

UNITED WAY OF RHODE ISLAND, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009**

INDEPENDENT AUDITORS' REPORT



SANSIVERI, KIMBALL & CO., L.L.P.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the United Way of Rhode Island, Inc. (UWRI) as of June 30, 2010 and 2009, and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of management of UWRI. 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 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 purpose of expressing an opinion on the effectiveness of 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 audits provide 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 UWRI as of June 30, 2010 and 2009, and the related statements of activities and change in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sansiveri, Kimball & Co., L.L.P.

Providence, Rhode Island
November 4, 2010

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS:		
Cash	\$ 1,920,106	\$ 2,687,344
Receivables:		
Pledges:		
2009-2010 and future campaigns	5,443,664	-
2008-2009 and future campaigns	-	5,947,293
Gross pledges receivable	5,443,664	5,947,293
Less allowance for uncollectible pledges	480,979	547,555
Pledges receivable, net	4,962,685	5,399,738
Contributions	1,022,230	1,038,003
Investments:		
Certificates of deposit:		
Campaign	5,490,125	6,171,789
Building fund	1,500,000	-
Funds held in trust by others	549,861	456,181
Cash equivalents	399,483	399,426
Mutual funds	59,221	37,410
Total investments	7,998,690	7,064,806
Prepaid expenses and other assets	32,375	54,230
Assets restricted to investment in building - cash	214,367	192,167
Property and equipment, net	1,933,212	2,084,078
Property under capital lease, net of accumulated amortization of \$122,992 and \$63,956 in 2010 and 2009, respectively	762,552	821,588
TOTAL ASSETS	\$ 18,846,217	\$ 19,341,954
LIABILITIES:		
Undistributed agency allocations	\$ 5,974,464	\$ 6,464,755
Accounts payable and accrued expenses	670,009	899,429
Obligation under capital lease	871,959	879,385
Total liabilities	7,516,432	8,243,569
COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board designated	5,811,713	5,464,380
Net investment in property and equipment	1,933,212	2,084,078
Undesignated - general operations	1,775,183	2,098,222
Total unrestricted net assets	9,520,108	9,646,680
Temporarily restricted	1,716,284	1,363,312
Permanently restricted	93,393	88,393
Total net assets	11,329,785	11,098,385
TOTAL LIABILITIES AND NET ASSETS	\$ 18,846,217	\$ 19,341,954

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, 2010 AND 2009**

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:								
Campaign revenue:								
Campaign pledges	\$ 12,983,769	\$ 795,382	\$ 13,779,151	\$ 14,115,169	\$ 714,143	\$ 14,829,312		
Recovery of prior year campaign pledges	113,299		113,299	145,068		145,068		
Philanthropy Fund	360,529		360,529	433,061		433,061		
Provision for uncollectible pledges	(350,000)		(350,000)	(550,000)		(550,000)		
Amounts designated by donors	(6,525,832)		(6,525,832)	(7,120,327)		(7,120,327)		
Campaign revenue, net	6,580,765	795,382	7,376,147	7,022,971	714,143	7,737,114		
Other revenue:								
Rhode Island Foundation income from:								
Designated funds	3,124,438		3,124,438	3,198,184		3,198,184		
Royalties	371,513		371,513	425,965		425,965		
Special program income	1,171,942	78,287	1,250,229	134,319	914,272	1,048,591		
Other income	245,240	22,200	267,440	204,567	70,815	275,382		
Interest income	85,345		85,345	206,020		206,020		
Income from UWRJ fund (held in trust)	54,827	5,000	59,827	(101,068)	5,000	(96,068)		
Unrealized investment gains (losses), net	21,271		21,271	(10,332)		(10,332)		
Total other revenue	5,074,576	100,487	5,180,063	4,057,655	985,087	5,047,742		
Net assets released from restrictions - Satisfaction of purpose restrictions	542,897	(542,897)	-	1,078,178	(1,078,178)	-		
Total revenues and other support	12,198,238	352,972	12,556,210	12,158,804	621,052	5,000	12,784,856	
EXPENSES:								
Programs:								
Impact Group Grants	5,496,192		5,496,192	5,729,065		5,729,065		
Emerging Issue Fund Grants	347,000		347,000	510,000		510,000		
Issue fund grants/special initiatives	365,000		365,000	501,960		501,960		
Allocated by the United Way	6,208,192		6,208,192	6,741,025		6,741,025		
Contributions made to affiliated organizations	136,844		136,844	144,766		144,766		
Program services	2,711,619		2,711,619	2,931,401		2,931,401		
Total program expenses	9,056,655		9,056,655	9,817,192		9,817,192		
Fundraising and public relations	2,055,793		2,055,793	2,569,978		2,569,978		
Management and general	1,212,362		1,212,362	1,113,954		1,113,954		
Total operating expenses	12,324,810		12,324,810	13,501,124		13,501,124		
CHANGE IN NET ASSETS	(126,572)	352,972	231,400	(1,342,320)	621,052	5,000	(716,268)	
NET ASSETS, BEGINNING OF THE YEAR	9,646,680	1,363,312	11,098,385	11,083,739	615,492	115,422	11,814,653	
TRANSFER				(94,739)	126,768	(32,029)		
NET ASSETS, END OF THE YEAR	\$ 9,520,108	\$ 1,716,284	\$ 11,329,785	\$ 9,646,680	\$ 1,363,312	\$ 88,393	\$ 11,098,385	

