

**UNITED WAY OF RHODE ISLAND, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**INDEPENDENT AUDITORS' REPORT**



**SANSIVERI, KIMBALL & CO., L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
United Way of Rhode Island, Inc.:

We have audited the accompanying financial statements of United Way of Rhode Island, Inc. (UWRI), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

### **Auditors' Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Rhode Island, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization early adopted Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* in the June 30, 2016 financial statements and has applied the accounting change related to this new Accounting Standards Update by applying it retrospectively to the June 30, 2015 financial statements. Our opinion is not modified with respect to this matter.

*Amsivini, Kimball & Co., L.L.P.*

Providence, Rhode Island  
November 7, 2016

# UNITED WAY OF RHODE ISLAND, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS:</b>		
Cash	\$ 1,385,447	\$ 1,834,241
Investments	7,480,170	6,463,921
Pledges receivable:		
2015-2016 fundraising campaign	4,557,711	-
2014-2015 fundraising campaign	-	4,489,511
2013-2014 fundraising campaign	-	13,202
Gross pledges receivable	4,557,711	4,502,713
Less allowance for uncollectible pledges	229,098	256,574
Pledges receivable, net	4,328,613	4,246,139
Contributions and grant receivables	1,374,575	1,003,882
Prepaid expenses and other assets	93,380	116,497
Property and equipment, net	3,270,343	3,047,031
<b>TOTAL ASSETS</b>	<b>\$ 17,932,528</b>	<b>\$ 16,711,711</b>
<b>LIABILITIES:</b>		
Campaign designations payable	\$ 3,410,732	\$ 3,391,341
Community impact grants and awards payable	3,752,362	3,254,031
Accounts payable and accrued expenses	541,517	644,036
Note payable - bank	2,059,577	2,091,286
Total liabilities	9,764,188	9,380,694
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Unrestricted:		
Board-designated purposes	3,706,434	3,193,769
Net investment in property and equipment	1,210,766	955,745
Undesignated - general operations	2,205,597	2,530,925
Total unrestricted net assets	7,122,797	6,680,439
Temporarily restricted	947,150	552,185
Permanently restricted	98,393	98,393
Total net assets	8,168,340	7,331,017
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,932,528</b>	<b>\$ 16,711,711</b>

See notes to financial statements.

**UNITED WAY OF RHODE ISLAND, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>								
Campaign revenue:								
Campaign pledges generated	\$ 11,910,413	\$ 787,204		\$ 12,697,617	\$ 12,057,373	\$ 487,216		\$ 12,544,589
Recovery of prior year campaign pledges written-off	15,854			15,854	11,564			11,564
Philanthropy Fund	405,866			405,866	473,927			473,927
Less provision for uncollectible pledges	(150,000)			(150,000)	(250,000)			(250,000)
Less amounts designated by donors	(5,788,173)			(5,788,173)	(5,908,543)			(5,908,543)
Campaign revenue, net	6,393,960	787,204	\$ -	7,181,164	6,384,321	487,216	\$ -	6,871,537
Contribution income from The Rhode Island Foundation generated from:								
Designated funds	3,239,653			3,239,653	3,167,745			3,167,745
Royalties	813,500			813,500	700,354			700,354
Special program income	1,202,238	55,000		1,257,238	1,178,255	60,000		1,238,255
Other income	219,663			219,663	129,815			129,815
Interest income	12,943			12,943	18,487			18,487
Appreciation (depreciation) in fund held in trust by The Rhode Island Foundation	(19,051)			(19,051)	15,452			15,452
Net realized and unrealized gains on investments	27,579			27,579	5,284			5,284
Net assets released from restrictions - Satisfaction of purpose restrictions	447,239	(447,239)		-	271,547	(271,547)		-
Total revenues, gains and other support	12,337,724	394,965	-	12,732,689	11,871,260	275,669	-	12,146,929
<b>EXPENSES AND LOSS:</b>								
Programs:								
Program grants and awards:								
Community Impact Fund Grants	4,463,963			4,463,963	4,496,465			4,496,465
Summer Learning Initiative Grants	586,664			586,664	596,884			596,884
Special Initiative Grants and Awards	10,603			10,603	157,430			157,430
Total program grants and awards by the United Way of Rhode Island, Inc.	5,061,230	-	-	5,061,230	5,250,779	-	-	5,250,779
Program services	3,495,447			3,495,447	2,995,762			2,995,762
Total program expenses	8,556,677	-	-	8,556,677	8,246,541	-	-	8,246,541
Supporting services:								
Fundraising and public relations	2,184,681			2,184,681	2,185,875			2,185,875
Management and general	1,154,008			1,154,008	1,083,795			1,083,795
Total supporting services	3,338,689	-	-	3,338,689	3,269,670	-	-	3,269,670
Total expenses	11,895,366	-	-	11,895,366	11,516,211	-	-	11,516,211
Gain on disposal of assets				-	(10,750)			(10,750)
Total expenses, net	11,895,366	-	-	11,895,366	11,505,461	-	-	11,505,461
CHANGE IN NET ASSETS	442,358	394,965	-	837,323	365,799	275,669	-	641,468
NET ASSETS, BEGINNING OF THE YEAR	6,680,439	552,185	98,393	7,331,017	6,314,640	276,516	98,393	6,689,549
NET ASSETS, END OF THE YEAR	\$ 7,122,797	\$ 947,150	\$ 98,393	\$ 8,168,340	\$ 6,680,439	\$ 552,185	\$ 98,393	\$ 7,331,017

