amounts designated for grants	-	-	-
Investment securities, end of year	\$2,499,387	\$4,446,951	\$6,946,338

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, 2024 and 2023 are \$77,057 and \$75,952, respectively.

Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a three charitable remainder annuity trust, which was created in 2006 upon the death of the trust settlor. Each living beneficiary is to receive 5% of the net fair market value of the trust assets determined on the first day of the taxable year from income, to the extent that income is insufficient, then from principal. Upon death of the beneficiary, Four remainder beneficiaries are to receive 25% of an amount equal to 5% of the net fair market value of the trust estate valued as of the first day of each taxable year of the trust. The Organization has recorded a beneficial interest in this trust as restricted support based on the present value of the expected future cash flow payments, calculated using the estimated life expectancy of the beneficiaries, and a discount rate of 6%. The estimated value of the Organization's beneficial interest in the trusts was \$393,549 and \$397,158 as of June 30, 2024 and 2023, respectively.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 7. Fair Value

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2024 and 2023.

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, 2024 and 2023. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 8. Endowment Funds

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

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

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

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

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

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

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 8. Endowment Funds (Continued)

to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<hr/>			
2024			
Mutual Funds	\$ -	\$ 2,672,639	\$ 2,672,639
<hr/>			
2023			
Mutual Funds	\$ -	\$ 2,499,388	\$ 2,499,388

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

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

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)
Amounts appropriated for expenditure	-	(133,768)	(133,768)
Endowment net assets, end of year	\$ -	\$ 2,499,388	\$ 2,499,388

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 9. Net Assets with Donor Restrictions

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

	2024	2023
Gift restricted to initiatives	\$ 4,447	\$ 4,402
Future operations - endowment	2,672,639	2,499,388
Grants	635,052	
Beneficial interest in trusts - Charitable remainder	393,549	397,158
Total net assets with donor restrictions	\$ 3,705,687	\$ 2,900,948

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 \$13,722, and \$20,752 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 the Organization owes United Way of Lee County \$0 and \$7,749.

UNITED WAY OF ROCK RIVER VALLEY, INC.
Notes to Financial Statements
June 30, 2024

Note 13. Operating Lease

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

As of June 30, 2024, the right-of-use (ROU) asset had a balance of \$17,136, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities (\$4,338) and long-term liabilities (\$12,798). Future lease payments as of June 30, 2024 are:

Years Ending June 30,		
2025	\$	5,690
2026		5,690
2027		5,690
2028		2,561
2029		637
Total lease payments		20,268
Less: interest		(3,129)
Present value of lease liabilities	\$	17,139
Principal due in 2025	\$	4,338

The following summarizes cash flow information related to leases for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of the operating lease liability	\$ 4,453	\$ 2,472
Lease assets obtained in exchange for operating lease obligations	\$ 10,134	\$ 13,926

Note 14. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in financial statements through November 25, 2024, which is the date the financial statements were available to be issued.

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

Grantee Name	United Way of Rock River Valley
ID Numbers	Audit: 53956 Grantee: 695521 UEI: U4FMN1MW8LN1 FEIN: 362167843
Audit Period	7/1/2023 - 6/30/2024
Last Update	11/25/2024 2:30:54 PM
Program Count	1

EXPENDITURES BY PROGRAM

CSFA #	Program Name	State	Federal	Total	Match
420-00-1771	Construction and/or Renovation to Buildings, Additions, or Structures	899,811.58	0.00	899,811.58	0.00
	All other federal expenditures		0.00	0.00	
TOTALS		899,811.58	0.00	899,811.58	0.00

EXPENDITURES BY CATEGORY

Amount	Category
50,000.00	Capital - Building/Land Purchase
1,395.00	Capital - Construction Management/Oversight
7,000.00	Capital - Design/Engineering
377,646.11	Capital - Equipment/Materials/Labor
11,000.00	Capital - Excavation/Site Prep/Demo
262,633.73	Capital - Mechanical System
44,256.00	Capital - Other Construction Expenses
79,500.01	Capital - Paving/Concrete/Masonry
36,512.31	Capital - Plumbing
29,868.42	Capital - Wiring/Electrical
899,811.58	TOTAL

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

State Agency	Department Of Commerce And Economic Opportunity
CSFA Number	420-00-1771
Program Name	Construction and/or Renovation to Buildings, Additions, or Structures
Popular Name	Grants Management Program
Program Contact	Name: David E. Parr Phone: 217-524-5199 Email: david.parr@illinois.gov
State Amount Expended	899811.58
Federal Amount Expended	0.00

Expenditures by Category

7,000.00	Capital - Design/Engineering
50,000.00	Capital - Building/Land Purchase
377,646.11	Capital - Equipment/Materials/Labor
29,868.42	Capital - Wiring/Electrical
262,633.73	Capital - Mechanical System
79,500.01	Capital - Paving/Concrete/Masonry
36,512.31	Capital - Plumbing
1,395.00	Capital - Construction Management/Oversight
44,256.00	Capital - Other Construction Expenses
11,000.00	Capital - Excavation/Site Prep/Demo
899,811.58	TOTAL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Rock River Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Segregation of Duties:

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

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

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

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

Preparation of Financial Statements:

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

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

Report on Compliance and Other Matters

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

United Way of Rock River Valley's Response to Findings

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

Purpose of This Report

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

Lucas Group CPAs + Advisors, PLLC

Rockford, Illinois
November 25, 2024