

COPY

UNITED WAY OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the United Way of Rhode Island, Inc. (the UWRI) as of June 30, 2009, and the related statement of activities and change in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of management of the UWRI. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the UWRI as of June 30, 2008, were audited by other auditors whose report dated December 8, 2008, expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the UWRI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Rhode Island, Inc. as of June 30, 2009, and the change in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sansiveri, Kimball & McNamee, L.L.P.

Providence, Rhode Island
October 1, 2009

COPY**UNITED WAY OF RHODE ISLAND, INC.**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS:		
Cash:		
Operating and programs	\$ 949,802	\$ 903,292
Building fund	1,737,542	599,460
Total cash	<u>2,687,344</u>	<u>1,502,752</u>
Pledges receivable:		
2008-2009 and future campaigns	5,947,293	-
2007-2008 and future campaigns	-	6,250,798
Gross pledges receivable	<u>5,947,293</u>	<u>6,250,798</u>
Less allowance for uncollectible pledges	547,555	494,834
Pledges receivable, net	<u>5,399,738</u>	<u>5,755,964</u>
Other receivables	1,038,003	981,699
Investments:		
Certificates of deposit-campaign	6,571,215	8,068,454
Certificates of deposit-building fund	-	1,350,000
Funds held in trust by others	456,181	436,792
Mutual funds	37,410	67,533
Total investments	<u>7,064,806</u>	<u>9,922,779</u>
Prepaid expenses and other assets	54,230	36,523
Assets restricted to investment in building - cash	192,167	-
Property and equipment, net	2,084,078	2,222,335
Property under capital lease, net of accumulated amortization of \$63,956 and \$4,920 in 2009 and 2008, respectively	821,588	880,624
TOTAL ASSETS	<u>\$ 19,341,954</u>	<u>\$ 21,302,676</u>
LIABILITIES:		
Undistributed agency allocations	\$ 6,464,755	\$ 7,925,308
Accounts payable and accrued expenses	899,429	677,586
Obligation under capital lease	879,385	885,129
Total liabilities	<u>8,243,569</u>	<u>9,488,023</u>
Commitments and contingencies		
NET ASSETS:		
Unrestricted:		
Board designated	5,464,380	5,520,790
Net investment in property and equipment	2,084,078	2,222,335
Undesignated	2,098,222	3,340,614
Total unrestricted net assets	<u>9,646,680</u>	<u>11,083,739</u>
Temporarily restricted	1,363,312	615,492
Permanently restricted	88,393	115,422
Total net assets	<u>11,098,385</u>	<u>11,814,653</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,341,954</u>	<u>\$ 21,302,676</u>

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009		2008		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Revenues and other support					
Campaign revenue:					
Campaign pledges	\$ 14,115,169	\$ 714,143	\$ 14,829,312	\$ 32,487	\$ 16,086,723
Recovery of prior year campaign pledges	145,068		145,068		122,648
Philanthropy Fund	433,061		433,061		559,149
Provision for uncollectible pledges	(550,000)		(550,000)		(695,142)
Amounts designated by donors	(7,120,327)		(7,120,327)		(8,445,526)
Campaign revenue, net	7,022,971	714,143	7,737,114	32,487	7,627,852
Other revenue:					
Rhode Island Foundation:					
Income from designated fund	3,198,184		3,198,184		3,112,060
Royalty income	425,965		425,965		609,668
Special program income	134,319	914,272	1,048,591	575,859	661,293
Other income	202,917	70,815	273,732	54,230	297,916
Rental income	1,650		1,650		62,057
Interest income	206,020		206,020		456,380
UWRI fund (held in trust)	(101,068)	\$ 5,000	(96,068)	\$ 3,362	459,742
Net unrealized investment losses	(10,332)		(10,332)		196,047
Net gain on sale of property					(23,937)
Total other revenue	4,057,655	985,087	5,042,742	630,089	3,824,662
Net assets released from restrictions - Satisfaction of purpose restrictions	1,078,178	(1,078,178)	-	(964,219)	9,199,508
Total revenues and other support	12,158,804	621,052	12,784,856	(301,643)	16,827,360
EXPENSES:					
Programs:					
Impact Group Grants	5,729,065		5,729,065		5,313,407
Emerging Issue Fund Grants	510,000		510,000		500,000
Issue fund grants/special initiatives	501,960		501,960		991,719
Allocated by the United Way	6,741,025		6,741,025		6,805,126
Contributions made to affiliated organizations	144,766		144,766		159,038
Program service expenses	2,931,401		2,931,401		1,998,668
Total programs	9,817,192		9,817,192		8,562,832
Fundraising and public relations	2,569,978		2,569,978		2,700,463
Management and general	1,113,954		1,113,954		1,372,109
Total operating expenses	13,501,124		13,501,124		13,035,404
CHANGE IN NET ASSETS	(1,342,320)	621,052	(716,268)	(301,643)	3,791,956
NET ASSETS, BEGINNING OF THE YEAR	11,083,739	615,492	11,814,653	917,135	8,022,697
TRANSFER	(94,739)	126,768	(32,029)		
NET ASSETS, END OF THE YEAR	\$ 9,646,680	\$ 1,363,312	\$ 11,098,385	\$ 615,492	\$ 11,814,653

