

UNITED WAY OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustment to Prior Period Financial Statements

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to properly report UWRI's beneficial interests in perpetual trusts.

As part of our audit of the 2019 financial statements, we also audited the adjustment described in Note 2 that was applied to restate the 2018 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

Sansivni, Kimball & Co., LLP

Providence, Rhode Island
November 13, 2019

UNITED WAY OF RHODE ISLAND, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS:

Cash	\$ 594,833
Investments	8,846,413
Pledges receivable, less allowance for uncollectible pledges of \$271,905	3,400,432
Contributions and grant receivables	1,200,820
Prepaid expenses and other assets	87,260
Property and equipment, net	2,987,745
Beneficial interests in perpetual trusts	6,168,461

TOTAL ASSETS \$ 23,285,964

LIABILITIES:

Campaign designations payable	\$ 3,549,020
Community impact grants and awards payable	3,231,094
Accounts payable and accrued expenses	651,797
Note payable - bank	1,953,582
Total liabilities	<u>9,385,493</u>

COMMITMENTS

NET ASSETS:

Without donor restrictions:	
Board-designated purposes	2,515,657
Net investment in property and equipment	1,034,163
Undesignated - general operations	<u>3,675,679</u>
Total net assets without donor restrictions	7,225,499

With donor restrictions 6,674,972

Total net assets 13,900,471

TOTAL LIABILITIES AND NET ASSETS \$ 23,285,964

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Revenues, gains and other support:	
Campaign revenue:	
Campaign pledges generated	\$ 11,508,232
Less provision for uncollectible pledges	(293,505)
Less amounts designated by donors	<u>(5,546,291)</u>
Campaign revenue without donor restrictions, net	5,668,436
Contribution income from The Rhode Island Foundation	3,870,394
Special program income	1,043,492
Other income	123,870
Net investment return	<u>579,305</u>
Total revenues and gains without donor restrictions	<u>11,285,497</u>
Net assets released from restrictions:	
Satisfaction of purpose restrictions	742,751
Appropriation from endowment earnings	<u>261,906</u>
Total net assets released from restrictions	<u>1,004,657</u>
Total revenues, gains and other support without donor restrictions	<u>12,290,154</u>

EXPENSES:

Programs:	
Program grants and awards	4,239,745
Program services	<u>3,717,320</u>
Total program expenses	<u>7,957,065</u>
Supporting services:	
Fundraising and public relations	2,497,028
Management and general	<u>1,259,876</u>
Total supporting services	<u>3,756,904</u>
Total expenses	<u>11,713,969</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 576,185

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

Campaign revenue	402,753
Earnings from beneficial interests in perpetual trusts	238,368
Net assets released from restrictions:	
Satisfaction of purpose restrictions	(742,751)
Appropriation from endowment earnings	<u>(261,906)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(363,536)</u>

INCREASE IN TOTAL NET ASSETS 212,649

NET ASSETS, JUNE 30, 2018, as previously reported	7,658,489
Prior period adjustment (Note 2)	<u>6,029,333</u>
NET ASSETS, JUNE 30, 2018, as restated	<u>13,687,822</u>
NET ASSETS, JUNE 30, 2019	<u>\$ 13,900,471</u>