See notes to financial statements.

**UNITED WAY OF RHODE ISLAND, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Programs	Fundraising and Public Relations	Management and General	Total Expenses	Programs	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 1,604,275	\$ 1,082,813	\$ 1,097,333	\$ 3,784,421	\$ 1,394,146	\$ 1,007,157	\$ 1,062,887	\$ 3,464,190
Employee benefits	324,478	181,211	201,450	707,139	297,486	206,012	232,156	735,654
Payroll taxes	110,802	76,076	66,011	252,889	90,374	69,948	65,244	225,566
Professional fees and contractual services	329,867	50,711	125,241	505,819	246,746	72,584	104,932	424,262
Government & private foundation grants	31,904	-	-	31,904	12,223	-	-	12,223
Building - interest and rent expense	52,054	29,363	21,636	103,053	56,143	27,699	21,319	105,161
Occupancy	108,449	61,981	46,022	216,452	110,964	69,877	55,418	236,259
Supplies	94,434	107,041	11,761	213,236	17,603	114,516	9,342	141,461
Special events	116,376	55,119	59,705	231,200	26,477	69,687	35,795	131,959
Advertising	35,402	81,033	-	116,435	44,491	83,502	1,230	129,223
Equipment - repairs and rental	17,918	14,751	92,821	125,490	17,917	15,782	82,173	115,872
Staff training and conferences	17,805	520	48,171	66,496	60,549	1,064	27,618	89,231
Postage and shipping	4,512	26,592	13,942	45,046	4,483	26,334	13,932	44,749
Telephone and internet	24,557	19,078	23,259	66,894	28,202	14,274	10,088	52,564
Subscriptions and publications	1,442	1,165	8,483	11,090	1,229	935	8,339	10,503
Local transportation	7,447	10,983	311	18,741	6,037	9,478	127	15,642
Recruitment	-	443	3,843	4,286	95	-	4,624	4,719
Membership dues	73,828	41,644	20,995	136,467	65,605	41,191	21,057	127,853
Miscellaneous	8,214	4,219	51,948	64,381	7,596	7,050	55,344	69,990
Subtotal	2,963,764	1,844,743	1,892,932	6,701,439	2,488,366	1,837,090	1,811,625	6,137,081
Depreciation and amortization	84,504	47,515	32,582	164,601	69,294	40,234	31,046	140,574
Support services reimbursements from program grants	-	-	(31,904)	(31,904)	-	-	(12,223)	(12,223)
Allocation of supporting services*	447,179	292,423	(739,602)	-	438,102	308,551	(746,653)	-
Community impact grants and awards	5,061,230	-	-	5,061,230	5,250,779	-	-	5,250,779
Total	\$ 8,556,677	\$ 2,184,681	\$ 1,154,008	\$ 11,895,366	\$ 8,246,541	\$ 2,185,875	\$ 1,083,795	\$ 11,516,211

\*Allocation of Executive Compensation and Support Services (Human Resources & Information Technology).

See notes to financial statements.