See notes to financial statements.

COPY**UNITED WAY OF RHODE ISLAND, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (716,268)	\$ 3,791,956
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Provision for uncollectible pledges	550,000	695,142
Depreciation and amortization	263,661	94,097
Net gain on sale of property	-	(3,824,662)
Unrealized loss on investments, net	111,400	23,937
Assets restricted for long-term purpose:		
Cash restricted to investment in land, buildings, and equipment	(257,567)	-
Investment in endowment	(5,000)	-
Changes in operating assets and liabilities:		
Pledges receivable, net	(193,774)	90,399
Other receivables	(56,304)	(61,847)
Prepaid expenses	(17,707)	(12,557)
Undistributed agency allocations	(1,460,553)	(576,604)
Accounts payable and accrued expenses	221,843	(285,686)
Accrued pension liability	-	(133,714)
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(1,560,269)	(199,539)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Property, plant and equipment	(66,368)	(2,086,132)
Investments	(8,629,561)	(22,007,068)
Proceeds from:		
Sale of investments	11,376,134	20,432,809
Sale of property	-	4,260,974
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,680,205	600,583
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in property and equipment	65,400	-
Investment in endowment	5,000	-
Payments on capital lease obligation	(5,744)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	64,656	-
NET INCREASE IN CASH	1,184,592	401,044
CASH, BEGINNING OF THE YEAR	1,502,752	1,101,708
CASH, END OF THE YEAR	\$ 2,687,344	\$ 1,502,752

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008				
	Program services	Fund raising and public relations	Management and general	Total Expenses	Program services	Fund raising and public relations	Management and general	Total Expenses
Salaries	\$ 746,376	\$ 1,081,361	\$ 858,142	\$ 2,685,879	\$ 870,261	\$ 1,140,027	\$ 737,716	\$ 2,748,004
Employee benefits	151,312	192,458	182,801	526,571	124,424	184,037	156,814	465,275
Payroll taxes	54,694	78,904	65,751	199,349	70,815	80,269	50,946	202,030
Professional fees and contractual services	923,444	48,678	170,089	1,142,211	168,660	53,091	168,254	390,005
Organizational restructure	124,295	201,979	98,400	424,674	-	-	-	-
Building - interest and rent expense	100,491	115,270	56,157	271,918	118,183	146,410	111,784	376,377
Occupancy	74,755	85,748	41,775	202,278	98,200	123,875	92,901	314,976
Supplies	30,448	124,772	17,665	172,885	11,269	142,332	20,044	173,645
Special events	57,053	84,977	20,501	162,531	13,654	32,654	45,367	91,675
Advertising	34,680	119,769	430	154,879	-	97,074	-	97,074
Pension - defined plan termination	90,229	-	-	90,229	244,417	302,581	231,093	778,091
Equipment - repairs and rental	32,868	17,380	37,122	87,370	10,782	22,984	33,252	67,018
Staff training and conferences	52,228	238	26,598	79,064	44,430	2,271	39,947	86,648
Postage and shipping	10,111	24,673	12,730	47,514	2,542	29,109	10,703	42,354
Miscellaneous	1,300	18,112	19,984	39,396	1,113	1,994	21,043	24,150
Telephone and internet	19,331	6,677	6,246	32,254	13,503	22,294	13,339	49,136
Subscriptions and publications	863	1,602	14,905	17,370	1,765	2,685	12,936	17,386
Local transportation	3,953	9,200	834	13,987	4,163	9,848	611	14,622
Recruitment	-	-	1,313	1,313	4,000	-	4,977	8,977
Organizational development	-	-	-	-	7,996	12,851	8,853	29,700
Total expenses before depreciation and amortization	2,508,431	2,211,798	1,631,443	6,351,672	1,810,177	2,406,386	1,760,580	5,977,143
Depreciation and amortization	96,078	113,890	53,693	263,661	29,799	39,037	25,261	94,097
Allocation of support services*	326,892	244,290	(571,182)	-	158,692	255,040	(413,732)	-
Total	\$ 2,931,401	\$ 2,569,978	\$ 1,113,954	\$ 6,615,333	\$ 1,998,668	\$ 2,700,463	\$ 1,372,109	\$ 6,071,240