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Programs	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 1,650,863	\$ 1,112,890	\$ 1,068,210	\$ 3,831,963
Employee benefits	279,746	194,899	253,473	728,118
Payroll taxes	108,319	83,164	68,854	260,337
Professional fees and contractual services	309,995	85,315	409,061	804,371
Special events	64,420	77,193	89,836	231,449
Occupancy	119,472	65,510	40,316	225,298
Supplies	42,136	156,143	11,429	209,708
Advertising	34,651	108,124	-	142,775
Staff training and conferences	74,972	6,013	57,163	138,148
Membership dues	76,196	41,243	20,205	137,644
Equipment - repairs and rental	11,609	13,970	84,615	110,194
Building - interest and rent expense	50,044	27,087	17,442	94,573
Telephone and internet	36,459	19,466	28,296	84,221
Government & private foundation grants	81,596	-	-	81,596
Recruitment	-	-	73,554	73,554
Miscellaneous	15,895	10,639	41,395	67,929
Postage and shipping	3,949	26,590	5,380	35,919
Local transportation	7,519	9,100	496	17,115
Subscriptions and publications	3,655	3,448	4,997	12,100
Subtotal	<u>2,971,496</u>	<u>2,040,794</u>	<u>2,274,722</u>	<u>7,287,012</u>
Depreciation and amortization	126,381	77,039	47,275	250,695
Support services reimbursements from program grants	-	-	(63,483)	(63,483)
Allocation of supporting services*	619,443	379,195	(998,638)	-
Program grants and awards	<u>4,239,745</u>	<u>-</u>	<u>-</u>	<u>4,239,745</u>
Total	<u><u>\$ 7,957,065</u></u>	<u><u>\$ 2,497,028</u></u>	<u><u>\$ 1,259,876</u></u>	<u><u>\$ 11,713,969</u></u>

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

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in total net assets	\$ 212,649
Adjustments to reconcile increase in total net assets to net cash used by operating activities:	
Provision for uncollectible pledges	303,843
Depreciation and amortization	250,695
Appreciation in fund held in trust by The Rhode Island Foundation	(21,437)
Net realized and unrealized gains on investments	(391,997)
Loss on disposal of property and equipment	8,178
Non-cash earnings from beneficial interests in perpetual trusts	(139,128)
Changes in operating assets and liabilities:	
Pledges receivable, net	430,416
Contributions and grant receivables	29,489
Prepaid expenses and other assets	(1,302)
Campaign designations payable	(312,216)
Community impact grants and awards payable	(467,441)
Accounts payable and accrued expenses	(115,158)
NET CASH USED BY OPERATING ACTIVITIES	<u>(213,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of:	
Property and equipment	(108,468)
Investments	(1,576,851)
Proceeds from:	
Sale of investments	1,478,901
Sale of property and equipment	10,500
NET CASH USED BY INVESTING ACTIVITIES	<u>(195,918)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES:	
Payments on note payable - bank	<u>(37,095)</u>
NET DECREASE IN CASH	(446,422)
CASH, BEGINNING OF THE YEAR	<u>1,041,255</u>
CASH, END OF THE YEAR	<u><u>\$ 594,833</u></u>

SUPPLEMENTAL INFORMATION -

Cash payments for interest were approximately \$90,000.

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. NATURE OF ACTIVITIES AND 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 provide 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 9.

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.
- 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 and The Point

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 nearly 200,000 calls from Rhode Islanders looking for help with food, housing, healthcare, childcare, and services for seniors and adults with disabilities. Linked

through 2-1-1, UWRI also operates a statewide resource network, The Point, that provides information, referrals, and long-term care options to seniors, adults with disabilities, and their caregivers.

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 to 50 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.

Recently Adopted Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. UWRI has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* which modifies the disclosure requirements on fair value measurements. UWRI adopted the provisions of the ASU for the year ended June 30, 2019.

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 two net asset groups as follows:

- Net assets without donor restrictions – net assets without donor restriction represent resources that are generally available for support of UWRI’s activities. From time to time the Board designates a portion of these net assets for specific purposes. See Note 8 for the composition of Board designations of net assets without donor restrictions.
- Net assets with donor restrictions – Net assets with donor restriction are restricted by a donor for use for a particular purpose or in a particular future period. Some donor imposed restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor imposed restrictions are perpetual in nature in which only the income can be utilized in accordance with the donor’s instructions. See Note 8 for the composition of net assets with donor restrictions.

Receivables

Pledges

UWRI conducts annual fundraising campaigns. Annual fundraising campaign pledges that remain outstanding after the subsequent campaign year are written off as uncollectible except those deemed collectible. Recoveries of contributions receivable previously written off are recorded when received.

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, 2019, 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.

Beneficial Interest in Perpetual Trusts

UWRI is named as an irrevocable beneficiary in perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to UWRI; however, UWRI will never receive the assets of the trusts. At the date UWRI receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities, and a beneficial interest in perpetual nature is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with investment income and expenses, and changes in fair value recognized in the statement of activities.

