

United Way of
Northwest Illinois, Inc.

Freeport, Illinois

Annual Financial Report

June 30, 2017

United Way of Northwest Illinois, Inc.

Year Ended June 30, 2017

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Independent Auditor's Report

To the Board of Directors
United Way of Northwest Illinois, Inc.
Freeport, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Northwest Illinois, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Northwest Illinois, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the United Way of Northwest Illinois, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of agency and community impact allocations on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Freeport, Illinois
October 31, 2017

United Way of Northwest Illinois, Inc.

Statement of Financial Position

June 30, 2017 with Comparative Totals for 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 291,109	\$ 272,765
Prepaid designations	-	9,008
Pledges receivable, net	74,759	110,450
Other receivables	9,970	490
Total current assets	375,838	392,713
Long-term investments	532,557	476,485
Fixed assets, net of accumulated depreciation	-	-
Total assets	\$ 908,395	\$ 869,198
Liabilities		
Accrued expenses	\$ 3,604	\$ 3,998
Other payables	50,149	39,969
Total current liabilities	53,753	43,967
Net Assets		
Unrestricted:		
Operating	464,775	443,983
Designated by the governing board for restricted reserve	355,000	355,000
Total unrestricted	819,775	798,983
Temporarily restricted:		
Designated for particular purpose	34,867	26,248
Total temporarily restricted	34,867	26,248
Total net assets	854,642	825,231
Total liabilities and net assets	\$ 908,395	\$ 869,198

See accompanying notes to financial statements.

United Way of Northwest Illinois, Inc.

Statement of Activities

Year ended June 30, 2017
with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Public support and revenue				
Public support received directly:				
Annual campaign, net of estimated uncollectible pledges of \$21,007 for 2017 and \$24,192 for 2016	\$ 425,545	\$ 77,908	\$ 503,453	\$ 507,306
Less: amounts designated by donor for specific organizations	-	(27,581)	(27,581)	(38,079)
Total annual campaign	425,545	50,327	475,872	469,227
Community Impact revenue	120,202	-	120,202	-
Other revenue:				
Investment income	14,937	-	14,937	15,868
Realized and unrealized gain(losses)	36,737	-	36,737	(15,783)
Fundraising	42,459	-	42,459	41,020
In-Kind	36,632	-	36,632	35,079
Miscellaneous	250	-	250	19,178
Net assets released from restrictions:				
Satisfaction of program restrictions	41,708	(41,708)	-	-
Total public support and revenue	718,470	8,619	727,089	564,589
Allocations and expenses				
Allocations to agencies	317,525	-	317,525	322,768
Less: allocations funded through donor designations	(26,267)	-	(26,267)	(35,845)
Total allocations to agencies	291,258	-	291,258	286,923
Community impact allocations	182,931	-	182,931	55,387
Payments to national organization	6,917	-	6,917	3,862
Fundraising	77,572	-	77,572	67,837
Management and general	139,000	-	139,000	135,082
Total allocations and expenses	697,678	-	697,678	549,091
Change in net assets	20,792	8,619	29,411	15,498
Net assets, beginning of year	798,983	26,248	825,231	809,733
Net assets, end of year	\$ 819,775	\$ 34,867	\$ 854,642	\$ 825,231

See accompanying notes to financial statements.

United Way of Northwest Illinois, Inc.

Statement of Cash Flows

Year ended June 30, 2017
with Comparative Totals for 2016

	2017	2016
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 29,411	\$ 15,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gains)/losses on investments	(22,542)	10,674
Unrealized (gains)/losses on investments	(14,195)	5,109
Change in assets and liabilities:		
(Increase) decrease in:		
Prepaid designations	9,008	(9,008)
Pledges receivable	35,691	6,449
Other receivables	(9,480)	(490)
Increase (decrease) in:		
Accrued expenses	(394)	(1,518)
Other payables	10,180	26,601
Net cash provided by (used in) operating activities	37,679	53,315
<i>Cash Flows from Investing Activities</i>		
Purchase of investments	(174,485)	(111,035)
Proceeds from sale of investments	155,150	104,945
Net cash provided by (used in) investing activities	(19,335)	(6,090)
Increase (decrease) in cash and cash equivalents	18,344	47,225
Cash, beginning of year	272,765	225,540
Cash, end of year	\$ 291,109	\$ 272,765

United Way of Northwest Illinois, Inc.