* Allocation of Human Resources and Information Technology support services.

See notes to financial statements.

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UNITED WAY OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Rhode Island, Inc. (the UWRI), is a not-for-profit organization dedicated to mobilizing “the caring power of the community to improve the lives of people in need.” The 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 the 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; support children’s success in schools and connect people to the services they need through *United Way 2-1-1 in RI*. The 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 the UWRI.

Basis of Financial Reporting

The accompanying financial statements of the UWRI have been prepared on the accrual basis of accounting.

Basis of Presentation

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

- Unrestricted net asset group includes funds which management and the Board of Directors of the 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 the UWRI. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor of such funds.

Pledge receivables

The UWRI conducts an annual fundraising campaign. The balances are classified by campaign years. The UWRI follows the practice of charging off all pledges outstanding after the campaign year, except those determined to be fully collectible.

The allowance for uncollectible pledges is determined based on historical campaign pledge loss experience and estimates of future pledge exposures. In addition, such allowance is based on an analysis of overall campaign, including corporate gifts, individual gifts, and employee workplace campaigns. The 2009 allowance for uncollectible pledges has been provided against the outstanding pledges for the 2008 – 2009 campaign.

Investments

Investments include certificates of deposit and other short-term investments with maturities at the date of purchase of generally one year or less. Certificates of deposit are carried at cost, which approximates fair value. Interest income related to the certificates of deposit are reflected in the statement of activities. Short-term investments are adjusted annually to fair value, and any gains or losses are reflected in the statement of activities.

Investments Held in Trust by Others

Investments held in trust by others are recorded at the present value of expected net proceeds ultimately payable to the UWRI. These assets are adjusted annually to fair value, and any gain or loss is reflected in the statement of activities.

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. The estimated useful lives of property and equipment is as follows:

<u>Category</u>	<u>Original Useful Lives</u>
Leashold improvements	10 - 40 years
Motor Vehicles	5 years
Equipment	3 - 7 years

Undistributed agency allocations

Undistributed agency allocations consist of contributions payable to various not-for-profit organizations. The expenses and liabilities are recognized in the period the Board 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 the 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.

Contributed Services

Contributions of 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 date of receipt. There were no contributed services meeting the aforementioned criteria for the years ended June 30, 2009 and 2008.

Employee Retirement Plan

The UWRI maintains a defined contribution pension plan which covers all employees who have worked at least 1,000 hours for the UWRI for at least one year. Contributions to the plan are based on 6% of the employee's salary. Contributions made by the UWRI were approximately \$70,000 and \$66,000 for the years ended June 30, 2009 and 2008, respectively.

Allocation of Indirect Costs

The UWRI reports expenses by their functional classification in the statements of activities and functional expenses. Accordingly, worker's compensation insurance has been allocated to functional classifications based upon a percentage of total salaries; depreciation and retirement have been allocated based upon the full-time equivalent (FTE)

method. In addition to these allocations, the UWRI has functionally allocated a portion of executive compensation, occupancy, and organizational development using the FTE method. Information technology, human resources and organizational development support services that provide support to the entire organization have been allocated to functional classifications using the FTE method.