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 231,400	\$ (716,268)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Provision for uncollectible pledges	350,000	550,000
Depreciation and amortization	266,613	263,661
Income from UWRI fund (held in trust)	(59,827)	96,068
Unrealized (gains) losses on investments, net	(21,271)	10,332
Assets restricted for long-term purpose:		
Cash restricted to investment in building	(22,200)	(65,400)
Investment in endowment	(5,000)	(5,000)
Changes in operating assets and liabilities:		
Pledges receivable, net	87,053	(193,774)
Contributions receivable	15,773	(56,304)
Prepaid expenses and other assets	21,855	(17,707)
Undistributed agency allocations	(490,291)	(1,460,553)
Accounts payable and accrued expenses	(229,420)	221,843
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>144,685</u>	<u>(1,373,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Property and equipment	(56,711)	(66,368)
Investments	(2,060,758)	(8,624,561)
Assets restricted for long-term purpose	(27,200)	(192,167)
Proceeds from sale of investments	1,212,972	11,376,134
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(931,697)</u>	<u>2,493,038</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in building - cash	22,200	65,400
Investment in endowment	5,000	5,000
Payments on capital lease obligation	(7,426)	(5,744)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>19,774</u>	<u>64,656</u>
NET INCREASE (DECREASE) IN CASH	(767,238)	1,184,592
CASH, BEGINNING OF THE YEAR	<u>2,687,344</u>	<u>1,502,752</u>
CASH, END OF THE YEAR	<u>\$ 1,920,106</u>	<u>\$ 2,687,344</u>