# UNITED WAY OF RHODE ISLAND, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 837,323	\$ 641,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for uncollectible pledges	150,000	250,000
Depreciation and amortization	164,601	140,574
(Appreciation) depreciation in fund held in trust by The Rhode Island Foundation	19,051	(15,452)
Net realized and unrealized gains on investments	(27,579)	(5,284)
Gain on disposal of assets	-	(10,750)
Changes in operating assets and liabilities:		
Pledges receivable, net	(232,474)	184,632
Contributions and grant receivables	(370,693)	(97,691)
Prepaid expenses and other assets	23,117	(30,035)
Campaign designations payable	19,391	(360,604)
Community impact grants and awards payable	498,331	64,393
Accounts payable and accrued expenses	(102,519)	(77,181)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>978,549</u>	<u>684,070</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of:		
Property and equipment	(387,913)	(250,010)
Investments	(7,038,163)	(4,012,473)
Proceeds from:		
Sales of investments	6,030,442	3,394,026
Sale of assets	-	10,750
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(1,395,634)</u>	<u>(857,707)</u>
<b>CASH FLOWS USED BY FINANCING ACTIVITIES -</b>		
Payments on note payable - bank	(31,709)	(29,604)
<b>NET DECREASE IN CASH</b>	(448,794)	(203,241)
<b>CASH, BEGINNING OF THE YEAR</b>	<u>1,834,241</u>	<u>2,037,482</u>
<b>CASH, END OF THE YEAR</b>	<u><u>\$ 1,385,447</u></u>	<u><u>\$ 1,834,241</u></u>

See notes to financial statements.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

United Way of Rhode Island, Inc. (UWRI) is a not-for-profit organization dedicated to “mobilizing the caring power of the community to improve the lives of people in need.” UWRI works with its community and funding partners to identify the issues that matter most and respond to them by focusing resources on effective solutions.

Proceeds from UWRI Community Impact Fund are employed to reduce homelessness and increase the availability of affordable homes for working people; provide job skills and employment opportunities to low-skilled Rhode Islanders so they can earn a decent wage and better care for their families; and support children’s success in schools and connect people to the services they need through *United Way 2-1-1 in RI*. UWRI collaborates with representatives from the business, government, labor, education and nonprofit sectors to identify the best solutions for our most challenging social issues and ensure that every investment and community initiative are monitored for ongoing effectiveness.

Contributions are obtained from local businesses, individuals, and charitable foundations. These funds are distributed to agencies and services as designated by donors or as allocated by UWRI.

#### Basis of Financial Reporting

UWRI prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of the resources available to UWRI, the accounts of UWRI are maintained in three net asset groups as follows:

- Unrestricted net asset group - includes funds which management and the Board of Directors of UWRI retain full control to use in achieving any of their organizational purposes. This group also includes board-designated net assets which represent unrestricted net assets that the Board of Directors has voluntarily placed restrictions thereon.
- Temporarily restricted net asset group - includes funds restricted by outside sources, which may only be utilized in accordance with purposes and/or time periods established by the donor of such funds.

See independent auditors’ report.



# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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- Permanently restricted net asset group - includes funds permanently restricted by outside sources, which require that the principal be invested in perpetuity and only the income be utilized by UWRI. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor of such funds.

### Receivables

#### *Pledges*

UWRI conducts annual fundraising campaigns. Any annual fundraising campaign pledges which remain outstanding after the subsequent campaign year are written off as uncollectible with the exception of those determined to be collectible.

The allowance for uncollectible pledges is determined based on historical campaign pledge loss experience and adjusted for current economic conditions. In addition, such allowance is based on an analysis of overall campaign pledges, including corporate gifts, individual gifts, and employee workplace campaigns.

#### *Contributions*

Contributions that are not from the annual fundraising campaign, including unconditional promises to give, are recognized in the period the contribution or promise is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions are substantially met. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved and at the date the promise was made. As of June 30, 2016 and 2015, all amounts are due within one year and, therefore, a discount was not required. When considered necessary, an allowance is recorded based on management's estimate of uncollectibility including such factors as prior collection history, type of contribution, and the nature of the fundraising activity.