Tax-exempt Status

The UWRI qualifies as a tax-exempt organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. As such, the UWRI is exempt from Federal and state income taxes.

Endowment Funds

Effective July 1, 2008, the UWRI adopted FASB Staff Position (FSP) FAS 117-1, "*Endowments of Not-for-Profit Organizations*" (FSP 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In addition, FSP 117-1 improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

Fair Value Measurements

Effective July 1, 2008, the UWRI adopted Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (SFAS No. 157). SFAS No. 157 defines fair value and establishes a framework for measuring fair value. It establishes a fair value hierarchy that distinguishes between assumptions developed based on market data obtained from independent external sources and an entity's own assumptions. The fair value measurement should consider adjustment for risk, such as risk inherent in a valuation technique or its input. The fair value hierarchy assigns priorities to the inputs to valuation techniques into three broad levels as follows:

- Level 1 – Generally quoted prices in active markets for identical assets or liabilities.
- Level 2 – Generally quoted prices for identical assets and liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by correlation or other means. If the asset or liability has a specific term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Generally are unobservable and allow for situations in which there is little, if any, market activity.

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Financial Instruments

Financial instruments consist of cash, investments, pledge receivables, other receivables, undistributed agency allocations, the obligation under capital lease, and accounts payable (including accrued liabilities). The carrying values of these financial instruments approximate their fair values.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the management of UWRI has evaluated events and transactions for potential recognition or disclosure through November 6, 2009, the date the financial statements were available to be issued.

Reclassification

Certain amounts reported in the 2008 financial statements have been reclassified to conform with 2009 presentation.

2. PROPERTY AND EQUIPMENT

As of June 30, 2009 and 2008, property, plant and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 25,000	\$ 25,000
Leasehold improvements	2,154,558	2,139,456
Equipment	228,877	231,059
Motor vehicle	24,775	-
Total property and equipment	<u>2,433,210</u>	<u>2,395,515</u>
Less accumulated depreciation and amortization	349,132	173,180
Property and equipment, net	<u>\$ 2,084,078</u>	<u>\$ 2,222,335</u>

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3. AGENCY SUPPORT AND DONOR DESIGNATIONS

Donor-designated funds are funds designated by donors to specific agencies directly or through a Philanthropy Account (P-Fund). For P-fund accounts, the donor maintains advisory privileges to make gift distribution recommendations to UWRI with regard to distributions from their account. Only UWRI can approve P-Fund distributions for charitable purposes.

Amounts undesignated by donors, designated to the United Way Community Impact Fund, Critical Issue Funds and special initiatives are allocated by the UWRI to specific agencies.

Total designated and allocated funds for the years ended June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Designated by donors	\$ 7,120,327	\$ 8,445,526
Allocated by the United Way (Agency Support Program and Focus Issue Grants, and Special Opportunity Grants)	<u>6,741,025</u>	<u>6,805,126</u>
Total	<u>\$ 13,861,352</u>	<u>\$ 15,250,652</u>

4. FAIR VALUE MEASUREMENTS

Certain of the UWRI's assets and liabilities are reported at fair value. The following table provides fair value measurement information for such assets at June 30, 2009 and 2008. Certain of the UWRI's financial instruments, whose carrying value approximates fair value, are not presented in the following table.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
2009				
Investments	\$ 7,064,806	\$ 6,608,625	\$ -	\$ 456,181
2008				
Investments	\$ 9,922,779	\$ 9,485,987	\$ -	\$ 436,792

For the years ended June 30, 2009 and 2008, activity related to level three inputs consisted of the following:

	2009	2008
Investments (Level 3) at beginning of the year	\$ 436,792	\$ 251,908
Deposits	120,457	204,832
Net unrealized losses	(81,278)	(8,970)
Fees	(4,922)	(2,193)
Expenditures	(14,868)	(8,785)
	\$ 456,181	\$ 436,792