Investments

Investment purchases are recorded at cost, or if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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 software is determined over its estimated period of benefit.

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 donor restricted net assets depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. 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.

Contributions In-Kind 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. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as net assets with donor restrictions. However, if the restriction is fulfilled in the same time period in which the contribution is received, UWRI reports the support as net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized and presented by function and natural classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated to program services, fundraising and public relations, and management and general include: occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising and promotional expenditures are expensed as incurred.

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 year ended June 30, 2019. Accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

UWRI evaluates all significant tax positions. As of June 30, 2019, UWRI does not believe that it has 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 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, and those differences could be material.

Recent Accounting Pronouncement Not Yet Implemented

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU has different effective dates for resource recipients and resource providers. Where UWRI is the resource recipient, the ASU is effective for its fiscal year ending June 30, 2020. Where UWRI is the resource provider, the ASU is effective for its fiscal year ending June 30, 2021. Early adoption permitted. Management has elected not to adopt this ASU early and is currently evaluating the impact this pronouncement may have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through November 13, 2019, which is the date the financial statements were available to be issued.

2. PRIOR PERIOD ADJUSTMENT

Prior year financial statements have been restated to reflect UWRI's beneficial interest in certain irrevocable trusts as a result of current management's review and assessment of trust documentation.

The following sets forth the previously reported and restated amounts of selected items within the financial statements as of and for the year ended June 30, 2018.

	As Previously Reported	As Restated
Selected statement of financial position data:		
Beneficial interest in perpetual trusts	\$ -	\$ 6,029,333
Net assets without donor restrictions	6,811,980	6,649,316
Net assets with donor restrictions	846,509	7,038,506

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Minimum financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year-end:	
Cash	\$ 594,833
Investments	8,846,413
Pledges receivable, net	3,400,432
Contributions and grant receivables	<u>1,200,820</u>
Total financial assets	14,042,498
Less amounts not available to be used within one year:	
Investment held in perpetuity	(98,393)
Fund held in trust by The Rhode Island Foundation	(10,000)
Include distributions anticipated to be received from:	
Beneficial interests in perpetual trusts	261,000
The Rhode Island Foundation	<u>3,870,000</u>
Total	<u>\$ 18,065,105</u>

Investments of \$435,608 are subject to an annual spending rate as described in Note 10. Although UWRI does not intend to spend from these board designated investments (other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation), these amounts could be made available if necessary.

Liquidity management: UWRI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, UWRI could draw on its investments or its revolving line of credit (Notes 5 and 6).

4. PROPERTY AND EQUIPMENT

As of June 30, 2019, property and equipment consisted of the following:

Land	\$ 488,000
Building and Improvements	2,993,286
Equipment and software	1,246,975
Motor vehicles	<u>81,747</u>
Total property and equipment	4,810,008
Less accumulated depreciation and amortization	<u>1,822,263</u>
Property and equipment, net	<u><u>\$ 2,987,745</u></u>

5. FAIR VALUE MEASUREMENTS, INVESTMENTS AND BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

UWRI reports certain assets at fair value in the financial statements. 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 under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

Level 2: Inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar

assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the investment. These are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable for the investment and include situations where there is little, if any, or no market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the investment'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 table below presents the financial instruments measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3	Measured at Net Asset Value ^(a)
Investments:					
Money Market Funds	\$ 359,809	\$ 359,809	\$ -	\$ -	\$ -
Fixed income securities:					
U.S. Gov't obligations	653,911	653,911	-	-	-
Corporate bonds	764,164	764,164	-	-	-
Equity securities	2,588,902	2,588,902	-	-	-
Mutual Funds:					
Equity	1,697,082	1,697,082	-	-	-
Fixed income	2,346,937	2,346,937	-	-	-
Fund held in trust by The Rhode Island Foundation	435,608	-	-	-	435,608
Total investments	8,846,413	8,410,805	-	-	435,608
Beneficial interests in perpetual trusts	6,168,461	-	-	6,168,461	-
Total	\$15,014,874	\$ 8,410,805	\$ -	\$ 6,168,461	\$435,608

(a) In accordance with Subtopic 820-10, certain financial instruments 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 statement 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, 2019:

	Fair Value	Commitments	Frequency	Notice Period
Fund held in trust by The Rhode Island Foundation*	\$ 435,608	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 following is a description of the valuation methodologies used for assets measured at fair value.

