

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

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014**

**INDEPENDENT AUDITORS' REPORT**



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



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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, 2015 and 2014, 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, 2015 and 2014, 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.

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

Providence, Rhode Island  
November 4, 2015

# UNITED WAY OF RHODE ISLAND, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS:</b>		
Cash	\$ 1,834,241	\$ 2,037,482
Pledges receivable:		
2014-2015 fundraising campaign	4,489,511	-
2013-2014 fundraising campaign	13,202	4,935,987
2012-2013 fundraising campaign	-	7,000
Gross pledges receivable	4,502,713	4,942,987
Less allowance for uncollectible pledges	256,574	262,216
Pledges receivable, net	4,246,139	4,680,771
Contributions and grant receivables	1,003,882	906,191
Investments:		
Certificates of deposit	5,398,122	4,635,703
Fund held in trust by The Rhode Island Foundation	950,820	1,079,340
Mutual funds	114,979	109,695
Total investments	6,463,921	5,824,738
Prepaid expenses and other assets	116,497	86,462
Property and equipment, net	3,047,031	2,937,595
<b>TOTAL ASSETS</b>	<b>\$ 16,711,711</b>	<b>\$ 16,473,239</b>
<b>LIABILITIES:</b>		
Campaign designations payable	\$ 3,391,341	\$ 3,751,945
Community impact grants and awards payable	3,254,031	3,189,638
Accounts payable and accrued expenses	644,036	721,217
Note payable - bank	2,091,286	2,120,890
Total liabilities	9,380,694	9,783,690
<b>COMMITMENTS</b>		
<b>NET ASSETS:</b>		
Unrestricted:		
Board-designated purposes	3,193,769	2,660,692
Net investment in property and equipment	955,745	816,705
Undesignated - general operations	2,530,925	2,837,243
Total unrestricted net assets	6,680,439	6,314,640
Temporarily restricted	552,185	276,516
Permanently restricted	98,393	98,393
Total net assets	7,331,017	6,689,549
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,711,711</b>	<b>\$ 16,473,239</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, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>								
Campaign revenue:								
Campaign pledges generated	\$ 12,057,373	\$ 487,216		\$ 12,544,589	\$ 12,601,989	\$ 180,042		\$ 12,782,031
Recovery of prior year campaign pledges written-off	11,564			11,564	66,945			66,945
Philanthropy Fund	473,927			473,927	473,978			473,978
Less provision for uncollectible pledges	(250,000)			(250,000)	(250,000)			(250,000)
Less amounts designated by donors	(5,908,543)			(5,908,543)	(6,175,848)			(6,175,848)
Campaign revenue, net	6,384,321	487,216	\$ -	6,871,537	6,717,064	180,042	\$ -	6,897,106
Contribution income from The Rhode Island Foundation generated from:								
Designated funds	3,167,745			3,167,745	3,023,474			3,023,474
Royalties	700,354			700,354	419,245			419,245
Special program income	1,178,255	60,000		1,238,255	1,179,198	54,558		1,233,756
Other income	129,815			129,815	158,453			158,453
Interest income	18,487			18,487	19,470			19,470
Appreciation in fund held in trust by The Rhode Island Foundation	15,452			15,452	159,956			159,956
Unrealized gains on investments	5,284			5,284	12,630			12,630
Net assets released from restrictions - Satisfaction of purpose restrictions	271,547	(271,547)		-	668,174	(668,174)		-
Total revenues, gains and other support	11,871,260	275,669	-	12,146,929	12,357,664	(433,574)	-	11,924,090
<b>EXPENSES AND LOSS:</b>								
Programs:								
Program grants and awards:								
Community Impact Fund Grants	4,496,465			4,496,465	5,095,681			5,095,681
Summer Learning Initiative Grants	596,884			596,884	646,819			646,819
Special Initiative Grants and Awards	157,430			157,430	227,733			227,733
Total program grants and awards by the United Way of Rhode Island, Inc.	5,250,779	-	-	5,250,779	5,970,233	-	-	5,970,233
Program services	2,995,762			2,995,762	3,304,463			3,304,463
Total program expenses	8,246,541	-	-	8,246,541	9,274,696	-	-	9,274,696
Supporting services:								
Fundraising and public relations	2,185,875			2,185,875	2,263,140			2,263,140
Management and general	1,083,795			1,083,795	1,209,345			1,209,345
Total supporting services	3,269,670	-	-	3,269,670	3,472,485	-	-	3,472,485
Total expenses	11,516,211	-	-	11,516,211	12,747,181	-	-	12,747,181
Loss (gain) on disposal of assets	(10,750)			(10,750)	1,002,140			1,002,140
Total expenses, net	11,505,461	-	-	11,505,461	13,749,321	-	-	13,749,321
CHANGE IN NET ASSETS	365,799	275,669	-	641,468	(1,391,657)	(433,574)	-	(1,825,231)
NET ASSETS, BEGINNING OF THE YEAR	6,314,640	276,516	98,393	6,689,549	7,706,297	710,090	98,393	8,514,780
NET ASSETS, END OF THE YEAR	\$ 6,680,439	\$ 552,185	\$ 98,393	\$ 7,331,017	\$ 6,314,640	\$ 276,516	\$ 98,393	\$ 6,689,549

See notes to financial statements.

