

UNITED WAY OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT



SANSIVERI, KIMBALL & CO., LLP
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, 2018 and 2017, 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, 2018 and 2017, 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.

Sansivni, Kimball & Co., LLP

Providence, Rhode Island
April 1, 2019

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS:		
Cash	\$ 1,041,255	\$ 1,056,350
Investments	8,335,029	7,882,324
Pledges receivable:		
2017-2018 fundraising campaign	4,352,115	-
2016-2017 fundraising campaign	15,061	4,467,464
Gross pledges receivable	4,367,176	4,467,464
Less allowance for uncollectible pledges	232,485	228,430
Pledges receivable, net	4,134,691	4,239,034
Contributions and grant receivables	1,230,309	1,460,148
Prepaid expenses and other assets	85,958	94,652
Property and equipment, net	3,148,650	3,324,643
TOTAL ASSETS	\$ 17,975,892	\$ 18,057,151
LIABILITIES:		
Campaign designations payable	\$ 3,861,236	\$ 3,411,567
Community impact grants and awards payable	3,698,535	3,598,009
Accounts payable and accrued expenses	766,955	617,748
Note payable - bank	1,990,677	2,025,974
Total liabilities	10,317,403	9,653,298
COMMITMENTS		
NET ASSETS:		
Unrestricted:		
Board-designated purposes	2,522,772	3,262,933
Net investment in property and equipment	1,157,973	1,298,669
Undesignated - general operations	3,131,235	2,978,167
Total unrestricted net assets	6,811,980	7,539,769
Temporarily restricted	748,116	765,691
Permanently restricted	98,393	98,393
Total net assets	7,658,489	8,403,853
TOTAL LIABILITIES AND NET ASSETS	\$ 17,975,892	\$ 18,057,151

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, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:								
Campaign revenue:								
Campaign pledges generated	\$ 12,533,200	\$ 403,173		\$ 12,936,373	\$ 12,362,601	\$ 414,412		\$ 12,777,013
Recovery of prior year campaign pledges written-off	24,529			24,529	13,359			13,359
Philanthropy Fund	465,122			465,122	437,238			437,238
Less provision for uncollectible pledges	(299,536)			(299,536)	(276,598)			(276,598)
Less amounts designated by donors	(6,471,551)			(6,471,551)	(5,856,268)			(5,856,268)
Campaign revenue, net	6,251,764	403,173	\$ -	6,654,937	6,680,332	414,412	\$ -	7,094,744
Contribution income from The Rhode Island Foundation generated from:								
Designated funds	3,342,858			3,342,858	3,284,594			3,284,594
Royalties	389,677			389,677	411,052			411,052
Special program income	1,008,145			1,008,145	1,066,967	50,000		1,116,967
Other income	182,591			182,591	147,465			147,465
Net investment return	516,104			516,104	495,688			495,688
Net assets released from restrictions - satisfaction of purpose restrictions	420,748	(420,748)		-	645,871	(645,871)		-
Total revenues, gains and other support	12,111,887	(17,575)	-	12,094,312	12,731,969	(181,459)	-	12,550,510
EXPENSES:								
Programs:								
Program grants and awards:								
Community Impact Fund Grants	4,708,927			4,708,927	4,526,587			4,526,587
Summer Learning Initiative Grants	573,982			573,982	650,595			650,595
Special Initiative Grants and Awards				-	78			78
Total program grants and awards by the United Way of Rhode Island, Inc.	5,282,909	-	-	5,282,909	5,177,260	-	-	5,177,260
Program services	3,924,783			3,924,783	3,783,791			3,783,791
Total program expenses	9,207,692	-	-	9,207,692	8,961,051	-	-	8,961,051
Supporting services:								
Fundraising and public relations	2,496,521			2,496,521	2,256,472			2,256,472
Management and general	1,135,463			1,135,463	1,097,474			1,097,474
Total supporting services	3,631,984	-	-	3,631,984	3,353,946	-	-	3,353,946
Total expenses	12,839,676	-	-	12,839,676	12,314,997	-	-	12,314,997
CHANGE IN NET ASSETS	(727,789)	(17,575)	-	(745,364)	416,972	(181,459)	-	235,513
NET ASSETS, BEGINNING OF THE YEAR	7,539,769	765,691	98,393	8,403,853	7,122,797	947,150	98,393	8,168,340
NET ASSETS, END OF THE YEAR	\$ 6,811,980	\$ 748,116	\$ 98,393	\$ 7,658,489	\$ 7,539,769	\$ 765,691	\$ 98,393	\$ 8,403,853