### Investments

Investments are valued at fair value, with the exception of the certificates of deposit which are carried at amortized cost which approximates fair value. Fair value is the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income related to the certificates of deposit is reflected in the statement of activities and changes in net assets. Net realized and unrealized gains or losses are reflected in the statement of activities and changes in net assets.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### Property and Equipment

Property and equipment is recorded at cost or, if donated, at the fair market value at the date of the gift. Property and equipment is capitalized if the asset costs more than \$1,250 and has a useful life beyond one year. Property and equipment is depreciated using the straight-line method over the estimated useful lives. Amortization of leasehold improvements is computed over the lesser of the assets' useful lives or related lease term. Capital improvements in process represent costs associated with the acquisition of certain equipment which have not yet been placed in service. At such time that these assets are placed in service, they will be reclassified to equipment and depreciation will commence.

### Campaign Designations Payable

In connection with the annual fundraising campaign, UWRI accepts assets from donors and agrees to transfer the assets to the beneficiary named by the donors. The named beneficiary must be a 501(c)(3) organization.

### Community Impact Grants and Awards Payable

Community impact grants and awards payable are payable to various not-for-profit organizations. The contribution expense and related liability are recognized in the period the Board of Directors authorizes and commits to the recipient organizations.

### Revenue Recognition

All contributions are considered to be available for use by the various programs and general operations of UWRI unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. UWRI records contributions and investment income with donor imposed restrictions that are fulfilled in the same time period in which the contribution is received as unrestricted support.

### Contributed Services

Contributed services are recognized if the services create or enhance nonfinancial assets, or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are recorded at their estimated fair value at the date of receipt. For the years ended June 30, 2016 and 2015, contributed services meeting the aforementioned criteria were \$2,422 and \$4,364, respectively.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### Allocation of Indirect Costs

UWRI incurs certain indirect and supporting service costs which are allocated to various functional expense categories. These allocations are based upon the full-time equivalent (FTE) method and include the following expenses: executive compensation, occupancy, depreciation and amortization, information technology, human resources and organizational development.

### Advertising

Advertising and promotional expenditures are expensed as incurred. During the years ended June 30, 2016 and 2015, UWRI incurred advertising and promotional expenses of approximately \$116,000 and \$129,000, respectively.

### Tax-Exempt Status

UWRI is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to Federal income tax. UWRI had no unrelated business income for the years ended June 30, 2016 and 2015. Accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

UWRI evaluates all significant tax positions. As of June 30, 2016, UWRI does not believe that they have taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. UWRI's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of June 30, 2016, UWRI's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

### Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the allowance for uncollectible pledges receivable, the fair value of mutual funds and fund held in trust by The Rhode Island Foundation, the estimated useful lives used to depreciate property and equipment, and the allocation of certain functional expenses. Actual results could differ from those estimates.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### Recent Accounting Pronouncement

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as the practical expedient. Under the new guidance, investments measured at net asset value (NAV), as a practical expedient for fair value, are excluded from the fair value hierarchy. Removing investments measured at the practical expedient from the fair value hierarchy is intended to eliminate diversity in practice that currently exists with respect to the categorization of these investments. The only criterion for categorizing investments in the fair value hierarchy will be the observability of the inputs. The ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Management has elected to adopt this ASU early and has applied it retrospectively in the June 30, 2015 financial statements.

### Subsequent Events

Management has evaluated subsequent events through November 7, 2016, which is the date the financial statements were available to be issued.

## 2. INVESTMENTS

As of June 30, 2016 and 2015, investments consisted of the following:

	2016	2015
Certificates of deposit	\$ 2,756,212	\$ 5,398,122
Mutual funds:		
Money market fund	3,105,528	-
Fixed income bond funds	401,075	-
International equity funds	106,242	-
Domestic equity funds	90,483	-
Real estate fund	-	114,979
Total mutual funds	3,703,328	114,979
Bonds:		
U.S. Treasury	100,739	-
Corporate	50,752	-
Total bonds	151,491	-
Carried forward	6,611,031	5,513,101

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

	2016	2015
Brought forward	\$ 6,611,031	\$ 5,513,101
Common stock:		
Technology	87,666	-
Healthcare	69,084	-
Finance	64,986	-
Consumer staples	50,612	-
Capital goods	50,252	-
Consumer cyclical	49,336	-
Energy	26,661	-
Other	36,912	-
Total common stock	435,509	-
Fund held in trust by The Rhode Island Foundation	433,630	950,820
Total	\$ 7,480,170	\$ 6,463,921