U.S. Government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

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

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

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.

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

Beneficial interest in perpetual trusts: Valued using the net asset value as a practical expedient to estimate fair value. The measurement for the beneficial interests in perpetual trusts is categorized as a level 3 fair value measurement because UWRI will never receive the trusts' assets.

For the year ended June 30, 2019, valuation methodologies have been consistent with the prior year.

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.

For the year ended June 30, 2019, net investment return included in the statement of activities consisted of the following:

Interest and dividends, net of \$47,311 of investment fees	\$ 165,871
Net realized and unrealized gains	<u>391,997</u>
Subtotal	557,868
Appreciation in fund held in trust by The Rhode Island Foundation	<u>21,437</u>
Total net investment return	<u>\$ 579,305</u>

As of June 30, 2019, the nature of restrictions on investments and beneficial interests in perpetual trusts are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments	\$ 8,748,020	\$ 98,393	\$ 8,846,413
Beneficial interests in perpetual trusts	\$ -	\$ 6,168,461	\$ 6,168,461

The Board of Directors has authorized appropriations from investments without donor restrictions of up to 5% of the average total market value of the prior 12 quarters. Such amounts are to be used for operations. For the year ended June 30, 2019, with the execution of the fund held in trust by The Rhode Island Foundation, UWRI did not appropriate any investment funds for operations.

6. REVOLVING LINE OF CREDIT

UWRI has a revolving line of credit agreement (line of credit) with a bank, as amended, that provides for maximum available borrowings of the lesser of \$3,000,000 or 90% of eligible receivables, as defined in the agreement. Borrowings under the line of credit 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, 2019 was 2.40%. There were no borrowings under the line of credit agreement as of June 30, 2019. The line of credit expired on September 1, 2019 and was extended to December 1, 2019 by the bank under the same terms. In connection with the line of credit, UWRI is subject to a restrictive covenant that requires a minimum level of income from The Rhode Island Charities Trust via The Rhode Island Foundation. See Note 10.

7. NOTE PAYABLE

In August 2013, UWRI executed a note payable with a bank in the amount of \$2,500,000, bearing interest at 4.88%. The proceeds from the note were used to finance the acquisition of land and a building. The note is collateralized by land, building and improvements. The carrying value of the assets collateralizing the note payable is approximately \$2,590,000. The note required monthly payments of interest only through August 2015. In July 2014, UWRI began making monthly payments of principal and interest of \$11,230 which are payable through August 2023, at which time all outstanding principal and interest is due.

Scheduled maturities under the note payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 38,714
2021	40,938
2022	43,011
2023	45,188
2024	<u>1,785,731</u>
Total	<u>\$ 1,953,582</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.

8. NET ASSETS

Net Assets Without Donor Restrictions – Board-Designated Purposes

The Board of Directors has voted to provide for the use of the following net assets without donor restrictions in accordance with the board-designated purpose as of June 30, 2019:

Board-Designated Purpose:	
Community investment grants	\$ 1,274,928
Endowment	337,215
Building fund	30,185
Technology upgrades	34,174
Internal operational reserve	41,759
Clay mine reserve	<u>797,396</u>
Total board-designated	<u>\$ 2,515,657</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose:	
RI Good Neighbor Energy Program	\$ 224,763
United Way 2-1-1 in RI	114,000
CVS Opioid Addiction Program	23,998
Volunteer Income Tax Assistance Program	40,000
Various program grants	<u>5,357</u>
Subtotal	408,118
Subject to UWRI spending policy and appropriation:	
Investment in perpetuity	98,393
Subject to third party spending policy and appropriation:	
Beneficial interests in perpetual trusts	<u>6,168,461</u>
Total net assets with donor restrictions	<u>\$ 6,674,972</u>

9. CONTRIBUTION INCOME FROM THE RHODE ISLAND FOUNDATION

During the year ended June 30, 2019, UWRI received contributions from The Rhode Island Foundation (the Foundation) of approximately \$3,870,000. The contributions were made at the discretion of the Foundation, which were funded through two sources as described below.