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

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015				2014			
	Programs	Fundraising and Public Relations	Management and General	Total Expenses	Programs	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 1,394,146	\$ 1,007,157	\$ 1,062,887	\$ 3,464,190	\$ 1,474,919	\$ 993,953	\$ 1,047,961	\$ 3,516,833
Employee benefits	297,486	206,012	232,156	735,654	283,836	204,761	225,439	714,036
Payroll taxes	90,374	69,948	65,244	225,566	98,990	71,864	66,829	237,683
Professional fees and contractual services	246,746	72,584	104,932	424,262	317,783	70,097	300,454	688,334
Government & private foundation grants	12,223	-	-	12,223	25,939	-	-	25,939
Building - interest and rent expense	56,143	27,699	21,319	105,161	77,015	44,327	35,723	157,065
Occupancy	110,964	69,877	55,418	236,259	124,104	76,166	61,419	261,689
Supplies	17,603	114,516	9,342	141,461	19,156	127,307	7,384	153,847
Special events	26,477	69,687	35,795	131,959	19,922	55,375	21,805	97,102
Advertising	44,491	83,502	1,230	129,223	90,791	116,330	-	207,121
Equipment - repairs and rental	17,917	15,782	82,173	115,872	18,570	19,135	76,083	113,788
Staff training and conferences	60,549	1,064	27,618	89,231	65,032	760	31,339	97,131
Postage and shipping	4,483	26,334	13,932	44,749	4,524	23,964	9,869	38,357
Telephone and internet	28,202	14,274	10,088	52,564	25,348	13,461	8,414	47,223
Subscriptions and publications	1,229	935	8,339	10,503	3,256	2,053	7,570	12,879
Local transportation	6,037	9,478	127	15,642	8,188	13,373	570	22,131
Recruitment	95	-	4,624	4,719	80	-	3,046	3,126
Membership dues	65,605	41,191	21,057	127,853	64,230	39,419	21,101	124,750
Miscellaneous	7,596	7,050	55,344	69,990	3,473	6,979	52,547	62,999
Subtotal	2,488,366	1,837,090	1,811,625	6,137,081	2,725,156	1,879,324	1,977,553	6,582,033
Depreciation and amortization	69,294	40,234	31,046	140,574	108,069	62,759	50,026	220,854
Support services reimbursements from program grants	-	-	(12,223)	(12,223)	-	-	(25,939)	(25,939)
Allocation of supporting services*	438,102	308,551	(746,653)	-	471,238	321,057	(792,295)	-
Community impact grants and awards	5,250,779	-	-	5,250,779	5,970,233	-	-	5,970,233
Total	\$ 8,246,541	\$ 2,185,875	\$ 1,083,795	\$ 11,516,211	\$ 9,274,696	\$ 2,263,140	\$ 1,209,345	\$ 12,747,181

\*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, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 641,468	\$ (1,825,231)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Provision for uncollectible pledges	250,000	250,000
Depreciation and amortization	140,574	220,854
Appreciation in fund held in trust by The Rhode Island Foundation	(15,452)	(159,956)
Unrealized gains on investments	(5,284)	(12,630)
Loss (gain) on disposal of assets	(10,750)	1,002,140
Donations of property and equipment	-	(23,533)
Changes in operating assets and liabilities:		
Pledges receivable, net	184,632	163,642
Contributions and grant receivables	(97,691)	55,376
Prepaid expenses and other assets	(30,035)	30,430
Campaign designations payable	(360,604)	50,117
Community impact grants and awards payable	64,393	(102,507)
Accounts payable and accrued expenses	(77,181)	120,493
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>684,070</b>	<b>(230,805)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of:		
Property and equipment	(250,010)	(889,068)
Investments	(4,012,473)	(2,991,202)
Decrease in restricted cash (donor-restricted to investment in building)	-	246,367
Proceeds from:		
Sales of investments	3,394,026	4,587,199
Sale of assets	10,750	326,900
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(857,707)</b>	<b>1,280,196</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable - bank	(29,604)	(379,110)
Payments on capital lease obligation	-	(3,674)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(29,604)</b>	<b>(382,784)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(203,241)</b>	<b>666,607</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>2,037,482</b>	<b>1,370,875</b>
<b>CASH, END OF THE YEAR</b>	<b>\$ 1,834,241</b>	<b>\$ 2,037,482</b>

See notes to financial statements.