Statement of Functional Expenses

Year ended June 30, 2017
with Comparative Totals for 2016

	Program Services	Fund Raising	Management and General	Totals	
				2017	2016
Salaries and benefits	\$ -	\$ 47,231	\$ 61,103	\$ 108,334	\$ 92,618
Payroll taxes	-	3,614	4,480	8,094	7,600
Total salaries and related expense	-	50,845	65,583	116,428	100,218
Awards	-	-	-	-	121
Conferences, travel and training	-	-	256	256	466
Equipment expense	-	-	509	509	-
Fundraising expense	-	26,727	-	26,727	21,181
Insurance	-	-	1,824	1,824	1,831
Investment fees	-	-	4,155	4,155	3,927
Meeting expense	-	-	228	228	285
Miscellaneous	-	-	669	669	11,521
Office, postage and printing	-	-	6,631	6,631	4,143
Professional fees	-	-	10,301	10,301	9,931
Public relations	-	-	4,601	4,601	6,902
In-Kind expense	-	-	36,632	36,632	35,079
Rent	-	-	6,110	6,110	6,110
Telephone	-	-	1,501	1,501	1,204
Allocations to agencies	317,525	-	-	317,525	322,768
Community impact allocations and programs	182,931	-	-	182,931	55,387
Payments to national organization	6,917	-	-	6,917	3,862
	507,373	26,727	73,417	607,517	484,718
Total functional expenses	\$ 507,373	\$ 77,572	\$ 139,000	\$ 723,945	\$ 584,936

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 1 Significant Accounting Policies

The United Way of Northwest Illinois, Inc. (the "Organization") is a central organization made up of health, welfare, and social services agencies with the object of securing cooperation among the same and to annually assign income to members for the sole purpose of eliminating anticipated deficits.

The accounting policies of the United Way of Northwest Illinois conform to generally accepted accounting principles as applicable to non-profit organizations. The following is a summary of the more significant policies:

Basis of Accounting

The United Way's funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred or obligated.

Financial Statement Presentation

The Organization has adopted the Statement of Financial Accounting Standards, "Financial Statements of Not-for-Profit Organizations". Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization defines cash accounts which are not subject to withdrawal restrictions penalties as cash and cash equivalents.

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 1 Significant Accounting Policies (Continued)

Income Taxes

The United Way, as a nonprofit charitable organization, is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Organization accounts for income taxes in accordance with Financial Accounting Standards Board *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Organization recorded no liabilities for uncertain tax positions or unrecognized tax benefits. Federal Returns for 2016, 2015, and 2014 remain subject to examination by major jurisdictions.

Contributions

Standards require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed 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 other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. As of June 30, 2017 there were promises to give to the Organization in the amount of \$107,059 less allowance for uncollectible of \$32,300. These promises to give are to be collected over the next year.

Recognition of donations

Donations including pledges receivable are recognized as income in the period in which they are received.

The Organization uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 1 Significant Accounting Policies (Continued)

Property and Equipment

The Organization capitalizes all property and equipment with a cost of \$5,000 if purchased, and a fair value of \$5,000 at date of donation if received by contribution. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investment in property and equipment is recorded at cost.

Property and equipment depreciation is provided using the straight-line method over the following estimated useful lives of the assets.

Furniture and equipment	3 - 5 years
Leasehold improvements	5 years

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Subsequent Events

The Organization has evaluated subsequent events through October 31, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2017 have been incorporated herein. There are no subsequent events that require disclosure.

Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this Update is permitted. The Organization has not elected to early implement the amendments.

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 2 Pledges Receivable

Net pledges receivable consisted of the following at June 30, 2017:

Pledges receivable	\$107,059
Less allowance for uncollectible pledges	<u>32,300</u>
Net pledges receivable	<u>\$ 74,759</u>

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

Uncollectible pledge expense charged against campaign revenue was \$21,007 at June 30, 2017.

Note 3 Investments

Investments are presented in the financial statements in the aggregate at fair market value.

Unrestricted long-term:	<u>Cost</u>	<u>Market</u>
Money Market	\$ 2,366	\$ 2,366
Mutual Funds - Equities	288,838	371,102
Mutual Funds – Debt Securities	146,121	145,681
Mutual Funds – REIT's	<u>11,486</u>	<u>13,408</u>
Total unrestricted long-term	<u>\$448,811</u>	<u>\$532,557</u>

The following tabulation summarizes the relationship between carrying value and market value of long-term investment assets.