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009				
	Program Services	Fundraising and Public Relations	Management and General	Total Expenses	Program Services	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 665,678	\$ 904,868	\$ 919,377	\$ 2,489,923	\$ 746,376	\$ 1,081,361	\$ 858,142	\$ 2,685,879
Employee benefits	114,043	165,903	182,729	462,675	151,312	192,458	182,801	526,571
Payroll taxes	61,066	113,039	56,182	230,287	54,694	78,904	65,751	199,349
Professional fees and contractual services	485,881	88,596	152,713	727,190	416,994	48,678	170,089	635,761
Government & private foundation grants	724,070	-	-	724,070	506,450	-	-	506,450
Organizational restructure	(26,246)	(39,370)	(34,598)	(100,214)	124,295	201,979	98,400	424,674
Building - interest and rent expense	86,253	88,948	78,167	253,368	100,491	115,270	56,157	271,918
Occupancy	73,728	76,032	43,778	193,538	74,755	85,748	41,775	202,278
Supplies	25,671	107,711	12,406	145,788	30,448	124,772	17,665	172,885
Special events	41,639	53,244	16,212	111,095	57,053	84,977	20,501	162,531
Advertising	33,941	108,623	-	142,564	34,680	119,769	430	154,879
Defined benefit pension plan - termination	-	-	-	-	90,229	-	-	90,229
Equipment - repairs and rental	23,524	16,837	38,172	78,533	32,868	17,380	37,122	87,370
Staff training and conferences	63,100	385	31,634	95,119	52,228	238	26,598	79,064
Postage and shipping	8,882	25,284	13,048	47,214	10,111	24,673	12,730	47,514
Miscellaneous	452	1,435	34,219	36,106	1,300	18,112	19,984	39,396
Telephone and internet	22,160	6,959	5,768	34,887	19,331	6,677	6,246	32,254
Subscriptions and publications	476	1,445	14,463	16,384	863	1,602	14,905	17,370
Local transportation	4,310	9,523	341	14,174	3,953	9,200	834	13,987
Recruitment	-	-	5,178	5,178	-	-	1,313	1,313
Organizational development	-	-	5,282	5,282	-	-	-	-
Total expenses before depreciation and amortization	2,408,628	1,729,462	1,575,071	5,713,161	2,508,431	2,211,798	1,631,443	6,351,672
Depreciation and amortization	96,672	113,566	56,375	266,613	96,078	113,890	53,693	263,661
Allocation of support services*	206,319	212,765	(419,084)	-	326,892	244,290	(571,182)	-
Total	\$ 2,711,619	\$ 2,055,793	\$ 1,212,362	\$ 5,979,774	\$ 2,931,401	\$ 2,569,978	\$ 1,113,954	\$ 6,615,333

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

See notes to financial statements.

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. (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

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

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.

Receivable

Pledges

UWRI conducts an annual fundraising campaign. The balances are classified by campaign years. UWRI follows the practice of charging off all pledges outstanding after the following campaign year, except those determined to be fully 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, 2010 and 2009, 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, funds held in trust by others, cash equivalents that have been designated for investment, and other short-term investments. 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 and funds held in trust by others are adjusted annually to fair value, and any gains or losses are 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 are as follows:

<u>Category</u>	<u>Original Useful Lives</u>
Leashold improvements	5 - 15 years
Motor vehicles	5 years
Equipment	3 - 7 years

Undistributed Agency Allocations

Undistributed agency allocations arise from agency funds and contributions payable.

Agency funds

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.

Contributions payable

Contributions payable are 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 with donor imposed restrictions that are fulfilled in the same time period in which the contribution is received as unrestricted support.

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, 2010 and 2009.

Allocation of Indirect Costs

UWRI reports expenses by their functional classification. Accordingly, workers' compensation insurance has been allocated to functional classifications based upon a percentage of total salaries; depreciation and amortization have been allocated based upon the full-time equivalent (FTE) method. In addition to these allocations, UWRI has functionally allocated a portion of executive compensation, occupancy, and organizational development using the FTE method. Information technology, human resources and organizational development are support services that provide support to the entire organization and have been allocated to functional classifications using the FTE method.

Tax-Exempt Status

UWRI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the IRC, is subject to Federal income tax. UWRI had no unrelated business income for the years ended June 30, 2010 and 2009. Accordingly, a provision for income taxes has not been recorded.

UWRI does not believe there are any material uncertain tax positions which require disclosure or accrual.

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.

Reclassifications

Certain amounts reported in the 2009 financial statements have been reclassified to conform to the 2010 presentation. Specifically, grants made to government and private foundations have been reclassified out of professional fees and contractual services to a

separate line item in the statements of functional expenses. Also, certain money market funds have been reclassified out of certificates of deposits and into cash equivalents.