5. SPECIAL PROGRAM INCOME

Special program income includes expenses reimbursed for the following as of June 30, 2009 and 2008:

	2009	2008
Rhode Island After School Plus Alliance	\$ 591,467	\$ 440,882
United Way 2-1-1 in RI	273,805	134,977
State Employees Charitable Appeal	81,000	80,000
Federal Emergency Management Agency	53,319	5,434
Skill Up RI Grants	49,000	-
	\$ 1,048,591	\$ 661,293

6. ROYALTIES

The Rhode Island Foundation (the Foundation) has ownership rights to several properties in Georgia from which clay called "kaolin" is mined. The Foundation owns several properties and leases the mineral rights to other properties. On the leased properties, annual lease payments are made to the individual landowners. The clay is mined by a company called BASF (formerly Englehard). BASF pays royalty income to the Foundation based on the amount of clay mined and the selling price of the finished product after deducting certain expenses as allowed by the contract. Lease payments to landowners are among the expenses that are deducted from royalties earned. At its discretion, the Foundation contributes the net royalties received to the UWRI. Contributions received by the UWRI from these royalties totaled approximately \$426,000 and \$610,000 for the years ended June 30, 2009 and 2008, respectively.

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7. **COMMITMENTS**

Capital lease

The UWRI has a signed lease for office space (21,842 square feet) covering the entire commercial portion of the Calendar Mills Building located at 50 Valley Street, Providence, Rhode Island. The lease has an initial 10-year term followed by two 5-year renewal options. For accounting purposes, the lease term is considered 15 years because exercise of the first renewal option is deemed reasonably assured.

At the inception of the lease, the fair value of the property was comprised primarily of land with an estimated fair value of \$875,000. From inception of the lease through June 2008 (at which point the UWRI took possession of the space), approximately \$2,139,000 of tenant improvements funded directly by the UWRI were capitalized. The fair value of the lease property was estimated at \$3,900,000 based on an independent appraisal performed upon the building's completion in June 2008. The UWRI established an initial capital lease asset and corresponding obligation of approximately \$885,000, which represented the fair value of the property net of (1) land, which is required to be accounted for separately as an operating lease, and (2) the aforementioned tenant improvements, which will be separately amortized over the lesser of their useful lives or the lease term. The land operating lease will be accounted for on a straight-line basis over 15 years, with annual rental expense of approximately \$60,000.

Pursuant to the lease agreement, the UWRI also has the ability to exercise, at its discretion, an option to purchase the building for \$4,250,000 in 2014.

As of June 30, 2009, the present value of net minimum lease payments under the capital lease is as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 290,419
2011	290,419
2012	309,498
2013	309,498
2014	328,577
Years thereafter	3,287,193
Total minimum lease payments	<u>4,815,604</u>
Less amount representing estimated executory costs and profit thereon included in total minimum lease payments	(1,773,703)
Net minimum lease payments	<u>3,041,901</u>
Less amount representing interest	<u>(2,162,516)</u>
Present value of minimum lease payments	<u>\$ 879,385</u>

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Operating leases

The UWRI also leases certain office equipment and land, as noted above, under operating lease agreements, expiring at various dates through 2023. The approximate future minimum lease payments under these leases as of June 30, 2009 are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 89,000
2011	81,000
2012	79,000
2013	55,000
2014	58,000
Years thereafter	<u>570,000</u>
Total	<u>\$ 932,000</u>

For the years ended June 30, 2009 and 2008, rent expense under operating leases amounted to approximately \$115,000 and \$105,000, respectively.

8. NET ASSETS

Unrestricted Net Assets

The Board of Directors has voted to provide for the use of the following unrestricted net assets in accordance with the designated purpose as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Designated Purpose:		
Focus issue and program grants	\$ 2,183,084	\$ 2,701,399
Building fund	1,853,542	2,045,709
Endowment	367,788	436,792
Volunteer and advocacy program	364,982	-
United Way 2-1-1 in RI	358,094	-
Clay mine reserve	336,890	336,890
Total	<u>\$ 5,464,380</u>	<u>\$ 5,520,790</u>

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Temporarily Restricted Net Assets