# UNITED WAY OF RHODE ISLAND, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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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.
- 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, 2015 and 2014, 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 include certificates of deposit, fund held in trust by The Rhode Island Foundation and mutual funds. Certificates of deposit are carried at cost, which approximates fair value. Interest income related to the certificates of deposit is reflected in the statement of activities and changes in net assets. Mutual funds and fund held in trust by The Rhode Island Foundation are adjusted annually to fair value, and any gains or losses are reflected in the statement of activities and changes in net assets. As of June 30, 2015 and 2014, \$98,393 of UWRI's investments were permanently restricted for investment in perpetuity.

### 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, 2015 and 2014, contributed services meeting the aforementioned criteria were \$4,364 and \$7,563, respectively.

### 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, 2015 and 2014, UWRI incurred advertising and promotional expenses of approximately \$129,000 and \$207,000, 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, 2015 and 2014. 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, 2015, 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, 2015, 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.

#### Subsequent Events

Management has evaluated subsequent events through November 4, 2015, which is the date the financial statements were available to be issued.

## 2. PROPERTY AND EQUIPMENT

As of June 30, 2015 and 2014, property and equipment consisted of the following:

	2015	2014
Land	\$ 513,000	\$ 513,000
Building	2,677,060	2,668,029
Equipment	685,519	598,486
Motor vehicles	51,951	48,308
Capital improvements in process	113,343	-
Total property and equipment	4,040,873	3,827,823
Less accumulated depreciation and amortization	993,842	890,228
Property and equipment, net	<u>\$ 3,047,031</u>	<u>\$ 2,937,595</u>

## 3. 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. The fair value hierarchy gives the highest priority to Level 1 inputs.

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 fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, UWRI utilizes valuation techniques that maximize the use of observable inputs to the extent possible.

Financial instruments carried at fair value at June 30, 2015 and 2014 are classified in the table below in one of the three categories described above:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2015				
Investments:				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 950,820			\$ 950,820
Mutual Funds - invested				
primarily in real estate	114,979	\$ 114,979		
Total	<u>\$ 1,065,799</u>	<u>\$ 114,979</u>	<u>\$ -</u>	<u>\$ 950,820</u>
2014				
Investments:				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 1,079,340			\$ 1,079,340
Mutual Funds - invested				
primarily in real estate	109,695	\$ 109,695		
Total	<u>\$ 1,189,035</u>	<u>\$ 109,695</u>	<u>\$ -</u>	<u>\$ 1,079,340</u>

For the years ended June 30, 2015 and 2014, activity related to level three inputs consisted of the following:

	2015	2014
Fund Held in Trust by The Rhode Island Foundation		
at beginning of the year	\$ 1,079,340	\$ 956,583
Net investment return	15,452	159,956
Fees	(8,441)	(7,278)
Funds distributed to UWRI	<u>(135,531)</u>	<u>(29,921)</u>
Fund Held in Trust by The Rhode Island Foundation		
at end of the year	<u>\$ 950,820</u>	<u>\$ 1,079,340</u>

Following is a description of the valuation methodologies used for assets reported at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

*Mutual Funds:* Valued at the net asset value of shares held by UWRI based upon quoted market prices.

*Fund Held in Trust by The Rhode Island Foundation:* Valued at the net asset value of units held in the fund.

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.

#### Fair Value of Level 3 Investments that Use Net Asset Value (NAV)

The following table summarizes Level 3 investments measured at fair value based on NAV per share as of June 30, 2015 and 2014.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2015				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 950,820	n/a	*	*
2014				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 1,079,340	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.

#### Investment Strategy of Level 3 Investments that Use NAV

*Fund Held in Trust by The Rhode Island Foundation:* The investment strategy 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.

#### **4. SPECIAL PROGRAM INCOME**

Special program income is attributable to the following programs for the years ended June 30, 2015 and 2014:

	2015	2014
Rhode Island After School Plus Alliance	\$ 496,200	\$ 548,115
United Way 2-1-1 in RI	425,360	374,269
Aging and Disability Resource Center	243,124	246,619
State Employees Charitable Appeal	47,000	52,000
Volunteerism Grant	15,000	-
Federal Emergency Management Agency	11,571	753
Skill Up RI Grants	-	12,000
Total	<u>\$ 1,238,255</u>	<u>\$ 1,233,756</u>

#### **5. 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, 2015 and 2014, the Foundation contributed approximately \$700,000 and \$419,000, respectively, of such royalty income.