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Programs	Fundraising and Public Relations	Management and General	Total Expenses	Programs	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 1,708,453	\$ 1,148,704	\$ 1,093,818	\$ 3,950,975	\$ 1,783,758	\$ 1,057,592	\$ 1,103,668	\$ 3,945,018
Employee benefits	293,819	201,664	195,023	690,506	335,417	176,785	189,170	701,372
Payroll taxes	114,751	79,553	72,569	266,873	124,537	73,583	65,812	263,932
Professional fees and contractual services	452,690	122,214	206,305	781,209	354,912	98,161	131,294	584,367
Government & private foundation grants	62,526	-	-	62,526	51,750	-	-	51,750
Building - interest and rent expense	56,903	34,481	21,180	112,564	55,075	29,285	21,802	106,162
Occupancy	93,350	55,334	33,109	181,793	95,140	51,845	64,476	211,461
Supplies	76,444	105,877	13,305	195,626	73,836	145,048	9,744	228,628
Special events	51,473	68,072	68,289	187,834	47,626	64,804	67,710	180,140
Advertising	57,156	86,490	173	143,819	46,359	49,256	-	95,615
Equipment - repairs and rental	18,305	21,734	135,506	175,545	17,844	18,002	119,736	155,582
Staff training and conferences	54,488	1,782	48,960	105,230	41,299	1,452	46,703	89,454
Postage and shipping	8,053	21,660	12,712	42,425	6,564	24,546	13,630	44,740
Telephone and internet	32,805	24,203	18,742	75,750	23,687	18,435	25,382	67,504
Subscriptions and publications	4,270	1,585	7,709	13,564	2,788	786	8,933	12,507
Local transportation	8,158	8,359	842	17,359	9,015	9,338	207	18,560
Recruitment	-	-	89,049	89,049	-	-	2,210	2,210
Membership dues	73,494	44,412	20,516	138,422	75,566	40,148	18,736	134,450
Miscellaneous	14,745	19,437	87,812	121,994	10,696	6,218	105,797	122,711
Subtotal	3,181,883	2,045,561	2,125,619	7,353,063	3,155,869	1,865,284	1,995,010	7,016,163
Depreciation and amortization	137,232	73,881	55,117	266,230	88,162	49,297	35,865	173,324
Support services reimbursements from program grants	-	-	(62,526)	(62,526)	-	-	(51,750)	(51,750)
Allocation of supporting services*	605,668	377,079	(982,747)	-	539,760	341,891	(881,651)	-
Program grants and awards	5,282,909	-	-	5,282,909	5,177,260	-	-	5,177,260
Total	\$ 9,207,692	\$ 2,496,521	\$ 1,135,463	\$ 12,839,676	\$ 8,961,051	\$ 2,256,472	\$ 1,097,474	\$ 12,314,997

*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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (745,364)	\$ 235,513
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Provision for uncollectible pledges	299,536	276,598
Depreciation and amortization	266,230	173,324
Appreciation in fund held in trust by The Rhode Island Foundation	(41,256)	(59,428)
Net realized and unrealized gains on investments	(298,658)	(317,818)
Changes in operating assets and liabilities:		
Pledges receivable, net	(195,193)	(187,019)
Contributions and grant receivables	229,839	(85,573)
Prepaid expenses and other assets	8,694	(1,272)
Campaign designations payable	449,669	835
Community impact grants and awards payable	100,526	(154,353)
Accounts payable and accrued expenses	149,207	76,231
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	223,230	(42,962)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Property and equipment	(90,237)	(227,624)
Investments	(1,638,728)	(9,756,125)
Proceeds from sales of investments	1,525,937	9,731,217
NET CASH USED BY INVESTING ACTIVITIES	(203,028)	(252,532)
CASH FLOWS USED BY FINANCING ACTIVITIES -		
Payments on note payable - bank	(35,297)	(33,603)
NET DECREASE IN CASH	(15,095)	(329,097)
CASH, BEGINNING OF THE YEAR	1,056,350	1,385,447
CASH, END OF THE YEAR	\$ 1,041,255	\$ 1,056,350

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Rhode Island, Inc. (UWRI) is a statewide not-for-profit organization that focuses its work on helping Rhode Islanders through immediate crisis, as well as helping Rhode Islanders develop the tools they need to provide for themselves and their families long into the future. UWRI works with partners in the nonprofit, corporate, and government sectors to create and invest in programs that provides results over the short-term, and are scalable over the long-term.