For the years ended June 30, 2009 and 2008, temporarily restricted net assets is available for the following purposes:

	<u>2009</u>	<u>2008</u>
Various program grants	\$ 404,391	\$ 615,492
Financial Stability Project	350,000	-
RI Afterschool Plus Alliance (RIASPA)	281,777	-
Building fund	192,167	-
United Way 2-1-1 in RI	134,977	-
Total temporarily restricted net assets	<u>\$ 1,363,312</u>	<u>\$ 615,492</u>

Permanently Restricted Net Assets

Income from assets permanently restricted is available for the following purposes as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
General operations	<u>\$ 88,383</u>	<u>\$ 115,422</u>

Transfers

As of June 30, 2009, the UWRI transferred approximately \$32,000 from permanently restricted net assets to unrestricted net assets in accordance with the recently enacted State of Rhode Island UPMIFA.

In addition, the UWRI transferred approximately \$127,000 from unrestricted net assets to temporarily restricted net assets in accordance with donors wishes that such funds were to be used for the UWRI's building fund.

9. ENDOWMENT

The UWRI's endowment consists of individual funds established for a variety of purposes. Its endowment funds include both donor-restricted endowment funds and unrestricted funds designated by the Board of Directors to function as endowment funds. 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.

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Interpretation of Relevant Law

The Board of Directors have interpreted the recently enacted UPMIFA law that the Board of Directors exercise prudence when appropriating for expenditure or accumulation of endowment fund and consider the uses, benefits, purposes and duration for which the endowment fund is established. As a result of this interpretation, the 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 the UWRI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the 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 the 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 the UWRI; and
- The investment policy of the 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 UPMIFA requires the UWRI to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$13,000 as of June 30, 2009. These deficiencies resulted from unusual and unfavorable market fluctuations that occurred during the year ended June 30, 2009.

Return Objectives and Risk Parameters

The 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 the 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

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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, the 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). The UWRI investment strategy for these funds is to invest them with an independent financial trustee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The UWRI has a policy of only appropriating for distribution the amount the independent financial trustee distributes to them annually. In establishing this policy, the UWRI considered the long-term expected return on its endowment. Accordingly, over the long term, the UWRI expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the UWRI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (13,270)	\$ -	\$ 88,383	\$ 75,113
Board-designated endowment funds	381,068	-	-	381,068
Total funds	<u>\$ 367,798</u>	<u>\$ -</u>	<u>\$ 88,383</u>	<u>\$ 456,181</u>

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Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 436,792	\$ -	\$ 115,422	\$ 552,214
Reclassification - UPMIFA	32,039	-	(32,039)	-
Investment return:				
Investment income	-	-	-	-
Net unrealized depreciation	(86,165)	-	-	(86,165)
Total investment return	(86,165)	-	-	(86,165)
Contributions	-	-	5,000	5,000
Appropriation of endowment assets for expenditure	(14,868)	-	-	(14,868)
Endowment net assets, end of year	<u>\$ 367,798</u>	<u>\$ -</u>	<u>\$ 88,383</u>	<u>\$ 456,181</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 115,422	\$ 115,422
Board-designated endowment funds	436,792	-	-	436,792
Total funds	<u>\$ 436,792</u>	<u>\$ -</u>	<u>\$ 115,422</u>	<u>\$ 552,214</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 251,908	\$ -	\$ 112,060	\$ 363,968
Investment return:				
Investment income	-	-	3,362	3,362
Net unrealized depreciation	(11,163)	-	-	(11,163)
Total investment return	(11,163)	-	3,362	(7,801)
Contributions	204,832	-	-	204,832
Appropriation of endowment assets for expenditure	(8,785)	-	-	(8,785)
Endowment net assets, end of year	\$ 436,792	\$ -	\$ 115,422	\$ 552,214

10. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended June 30, 2009 and 2008, the UWRI made cash payments of interest of approximately \$201,000 and \$16,000, respectively.

For the year ended June 30, 2008 non-cash investing and financing activities were comprised of the following:

- An increase in accounts payable and accrued expenses related to property and equipment additions in the amount of \$146,000, and
- The initial establishment of the capital lease asset and related obligation of \$885,544.