#### **6. 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.

Total designated and allocated funds for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Designated by donors	\$ 5,908,543	\$ 6,175,848
Program grants and awards by UWRI (Community Impact Fund Grants, Summer Learning Initiative Grants, and Special Initiative Grants and Awards)	<u>5,250,779</u>	<u>5,970,233</u>
Total	<u>\$ 11,159,322</u>	<u>\$ 12,146,081</u>

## 7. 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 \$74,000 and \$76,000 for the years ended June 30, 2015 and 2014, respectively.

## 8. 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 certain property and fixtures and requires interest at 4.88%. 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:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 31,721
2017	33,612
2018	35,314
2019	37,101
2020	38,714
2021 and thereafter	<u>1,914,824</u>
Total	<u>\$ 2,091,286</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.



## 9. COMMITMENTS

UWRI leases certain office equipment under operating lease agreements, expiring at various dates through June 2019. As of June 30, 2015, the approximate future minimum lease payments required in accordance with these lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 30,000
2017	30,000
2018	25,000
2019	<u>13,000</u>
Total	<u>\$ 98,000</u>

For the years ended June 30, 2015 and 2014, rent expense under all operating leases amounted to approximately \$31,000 and \$40,000, respectively.

## 10. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Board-Designated Purpose:		
Community investment grants	\$ 1,070,998	\$ 712,956
United Way 2-1-1 in RI	258,574	138,433
Endowment	852,427	980,947
Technology upgrades	-	56,820
Staff innovation	8,156	30,000
Internal operational reserve	278,005	269,181
Clay mine reserve	<u>725,609</u>	<u>472,355</u>
Total board-designated	<u>\$ 3,193,769</u>	<u>\$ 2,660,692</u>

### Temporarily Restricted Net Assets

For the years ended June 30, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	2015	2014
RI Afterschool Plus Alliance (RIASPA)	\$ 162,239	\$ 199,641
Basic Needs Grant Program	125,000	-
United Way 2-1-1 in RI	100,000	-
CVS Tobacco for Youth Program	66,324	-
Volunteer Income Tax Assistance	60,000	2,400
Various program grants	38,622	74,475
Total temporarily restricted net assets	<u>\$ 552,185</u>	<u>\$ 276,516</u>

### Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2015 and 2014 are restricted to investment in perpetuity. Such permanently restricted net assets amounted to approximately \$98,400 at June 30, 2015 and 2014. The income can be used to support general operations of UWRI.

## **11. 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, 2015 and 2014, there were no such funds with deficiencies.

#### *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 and to provide additional real growth through new gifts and investment return.

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	<u>\$ 852,427</u>	<u>\$ -</u>	<u>\$ 98,393</u>	<u>\$ 950,820</u>

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 expenditure	<u>(135,531)</u>	<u>-</u>	<u>-</u>	<u>(135,531)</u>
Endowment net assets, end of year	<u>\$ 852,427</u>	<u>\$ -</u>	<u>\$ 98,393</u>	<u>\$ 950,820</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 98,393	\$ 98,393
Board-designated endowment funds	980,947	-	-	980,947
Total funds	<u>\$ 980,947</u>	<u>\$ -</u>	<u>\$ 98,393</u>	<u>\$ 1,079,340</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 858,190	\$ -	\$ 98,393	\$ 956,583
Investment return - Net unrealized appreciation, net of				
Foundation support fee	152,678	-	-	152,678
Appropriation of endowment assets for expenditure	(29,921)	-	-	(29,921)
Endowment net assets, end of year	<u>\$ 980,947</u>	<u>\$ -</u>	<u>\$ 98,393</u>	<u>\$ 1,079,340</u>

**12. CONCENTRATIONS OF CREDIT RISK AND MAJOR DONOR**

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, 2015, UWRI's deposit accounts at various financial institutions exceeded the FDIC insurance limit.

Contributions from The Rhode Island Foundation, including income from The Rhode Island Charities Trust and clay mine royalties, represented approximately 32% and 29% of total revenues, gains and other support for the years ended June 30, 2015 and 2014, respectively.

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended June 30, 2015 and 2014, UWRI made approximate cash payments for interest as follows:

	<u>2015</u>	<u>2014</u>
Related to:		
Obligation under capital lease	\$ -	\$ 43,000
Note payable - bank	<u>105,000</u>	<u>103,000</u>
Total	<u>\$ 105,000</u>	<u>\$ 146,000</u>

The accompanying statement of cash flows for the year ended June 30, 2014 excludes the effect of the following non-cash investing and financing activities related to the acquisition of land and a building:

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>\$ 2,108,000</u>

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