The Foundation controls a community fund, The Rhode Island Charities Trust (the Trust), which had an investment balance of approximately \$77,601,000 as of June 30, 2019. 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 approximately \$3,381,000 for the year ended June 30, 2019. Such amounts have been presented on the statement of activities as contribution income.

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 certain company, which pays royalty income to the Foundation for the clay it has mined. For the year ended June 30, 2019, UWRI received approximately \$489,000 in contributions from the Foundation that were funded using the royalties generated by the clay mine. Such amounts have been presented on the statement of activities as contribution income.

10. ENDOWMENT

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

Interpretation of Relevant Law

The Board of Directors has interpreted State of Rhode Island Uniform Prudent Management of Institutional Funds Act (R.I. UPMIFA) to mean that the Board of Directors is to exercise prudence when appropriating for expenditure or accumulation of endowment funds and consider the uses, benefits, purposes and duration for which the endowment funds are established. As a result of this interpretation, UWRI classifies as net assets with donor restrictions (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 net assets with donor restrictions 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 net assets with donor restrictions 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, 2019, there were no such funds with deficiencies.

Return Objectives and Risk Parameters

UWRI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds designated by donor:			
Investments	\$ -	\$ 98,393	\$ 98,393
Beneficial interests in perpetual trusts	-	6,168,461	6,168,461
Endowment fund designated by Board of Directors - Investments	337,215	-	337,215
Total endowment funds	<u>\$ 337,215</u>	<u>\$ 6,266,854</u>	<u>\$ 6,604,069</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, balance, beginning of year	\$ 348,589	\$ 6,127,726	\$ 6,476,315
Investment return - Net unrealized appreciation, net of Foundation support fee	16,067	238,368	254,435
Appropriation of endowment assets for expenditure	<u>(27,441)</u>	<u>(99,240)</u>	<u>(126,681)</u>
Endowment net assets, end of year	<u>\$ 337,215</u>	<u>\$ 6,266,854</u>	<u>\$ 6,604,069</u>

11. EMPLOYEE RETIREMENT PLAN

UWRI has a 403(b) defined contribution retirement plan (Plan) which covers all employees who are scheduled to work at least 1,000 hours per year. Matching contributions under the Plan range from 3% to 6% of an employee's salary depending on years of service. Matching contribution expense incurred by UWRI was approximately \$76,000 for the year ended June 30, 2019.

UWRI also has a non-qualified deferred compensation plan under IRC Section 457(b) for key executives. UWRI allows eligible participants to elect in writing to defer a portion of their compensation up to the maximum amount permitted under Section 457 of the Code for a Plan Year. Contributions are not matched by UWRI. The deferred compensation accounts are reported as both assets and liabilities on UWRI's financial statements and are available to creditors in the event of UWRI's liquidation. There were no amounts in the deferred compensation accounts as of June 30, 2019 and there was no deferred compensation expense recorded for the year ended June 30, 2019.

12. COMMITMENTS

UWRI leases certain office equipment under operating lease agreements, expiring at various dates through June 2024. As of June 30, 2019, the approximate future minimum lease payments required in accordance with these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$25,000
2021	22,000
2022	11,000
2023	11,000
2024	<u>11,000</u>
Total	<u>\$80,000</u>

For the year ended June 30, 2019, rent expense under all operating leases was approximately \$30,000.

13. CONCENTRATIONS OF RISK AND MAJOR DONOR

Concentrations of Risk

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

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

Major Donor

Contributions from The Foundation, including income from the Trust and clay mine royalties, represented approximately 33% of total revenues, gains and other support for the year ended June 30, 2019.