Financial support for UWRI directly funds critical programs and urgent services, as 100% of UWRI's fundraising and administrative costs are covered by contributions from the Rhode Island Foundation. See Note 8.

UWRI uses its campaign revenue to:

- Help Rhode Islanders gain access to affordable housing, healthy foods, and healthcare services.
- Support Rhode Island youth in early learning, afterschool and summer learning programs.
- Send children to Hasbro Summer Learning programs – a model that improves children's skills in math and reading while giving working parents peace of mind.
- Invest in programs that help adults overcome common barriers to gaining employment, including earning a high school diploma, becoming U.S. citizens, or preparing for technical training or college.
- Support working-age Rhode Islanders with education and training opportunities as well as financial stability classes and one-on-one financial coaching.
- Help Rhode Islanders prepare their income taxes for free through Volunteer Income Tax Assistance (VITA) program.
- Pass legislation for an Out of School Time Commission to increase afterschool and summer learning opportunities for Rhode Island children.
- Manage the statewide volunteer center and coordinate 1,700 volunteers in more than 4,000 hours of community service.

United Way's 2-1-1 in Rhode Island

UWRI provides direct service to the community through 2-1-1 – a call center that helps Rhode Islanders connect to essential human services. 2-1-1 is a free and confidential service that is available 24 hours a day, 365 days a year. In a typical year, 2-1-1 handles 200,000 calls from Rhode Islanders looking for help with food, housing, healthcare, childcare, and services for seniors and adults with disabilities.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Rhode Islanders can access 2-1-1 by calling 2-1-1 or by visiting 211ri.org to search information or to chat online. 2-1-1 services are also available in person at UWRI's office and on the 2-1-1 Outreach RV. UWRI is the only United Way in the country to bring the services of 2-1-1 directly into the community with an RV that makes 30 or more stops across the state every month, from food pantries to community centers, libraries and homeless shelters.

In the event of a significant weather event or community crisis, 2-1-1 is activated by the state to work closely with the Governor's Office and the Rhode Island Emergency Management Agency (RIMEA) to share essential information. UWRI relies on data from 2-1-1 to focus its work on the most pressing needs of the community.

Contributions are obtained from local businesses, individuals, and charitable foundations. These funds are designated 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.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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, 2018 and 2017, all amounts are due within one year and, therefore, a discount was not required. When considered necessary, an allowance is recorded based on management's estimate of uncollectibility including such factors as prior collection history, type of contribution, and the nature of the fundraising activity.

Investments

Investments are valued at fair value. Fair value is 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. Net investment return includes interest, dividends, and realized and unrealized gains and losses.

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. Capital improvements in process represent costs associated with the acquisition of certain equipment which have not yet been placed in service. At the time that these assets are placed in service, they will be reclassified to equipment and depreciation will commence.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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.

Donated Materials and 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.

Donated materials are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted contributions. However, if the restriction is fulfilled in the same time period in which the contribution is received UWRI reports the support as unrestricted.

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.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Advertising

Advertising and promotional expenditures are expensed as incurred. During the years ended June 30, 2018 and 2017, UWRI incurred advertising and promotional expenses of approximately \$144,000 and \$96,000, 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, 2018 and 2017. Accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

UWRI evaluates all significant tax positions. 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. 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 certain investments, the estimated useful lives used to depreciate property and equipment, and the allocation of certain functional expenses. Actual results could differ from those estimates.

Recent Accounting Pronouncements Not Yet Implemented

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* (ASU 2016-14) which changes the presentation of financial statements of not-for-profit entities with the intention to improve the information presented related to donor-imposed restrictions, liquidity, financial performance and cash flows. The ASU is effective for UWRI's year ending June 30, 2019. Management has elected not to adopt this ASU early and does not anticipate that the adoption of this ASU will have a material impact on its financial statements.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes and replaces nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance. The authoritative guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The five steps are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; (v) recognize revenue when or as each performance obligation is satisfied. The authoritative guidance applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The authoritative guidance requires significantly expanded disclosures about revenue recognition. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers for one year the effective date of ASU 2014-09. The deferral will result in this standard being effective for UWRI's year ending June 30, 2020. Management has elected not to adopt this ASU early and does not anticipate that the adoption of this ASU will have a material impact on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842): Leases: Amendments to the FASB Accounting Standards Codification* which requires that a lessee recognize an operating lease for a term of greater than twelve months as a liability, and capitalize a right-of-use asset in the lessee's balance sheet. Such amounts would be recorded at the present value of the lease payments. Currently, entities are only required to disclose the future minimum payments under such operating leases and to record expenses as such amounts are paid. The ASU is effective for UWRI's year ending June 30, 2021, with early adoption permitted. Management has not elected to early adopt this ASU and is currently evaluating the effect it will have on its financial statements and related disclosures.