Subsequent Events

Management has evaluated subsequent events through November 4, 2010, which is the date the financial statements were available to be issued.

2. **PROPERTY AND EQUIPMENT**

As of June 30, 2010 and 2009, property and equipment consisted of the following:

	2010	2009
Land	\$ 25,000	\$ 25,000
Leasehold improvements	2,156,407	2,154,558
Equipment	284,007	228,877
Motor vehicle	24,775	24,775
Total property and equipment	2,490,189	2,433,210
Less accumulated depreciation and amortization	556,977	349,132
Property and equipment, net	<u>\$ 1,933,212</u>	<u>\$ 2,084,078</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 assets carried at fair value at June 30, 2010 and 2009 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)
2010				
Investments:				
Cash and cash equivalents -				
Money Market Funds	\$ 399,483	\$ 399,483		
Mutual Funds	59,221	59,221		
Funds Held in Trust by Others	549,861			549,861
Total	<u>\$ 1,008,565</u>	<u>\$ 458,704</u>	<u>\$ -</u>	<u>\$ 549,861</u>
2009				
Investments:				
Cash and cash equivalents -				
Money Market Funds	\$ 399,426	\$ 399,426		
Mutual Funds	37,410	37,410		
Funds Held in Trust by Others	456,181			456,181
Total	<u>\$ 893,017</u>	<u>\$ 436,836</u>	<u>\$ -</u>	<u>\$ 456,181</u>

For the years ended June 30, 2010 and 2009, activity related to level three inputs consisted of the following:

	2010	2009
Funds held in trust (Level 3) at beginning of the year	\$ 456,181	\$ 436,792
Deposits	65,575	120,457
Net unrealized gains (losses)	59,287	(81,278)
Fees	(5,714)	(4,922)
Distributions	(25,468)	(14,868)
Funds held in trust (Level 3) at end of the year	<u>\$ 549,861</u>	<u>\$ 456,181</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, 2010 and 2009.

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

Funds Held in Trust by Others: Valued at present value of expected net proceeds ultimately payable to UWRI.

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.

4. SPECIAL PROGRAM INCOME

Special program income is attributable to the following programs for the years ended June 30, 2010 and 2009:

	2010	2009
Rhode Island After School Plus Alliance	\$ 783,155	\$ 591,467
United Way 2-1-1 in RI	249,979	273,805
Aging and Disability Resource Center	115,648	-
State Employees Charitable Appeal	72,000	81,000
Federal Emergency Management Agency	14,447	53,319
Skill Up RI Grants	15,000	49,000
Total	<u>\$ 1,250,229</u>	<u>\$ 1,048,591</u>

5. RHODE ISLAND FOUNDATION INCOME – 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 called 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, 2010 and 2009, the Foundation contributed approximately \$372,000 and \$426,000, 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 account 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, 2010 and 2009 are as follows:

	2010	2009
Designated by donors	\$ 6,526,832	\$ 7,120,327
Allocated by the United Way (Agency Support Program and Focus Issue Grants, and Special Opportunity Grants)	6,208,192	6,741,025
Total	<u>\$ 12,735,024</u>	<u>\$ 13,861,352</u>

7. EMPLOYEE RETIREMENT PLAN

UWRI maintains a defined contribution pension plan which covers all employees who have worked at least 1,000 hours for UWRI for at least one year. Contributions to the plan are based on 6% of the employee's salary. Contributions made by UWRI were approximately \$54,000 and \$70,000 for the years ended June 30, 2010 and 2009, respectively.