As of June 30, 2016 and 2015, the nature of restrictions on investments are as follows:

	2016	2015
Unrestricted	\$ 7,381,777	\$ 6,365,528
Temporarily restricted	-	-
Permanently restricted	98,393	98,393
Total	\$ 7,480,170	\$ 6,463,921

### 3. PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Land	\$ 513,000	\$ 513,000
Building and improvements	2,920,987	2,677,060
Equipment	698,670	685,519
Motor vehicles	51,951	51,951
Capital improvements in process	238,940	113,343
Total property and equipment	4,423,548	4,040,873
Less accumulated depreciation and amortization	1,153,205	993,842
Property and equipment, net	\$ 3,270,343	\$ 3,047,031

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### 4. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that UWRI has the ability to access at the measurement date.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date.

The asset's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The 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, 2016 and 2015.

*Mutual funds:* Valued at the daily closing price as reported by the fund. The mutual funds are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

*Bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities.

*Fund held in trust by The Rhode Island Foundation:* Valued using the net asset value as a practical expedient to estimate fair value.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UWRI 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.

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2016				
Investments:				
Mutual funds	\$ 3,703,328			\$ 3,703,328
Bonds		\$ 151,491		151,491
Common stock	435,509			435,509
Total assets in the fair value hierarchy	<u>\$ 4,138,837</u>	<u>\$ 151,491</u>	<u>\$ -</u>	<u>4,290,328</u>
Investment measured at net asset value (a) -				
Fund held in trust by				
The Rhode Island Foundation				<u>433,630</u>
Total investments measured at fair value				<u>\$ 4,723,958</u>
2015				
Asset in the fair value hierarchy -				
Investments - mutual funds	\$ 114,979			\$ 114,979
Investment measured at net asset value (a) -				
Fund held in trust by				
The Rhode Island Foundation				<u>950,820</u>
Total investments measured at fair value				<u>\$ 1,065,799</u>

- (a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

reconciliation of the fair value hierarchy to the line items presented in the statements of financial position and notes to the financial statements.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2016 and 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2016				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 433,630	n/a	*	*
2015				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 950,820	n/a	*	*

\*The Fund includes investments with redemption periods ranging from daily to greater than one year. In accordance with the instrument of transfer agreement that UWRI maintains with The Rhode Island Foundation, the Board of Directors of UWRI may request a distribution from principal provided that the fund balance does not fall below \$10,000.

The investment strategy of the Fund Held in Trust by The Rhode Island Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The fund is comprised of equity, fixed income, and alternative investments and is diversified across economic sectors, geographical locations and industries.

### 5. NOTE PAYABLE – BANK

In September 2013, UWRI executed a note payable with a bank in the amount of \$2,500,000. The proceeds from the note were used to finance the acquisition of land and a building. The note is collateralized by land, building and improvements and requires interest at 4.88%. The carrying value of the assets collateralizing the note payable is approximately \$2,900,000. The note required monthly payments of interest only through August 2015. In July 2014, UWRI began making monthly payments of principal and interest of \$11,230 which are payable through August 2023, at which time all outstanding principal and interest is due. Scheduled maturities on the note are as follows:

See independent auditors' report.



# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

<u>Fiscal Year Ending</u>	<u>Amount</u>
2017	\$ 33,612
2018	35,314
2019	37,101
2020	38,714
2021	40,938
2022 and thereafter	<u>1,873,898</u>
Total	<u>\$ 2,059,577</u>

In connection with the note payable to the bank, UWRI is subject to certain restrictive covenants, which require, among other things, a minimum debt service coverage and a loan to value ratio.