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of year	<u>\$448,811</u>	<u>\$532,557</u>	\$ 83,746
Balance at beginning of year	<u>\$406,934</u>	<u>\$476,485</u>	<u>69,551</u>
Increase (decrease) in unrealized appreciation			14,195
Realized net gain (loss) for the year			<u>22,542</u>
Total net gain (loss) for the year			<u>\$36,737</u>

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 4 Fair Value

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

The three levels of fair value hierarchy under this standard are described as follows:

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

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable market data by correlation or other means.

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

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

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

Mutual funds: Valued at unadjusted quoted prices for identical assets or liabilities in active markets.

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 4 Fair Value (Continued)

The following table presents the Organization's approximate fair value hierarchy for the assets measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets measured at fair market value on a recurring basis:				
Money Market	\$ 2,366	\$ 2,366	\$ -	\$ -
Mutual Funds - Equities	371,102	371,102	-	-
Mutual Funds – Debt Securities	145,681	145,681	-	-
Mutual Funds – REIT's	<u>13,408</u>	<u>13,408</u>	<u>-</u>	<u>-</u>
Total	<u>\$532,557</u>	<u>\$532,557</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 5 Property and Equipment

Total depreciation expense for the year ended June 30, 2017 was \$-0-. Property and equipment at June 30, 2017 is stated at cost, net of accumulated depreciation as follows:

	<u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Equipment	\$29,206	\$ -	\$ -	\$29,206
Leasehold improvements	11,222	-	-	11,222
Less: Accumulated Depreciation	<u>(40,428)</u>	<u>-</u>	<u>-</u>	<u>(40,428)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 Lease Commitment and Total Rental Expense

On April 1, 2013 the Organization entered into a 3 year lease for its office space and for storage space. The lease requires rent for the use of the premises of \$1,500 per month, with an in kind donation of \$500 per month for year 1, \$2,000 per month, with an in-kind donation of \$1,000 per month for year 2, \$2,250 per month, with an in-kind donation of \$1,250 per month for year 3. The Organization has been continuing under the year 3 terms of the previous lease. The total rental expense for the year ended June 30, 2017 was \$12,000. The Organization sub-leases space to other entities which resulted in funds collected of \$5,890.

United Way of Northwest Illinois, Inc.

Notes to Financial Statements

Note 7 Donated Services and Materials

Standards require that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. For the year ending June 30, 2017, the amount of \$36,632 has been reflected in the financial statements for the use of the office, auditing services, catering services and advertising services for their campaign.

The Organization also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Note 8 Temporarily Restricted

Temporarily restricted net assets are available for the following purposes:

Designations to particular agency or another United Way	\$ 7,101
Imagination library	23,545
I-Read	<u>4,221</u>
Total temporarily restricted net assets	<u>\$34,867</u>

Note 9 Concentrations of Credit Risk

At year end, the carrying amount of the Organization's deposit in checking and money market accounts was \$290,909 and the bank balance was \$290,909. Of the bank balance \$40,909 was uninsured and uncollateralized.

United Way of Northwest Illinois, Inc.

Schedule of Agency and Community Impact Allocations

Year ended June 30, 2017

	Allocations
Agency allocations	
American Red Cross	\$ 8,026
Amity Society	51,800
Boy Scouts	1,813
Boys and Girls Club	25,000
Catholic charities	1,294
Children's Home and Aid Society of Illinois	117
Contact	20,500
FACC	23,000
FHN Family Counseling Center	15,000
Girl Scouts	4,500
Jo Daviess Workshop	4,000
Lutheran Social Services	487
Malcolm Eaton Enterprises	6,600
Mother Hubbard's Cupboard	6,000
New Horizons Counseling Center	5,000
Norman Sleezer Youth Home	16,000
Northwest Community Action	8,000
Rainbow Ridge	51
Regional Access & Mobilization Program	16,000
Salvation Army	3,304
Senior Resource Center	20,000
Sojourn House	10,000
Tyler's Justice Center for Children	12,000
YMCA	6,000
Youth Services Bureau	33
VOICES	53,000
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Total allocations to agencies	\$ 317,525
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Community Impact allocations and programs	
Boys and Girls Club	\$ 26,000
Imagination Library	28,799
All our Kids Network	26,658
Project Salvage	8,000
E.A.R.N. Transportation	89,892
Other Community Impact	3,582
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Total allocations for community impact	\$ 182,931
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