Subsequent Events

Management has evaluated subsequent events through April 1, 2019, which is the date the financial statements were available to be issued.

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

2. INVESTMENTS

As of June 30, 2018 and 2017, investments consisted of the following:

	2018	2017
Mutual funds:		
Money market fund	\$ 195,021	\$ 119,585
Fixed income bond funds	2,235,846	2,208,847
International equity funds	760,160	555,672
Domestic equity funds	189,711	163,079
Global growth funds	6,378	-
Asset allocated funds	12,595	-
Closed-end equity funds	800,921	374,862
Total mutual funds	4,200,632	3,422,045
Bonds:		
U.S. Treasury	478,038	491,602
Corporate and foreign	773,458	803,028
U.S. Government agencies	97,316	99,448
Total bonds	1,348,812	1,394,078
Common stock:		
Technology	660,909	593,937
Healthcare	339,312	399,695
Finance	358,315	431,284
Consumer staples	161,127	224,079
Capital goods	224,363	317,854
Consumer cyclical	301,323	287,723
Energy	136,833	158,142
Other	156,421	207,214
Total common stock	2,338,603	2,619,928
Fund held in trust by Rhode Island Foundation	446,982	446,273
Total	\$ 8,335,029	\$ 7,882,324

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

As of June 30, 2018 and 2017, the nature of restrictions on investments are as follows:

	2018	2017
Unrestricted	\$ 8,236,636	\$ 7,783,931
Temporarily restricted	-	-
Permanently restricted	98,393	98,393
Total	<u>\$ 8,335,029</u>	<u>\$ 7,882,324</u>

For the years ended June 30, 2018 and 2017, net investment return included in the statements of activities and changes in net assets consisted of the following:

	2018	2017
Investment return:		
Interest and dividends	\$ 176,190	\$ 118,442
Net realized and unrealized gains	298,658	317,818
Appreciation in fund held in trust by the Rhode Island Foundation	41,256	59,428
Total net investment return	<u>\$ 516,104</u>	<u>\$ 495,688</u>

The Board has placed certain restrictions on the distributions of funds from the investment portfolio.

3. PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	\$ 513,000	\$ 513,000
Building and improvements	2,941,903	2,941,903
Equipment and software	1,234,553	705,234
Motor vehicles	51,951	51,951
Capital improvements in process	-	439,084
Total property and equipment	<u>4,741,407</u>	<u>4,651,172</u>
Less accumulated depreciation and amortization	<u>1,592,757</u>	<u>1,326,529</u>
Property and equipment, net	<u>\$ 3,148,650</u>	<u>\$ 3,324,643</u>

See independent auditors' report.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

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

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

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

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

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2018				
Investments:				
Mutual funds	\$ 4,200,632			\$ 4,200,632
Bonds		\$ 1,348,812		1,348,812
Common stock	2,338,603			2,338,603
Total assets in the fair value hierarchy	<u>\$ 6,539,235</u>	<u>\$ 1,348,812</u>	<u>\$ -</u>	<u>7,888,047</u>
Investment measured at net asset value (a) - Fund held in trust by The Rhode Island Foundation				<u>446,982</u>
Total investments measured at fair value				<u><u>\$ 8,335,029</u></u>
2017				
Investments:				
Mutual funds	\$ 3,422,045			\$ 3,422,045
Bonds		\$ 1,394,078		1,394,078
Common stock	2,619,928			2,619,928
Total assets in the fair value hierarchy	<u>\$ 6,041,973</u>	<u>\$ 1,394,078</u>	<u>\$ -</u>	<u>7,436,051</u>
Investment measured at net asset value (a) - Fund held in trust by The Rhode Island Foundation				<u>446,273</u>
Total investments measured at fair value				<u><u>\$ 7,882,324</u></u>

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

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2018 and 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
2018				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 446,982	n/a	*	*
2017				
Fund Held in Trust by				
The Rhode Island Foundation	\$ 446,273	n/a	*	*

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

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

5. NOTES PAYABLE – BANK

Note Payable – Bank

UWRI maintains a note payable with a bank collateralized by land, building and improvements and requiring interest at 4.88%. As of June 30, 2018, the carrying value of the assets collateralizing the note payable is approximately \$2,675,000. The note requires monthly payments of principal and interest of \$11,230 through August 2023, at which time all outstanding principal and interest is due.