### 6. NET ASSETS

#### Unrestricted Net Assets – Board-Designated Purposes

The Board of Directors has voted to provide for the use of the following unrestricted net assets in accordance with the board-designated purpose as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Board-Designated Purpose:		
Community investment grants	\$ 1,553,620	\$ 1,070,998
United Way 2-1-1 in RI	303,167	258,574
Endowment	335,237	852,427
Technology upgrades	103,480	-
Staff innovation	7,788	8,156
Internal operational reserve	334,371	278,005
Clay mine royalties replacement reserve	<u>1,068,771</u>	<u>725,609</u>
Total board-designated	<u>\$ 3,706,434</u>	<u>\$ 3,193,769</u>

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### Temporarily Restricted Net Assets

For the years ended June 30, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

	2016	2015
RI Good Neighbor Energy Program	\$ 231,262	\$ -
RI Afterschool Plus Alliance (RIASPA)	205,661	162,239
Housing	151,500	-
United Way 2-1-1 in RI	100,000	100,000
CVS Tobacco for Youth Program	66,324	66,324
Volunteer Income Tax Assistance	55,000	60,000
Various program grants and other	137,403	38,622
Basic Needs Grant Program	-	125,000
Total temporarily restricted net assets	<u>\$ 947,150</u>	<u>\$ 552,185</u>

### Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2016 and 2015 are restricted to investment in perpetuity. Such permanently restricted net assets amounted to approximately \$98,400 at June 30, 2016 and 2015. The income can be used to support general operations of UWRI.

## 7. AGENCY SUPPORT AND DONOR DESIGNATIONS

Donor-designated funds are those funds which a donor specifically states should be distributed to an agency, either directly or through their Philanthropy Account (commonly referred to as a P-Fund account). P-fund accounts are considered donor-advised accounts. P-Fund donors can periodically request UWRI to make distributions from their P-Fund accounts to specific agencies, including UWRI. UWRI must approve all requests for P-Fund account distributions to ensure that all requests comply with UWRI policies and procedures regarding charitable distributions.

Amounts undesignated by donors, as well as amounts designated for UWRI's Community Impact Fund, critical issue funds or special initiatives are distributed to agencies in the form of UWRI Community Investment grants.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Total designated and allocated funds for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Designated by donors	\$ 5,788,173	\$ 5,908,543
Program grants and awards by UWRI (Community Impact Fund Grants, Summer Learning Initiative Grants, and Special Initiative Grants and Awards)	5,061,230	5,250,779
Total	<u>\$ 10,849,403</u>	<u>\$ 11,159,322</u>

### 8. CONTRIBUTION INCOME FROM THE RHODE ISLAND FOUNDATION – ROYALTIES

The Rhode Island Foundation (the Foundation) has ownership rights to several properties in Georgia from which clay called “kaolin” is mined. The clay is mined by a company known as BASF (formerly Englehard). BASF pays royalty income to the Foundation for the mined clay. At its discretion, the Foundation then contributes the royalty income to UWRI. For the years ended June 30, 2016 and 2015, the Foundation contributed approximately \$814,000 and \$700,000, respectively, of such royalty income.

### 9. SPECIAL PROGRAM INCOME

Special program income is attributable to the following programs for the years ended June 30, 2016 and 2015:

	2016	2015
Rhode Island After School Plus Alliance	\$ 415,218	\$ 496,200
United Way 2-1-1 in RI	585,178	425,360
Aging and Disability Resource Center	207,342	243,124
State Employees Charitable Appeal	42,000	47,000
Volunteerism Grant	7,500	15,000
Federal Emergency Management Agency	-	11,571
Total	<u>\$ 1,257,238</u>	<u>\$ 1,238,255</u>

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### 10. ENDOWMENT

UWRI's endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board of Directors to provide income for UWRI. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors has interpreted State of Rhode Island Uniform Prudent Management of Institutional Funds Act (R.I. UPMIFA) to mean that the Board of Directors is to exercise prudence when appropriating for expenditure or accumulation of endowment funds and consider the uses, benefits, purposes and duration for which the endowment funds are established. As a result of this interpretation, UWRI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified according to the wishes of the donor or as established by the Board of Directors. When the donor has directed a specified use for investment earnings, the remaining portion of the endowment fund is classified as temporarily restricted net assets until funds are appropriated for expenditure by UWRI in a manner consistent with the standard of prudence prescribed by R.I. UPMIFA. In accordance with R.I. UPMIFA, UWRI, in making a determination to appropriate or accumulate, shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances and consider, if relevant, the following factors:

- The duration and preservation of the endowment fund;
- The purposes of UWRI and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of UWRI; and
- The investment policy of UWRI.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or R.I. UPMIFA requires UWRI to retain as a fund of perpetual duration. As of June 30, 2016 and 2015, there were no such funds with deficiencies.