8. COMMITMENTS

Capital lease

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. The lease term is considered to be 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 UWRI took possession of the space), approximately \$2,139,000 of tenant improvements funded directly by 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. 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, 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, 2010, the present value of net minimum lease payments under the capital lease is as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 290,419
2012	309,498
2013	309,498
2014	328,577
2015	328,577
Years thereafter	<u>2,958,616</u>
Total minimum lease payments	4,525,185
Less amount representing estimated executory costs and profit thereon included in total minimum lease payments	<u>(1,773,701)</u>
Net minimum lease payments	2,751,484
Less amount representing interest	<u>(1,879,525)</u>
Present value of minimum lease payments	<u><u>\$ 871,959</u></u>

Operating leases

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, 2010 are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 81,000
2012	79,000
2013	55,000
2014	58,000
2015	58,000
Years thereafter	<u>512,000</u>
Total	<u><u>\$ 843,000</u></u>

For the years ended June 30, 2010 and 2009, rent expense under all operating leases amounted to approximately \$106,000 and \$115,000, respectively.

9. 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Designated Purpose:		
Focus issue and program grants	\$ 2,204,138	\$ 2,183,084
Building fund	1,785,640	1,853,542
United Way 2-1-1 in RI	424,010	358,094
Endowment	456,468	367,788
Technology Upgrade Fund	326,200	-
Volunteer and advocacy program	248,925	364,982
Internal operational reserve	184,132	-
Clay mine reserve	182,200	336,890
	<u>\$ 5,811,713</u>	<u>\$ 5,464,380</u>

Temporarily Restricted Net Assets

For the years ended June 30, 2010 and 2009, temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
RI Flood Recovery	\$ 772,207	\$ -
Various program grants	365,779	404,391
RI Afterschool Plus Alliance (RISAPA)	258,323	281,777
Building Fund	214,367	192,167
United Way 2-1-1 in RI	90,608	134,977
Financial Stability Project	15,000	350,000
	<u>\$ 1,716,284</u>	<u>\$ 1,363,312</u>

Permanently Restricted Net Assets

Income from assets that are permanently restricted is available for the following purpose as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
General operations	<u>\$ 93,393</u>	<u>\$ 88,393</u>

Transfers

As of June 30, 2009, UWRI transferred approximately \$32,000 from permanently restricted net assets to unrestricted net assets in accordance with the enacted State of Rhode Island Uniform Prudent Management of Institutional Funds Act (UPMIFA).

In addition, 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 UWRI's building fund.

10. ENDOWMENT

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.

Interpretation of Relevant Law

The Board of Directors have interpreted the enacted UPMIFA law that they need 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 UPMIFA. In accordance with 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 UPMIFA requires 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. The deficiency resulted from unusual and unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

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 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

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 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, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 93,393	93,393
Board-designated endowment funds	456,468	-	-	456,468
Total funds	\$ 456,468	\$ -	\$ 93,393	\$ 549,861

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 367,788	\$ -	\$ 88,393	\$ 456,181
Investment return - Net unrealized appreciation	53,573	-	-	53,573
Contributions	60,575	-	5,000	65,575
Appropriation of endowment assets for expenditure	(25,468)	-	-	(25,468)
Endowment net assets, end of year	\$ 456,468	\$ -	\$ 93,393	\$ 549,861

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (13,280)	\$ -	\$ 88,393	\$ 75,113
Board-designated endowment funds	381,068	-	-	381,068
Total funds	\$ 367,788	\$ -	\$ 88,393	\$ 456,181

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 436,792	\$ -	\$ 115,422	\$ 552,214
Reclassification - UPMIFA	32,029	-	(32,029)	-
Investment return- Net unrealized depreciation	(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	\$ 367,788	\$ -	\$ 88,393	\$ 456,181

11. CONCENTRATIONS OF CREDIT RISK AND MAJOR DONOR

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

At various times, UWRI's cash deposits exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of June 30, 2010, total cash on deposit at a financial institution exceeded the FDIC insurance limit. Management considers such circumstances to be normal business risks.

For each of the years ended June 30, 2010 and 2009, approximately 28% of total revenue represents contributions from the Foundation (RI Foundation, RI Charities income and clay mine royalties).

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended June 30, 2010 and 2009, UWRI made cash payments of interest of approximately \$194,000 and \$201,000, respectively.