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Scheduled maturities on the note are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019	\$ 37,101
2020	38,714
2021	40,938
2022	43,011
2023	45,188
2024 and thereafter	<u>1,785,725</u>
Total	<u>\$ 1,990,677</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. As of June 30, 2018, UWRI was in violation of the debt service coverage ratio and has obtained a waiver from its lender as it pertains to the financial statements as of and for the year ended June 30, 2018.

Revolving Line-of-Credit

In August 2016, UWRI entered into a revolving line-of-credit with a bank. It provides for maximum available borrowings of the lesser of \$3,000,000 or 90% of eligible receivables, as defined in the agreement. The borrowings on such note are secured by all business assets excluding real estate. Interest is calculated at the one-month London Interbank Offered Rate (LIBOR) plus 1.70% and is due monthly. LIBOR as of June 30, 2018 was 2.09%. The agreement terminates and all outstanding borrowings are due September 1, 2019. There were no borrowings on the line-of-credit as of June 30, 2018 and 2017.

In connection with the revolving line-of-credit, UWRI is subject to a restrictive covenant that requires a minimum level of income from the Rhode Island Charities Trust.

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6. NET ASSETS

Unrestricted Net Assets – Board-Designated Purposes

The Board of Directors has voted to provide for the use of the following unrestricted net assets in accordance with the board-designated purpose as of June 30, 2018 and 2017:

	2018	2017
Board-Designated Purpose:		
Community investment grants	\$ 1,130,600	\$ 1,320,764
United Way 2-1-1 in RI	25,000	173,167
Endowment	348,589	347,879
Technology upgrades	54,428	62,835
Summer Learning Initiative	-	126,920
Internal operational reserve	166,759	383,649
Clay mine royalties replacement reserve	797,396	847,719
	\$ 2,522,772	\$ 3,262,933

Temporarily Restricted Net Assets

For the years ended June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	2018	2017
RI Good Neighbor Energy Program	\$ 307,325	\$ 390,070
RI Afterschool Plus Alliance (RIASPA)	108,255	-
United Way 2-1-1 in RI	191,593	186,100
CVS Tobacco for Youth Program	33,500	33,500
CVS Opioid Addiction Program	50,000	-
Volunteer Income Tax Assistance	50,000	50,000
Various program grants and other	7,443	106,021
	\$ 748,116	\$ 765,691

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Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2018 and 2017 are restricted to investment in perpetuity. Such permanently restricted net assets amounted to approximately \$98,400 at June 30, 2018 and 2017. The income can be used to support general operations of UWRI.

7. AGENCY SUPPORT AND DONOR DESIGNATIONS

Donor-designated funds are those funds which a donor specifically states should be distributed to an agency, either directly or through their Donor Advised Fund (commonly referred to as MyFund account). MyFund accounts are considered donor-advised accounts. MyFund donors can periodically request UWRI to make distributions from their MyFund accounts to specific agencies, including UWRI. UWRI must approve all requests for MyFund 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Designated by donors	\$ 6,471,551	\$ 5,856,268
Program grants and awards by UWRI (Community Impact Fund Grants, Summer Learning Initiative Grants, and Special Initiative Grants and Awards)	<u>5,282,909</u>	<u>5,177,260</u>
Total	<u><u>\$ 11,754,460</u></u>	<u><u>\$ 11,033,528</u></u>

8. CONTRIBUTION INCOME FROM THE RHODE ISLAND FOUNDATION

During the years ended June 30, 2018 and 2017, UWRI received contributions from The Rhode Island Foundation (the Foundation) of approximately \$3,732,000 and \$3,696,000, respectively. The contributions were made at the discretion of the Foundation, which were funded through two sources as described below.

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The Foundation controls a community fund, The Rhode Island Charities Trust (the Trust), which had a principal balance of approximately \$79,425,000 and \$76,125,000 as of June 30, 2018 and 2017, respectively. The Trust is held and controlled by the Foundation and not reflected on the financial statements of UWRI given that variance power was granted to the Foundation. Distributions from the Trust are subject to the Foundation's spending policy as determined by the Foundation's Board of Directors. At its discretion, the Foundation has used its income from this Trust to fund its contributions to UWRI which were \$3,343,000 and \$3,285,000 for the years ended June 30, 2018 and 2017, respectively. Such amounts have been presented on the statements of activities and changes in net assets as contribution income from the Foundation generated from designated funds.