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### Return Objectives and Risk Parameters

UWRI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UWRI must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results over time, to provide an average annual rate of return that is in the top twenty percent as compared to the annual rate of return of other institutional endowments.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UWRI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UWRI utilizes an independent financial trustee to achieve these objectives.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

UWRI has a policy of only appropriating for distribution the amount the independent financial trustee distributes to them annually. In establishing this policy, UWRI considered the long-term expected return on its endowment. Accordingly, over the long term, UWRI expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with UWRI's objective to maintain prudence when appropriating for expenditure from donor restricted endowment funds and to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 98,393	\$ 98,393
Board-designated endowment funds	335,237	-	-	335,237
Total funds	\$ 335,237	\$ -	\$ 98,393	\$ 433,630

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 852,427	\$ -	\$ 98,393	\$ 950,820
Investment return - Net unrealized depreciation, net of Foundation support fee	(27,908)	-	-	(27,908)
Appropriation of endowment assets for:				
Operations	(39,438)	-	-	(39,438)
Investment in technology	(449,844)	-	-	(449,844)
Endowment net assets, end of year	\$ 335,237	\$ -	\$ 98,393	\$ 433,630

### Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 98,393	\$ 98,393
Board-designated endowment funds	852,427	-	-	852,427
Total funds	\$ 852,427	\$ -	\$ 98,393	\$ 950,820

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 980,947	\$ -	\$ 98,393	\$ 1,079,340
Investment return - Net unrealized appreciation, net of Foundation support fee	7,011	-	-	7,011
Appropriation of endowment assets for:				
Operations	(35,585)	-	-	(35,585)
Investment in technology	(99,946)	-	-	(99,946)
Endowment net assets, end of year	\$ 852,427	\$ -	\$ 98,393	\$ 950,820

### 11. EMPLOYEE RETIREMENT PLAN

UWRI maintains a defined contribution retirement plan which covers all employees who have worked at least 1,000 hours and for at least one year. Contributions to the plan range from 3% to 6% of an employee's salary depending on years of service. Contributions made by UWRI were approximately \$71,000 and \$74,000 for the years ended June 30, 2016 and 2015, respectively.

### 12. COMMITMENTS

UWRI leases certain office equipment under operating lease agreements, expiring at various dates through June 2019. As of June 30, 2016, the approximate future minimum lease payments required in accordance with these lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 30,000
2018	25,000
2019	13,000
Total	<u>\$ 68,000</u>

See independent auditors' report.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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For the years ended June 30, 2016 and 2015, rent expense under all operating leases amounted to approximately \$30,000 and \$31,000, respectively.

### 13. CONCENTRATIONS OF CREDIT, MARKET AND INTEREST RATE RISK AND MAJOR DONOR

#### Credit, Market and Interest Rate Risks

Financial instruments which potentially subject UWRI to concentrations of credit risk consist principally of cash and certificates of deposit.

UWRI maintains deposit accounts, including cash and certificates of deposit, at a number of financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance covering all deposit accounts per depositor and per insured bank, of up to \$250,000. At various times, UWRI's deposit accounts held at any given financial institution may exceed the FDIC insurance limit. Management considers this to be a normal business risk. As of June 30, 2016, UWRI's deposit accounts at various financial institutions exceeded the FDIC insurance limit.

UWRI's investments consist of a diversified portfolio of various investment vehicles including certificates of deposit, mutual funds, bonds and common stock. These investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Management believes the diversity of the portfolio minimizes the risk of loss.

#### Major Donor

Contributions from The Rhode Island Foundation, including income from The Rhode Island Charities Trust and clay mine royalties, represented approximately 32% of total revenues, gains and other support for each of the years ended June 30, 2016 and 2015.

### 14. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended June 30, 2016 and 2015, UWRI approximate cash payments for interest were \$103,000 and \$105,000, respectively.

See independent auditors' report.



# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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The accompanying statement of cash flows for the year ended June 30, 2015 excludes the effect of the following non-cash investing and financing activities related to the acquisition of land and a building as follows:

Execution of a note payable to a bank	\$ 2,500,000
Removal of capital lease and other obligations	(977,000)
Reclassification of property under capital lease	<u>585,000</u>
Non-cash amount related to acquisition of land and a building	<u><u>\$ 2,108,000</u></u>

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