In addition, the Foundation has contributed, at its discretion, its royalty income earned on the Foundation's ownership rights in several properties located in Georgia from which clay called "kaolin" is mined (clay mine). The clay is mined by a company known as BASF, which pays royalty income to the Foundation for the clay it has mined. For the years ended June 30, 2018 and 2017, UWRI received approximately \$390,000 and \$411,000 in contributions from the Foundation that were funded using the royalties generated by the clay mine. Such amounts have been presented on the statements of activities and changes in net assets as contribution income from the Foundation generated from royalties.

9. SPECIAL PROGRAM INCOME

Special program income is attributable to the following programs for the years ended June 30, 2018 and 2017:

	2018	2017
Rhode Island After School Plus Alliance	\$ 162,659	\$ 144,865
United Way 2-1-1 in RI	526,483	618,544
Aging and Disability Resource Center	243,181	279,146
State Employees Charitable Appeal	40,000	39,000
Volunteerism Grant	35,822	35,412
Total	<u>\$ 1,008,145</u>	<u>\$ 1,116,967</u>

10. ENDOWMENT

UWRI's endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board of Directors to provide income for UWRI. As required by

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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, 2018 and 2017, 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

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 98,393	\$ 98,393
Board-designated endowment funds	348,589	-	-	348,589
Total funds	\$ 348,589	\$ -	\$ 98,393	\$ 446,982

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Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 347,880	\$ -	\$ 98,393	\$ 446,273
Investment return - Net unrealized appreciation, net of Foundation support fee	34,634	-	-	34,634
Appropriation of endowment assets for operations	(33,925)	-	-	(33,925)
Endowment net assets, end of year	\$ 348,589	\$ -	\$ 98,393	\$ 446,982

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 98,393	\$ 98,393
Board-designated endowment funds	347,880	-	-	347,880
Total funds	\$ 347,880	\$ -	\$ 98,393	\$ 446,273

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Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 335,237	\$ -	\$ 98,393	\$ 433,630
Investment return - Net unrealized appreciation, net of Foundation support fee	51,521	-	-	51,521
Appropriation of endowment assets for operations	(38,878)	-	-	(38,878)
Endowment net assets, end of year	\$ 347,880	\$ -	\$ 98,393	\$ 446,273

11. EMPLOYEE RETIREMENT PLANS

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 \$75,000 and \$77,000 for the years ended June 30, 2018 and 2017, respectively.

In addition, UWRI established a non-qualified deferred compensation plan under IRC Section 457(b) for the benefit of key executives. The plan became effective as of January 1, 2017 and allows participants to elect in writing to defer a portion of their compensation up to the maximum amount permitted by the Internal Revenue Service. Compensation deferred under the nonqualified deferred compensation plan is charged to expense and UWRI deposits such deferred compensation amounts into marketable securities accounts held by UWRI on behalf of the employees to fund future payment obligations. Such accounts are available to UWRI's creditors in the event of UWRI's liquidation. Any gains or losses in these marketable securities accounts increase or reduce the amount of deferred compensation due to the employee upon separation from UWRI. The deferred compensation liability and the corresponding expense was approximately \$26,000 for the year ended June 30, 2018. There were no amounts deferred during the year ended June 30, 2017.

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12. COMMITMENTS

UWRI leases certain office equipment under operating lease agreements, expiring at various dates through March 2021. As of June 30, 2018, the approximate future minimum lease payments required in accordance with these lease agreements are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 27,000
2020	14,000
2021	<u>10,000</u>
Total	<u>\$ 51,000</u>

For each of the years ended June 30, 2018 and 2017, rent expense under all operating leases amounted to approximately \$30,000.

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

Credit, Market and Interest Rate Risks

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

UWRI maintains deposit accounts 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, 2018, UWRI's deposit accounts at various financial institutions exceeded the FDIC insurance limit.

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

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Major Donor

Contributions from The Rhode Island Foundation, including income from The Rhode Island Charities Trust and clay mine royalties, represented approximately 31% and 29% of total revenues, gains and other support for each of the years ended June 30, 2018 and 2017, respectively.

14. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended June 30, 2018 and 2017, UWRI made cash payments for interest of approximately \$108,000 and \$101,000, respectively.

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