

UNITED WAY OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 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. (United Way of RI), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Dansie, Kimball & Co., LLP

Providence, Rhode Island
December 4, 2020

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS:		
Cash	\$ 3,509,490	\$ 594,833
Investments	7,491,789	8,846,413
Pledges receivable, less allowance for uncollectible pledges of \$561,064 in 2020 and \$271,905 in 2019	2,784,971	3,400,432
Contributions and grant receivables	1,920,713	1,200,820
Prepaid expenses and other assets	147,481	87,260
Property and equipment, net	2,753,723	2,987,745
Beneficial interests in perpetual trusts	6,029,944	6,168,461
	<hr/>	<hr/>
TOTAL ASSETS	\$ 24,638,111	\$ 23,285,964
LIABILITIES:		
Campaign designations payable	\$ 3,423,253	\$ 3,549,020
Community impact grants and awards payable	701,840	3,231,094
Accounts payable and accrued expenses	1,462,154	651,797
Paycheck protection program note payable	848,735	-
Note payable - bank	1,914,885	1,953,582
Total liabilities	<hr/>	<hr/>
	8,350,867	9,385,493
COMMITMENTS		
NET ASSETS:		
Without donor restrictions:		
Board-designated purposes	2,400,004	2,515,657
Net investment in property and equipment	838,838	1,034,163
Undesignated - general operations	6,406,883	3,675,679
Total net assets without donor restrictions	<hr/>	<hr/>
	9,645,725	7,225,499
With donor restrictions	<hr/>	<hr/>
	6,641,519	6,674,972
Total net assets	<hr/>	<hr/>
	16,287,244	13,900,471
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 24,638,111	\$ 23,285,964

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, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains and other support:		
Campaign revenue:		
Campaign pledges generated	\$ 12,762,873	\$ 11,508,232
Less provision for uncollectible pledges	(493,084)	(293,505)
Less amounts designated by donors	(4,871,906)	(5,546,291)
Campaign revenue without donor restrictions, net	<u>7,397,883</u>	<u>5,668,436</u>
Contribution income from The Rhode Island Foundation	3,745,338	3,870,394
Special program income	1,800,934	1,043,492
Other income	587,117	123,870
Net investment return	533,468	579,305
Total revenues and gains without donor restrictions	<u>14,064,740</u>	<u>11,285,497</u>
Net assets released from restrictions:		
Satisfaction of purpose restrictions	386,000	742,751
Appropriation from endowment earnings	256,937	261,906
Total net assets released from restrictions	<u>642,937</u>	<u>1,004,657</u>
Total revenues, gains and other support without donor restrictions	<u>14,707,677</u>	<u>12,290,154</u>
EXPENSES:		
Programs:		
Program grants and awards	4,233,066	4,239,745
Program services	4,070,885	3,653,837
Total program expenses	<u>8,303,951</u>	<u>7,893,582</u>
Supporting services:		
Fundraising and public relations	2,716,506	2,497,028
Management and general	1,266,994	1,323,359
Total supporting services	<u>3,983,500</u>	<u>3,820,387</u>
Total expenses	<u>12,287,451</u>	<u>11,713,969</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,420,226</u>	<u>576,185</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Campaign revenue	491,064	402,753
Earnings from beneficial interests in perpetual trusts	118,420	238,368
Net assets released from restrictions:		
Satisfaction of purpose restrictions	(386,000)	(742,751)
Appropriation from endowment earnings	(256,937)	(261,906)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(33,453)</u>	<u>(363,536)</u>
INCREASE IN TOTAL NET ASSETS	<u>2,386,773</u>	<u>212,649</u>
NET ASSETS, BEGINNING OF THE YEAR	<u>13,900,471</u>	<u>13,687,822</u>
NET ASSETS, END OF THE YEAR	<u>\$ 16,287,244</u>	<u>\$ 13,900,471</u>

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Programs	Fundraising and Public Relations	Management and General	Total Expenses	Programs	Fundraising and Public Relations	Management and General	Total Expenses
Salaries	\$ 2,151,133	\$ 1,392,319	\$ 1,116,075	\$ 4,659,527	\$ 1,650,863	\$ 1,112,890	\$ 1,068,210	\$ 3,831,963
Employee benefits	319,848	237,525	215,337	772,710	279,746	194,899	253,473	728,118
Payroll taxes	140,431	97,744	77,265	315,440	108,319	83,164	68,854	260,337
Professional fees and contractual services	224,925	106,012	383,733	714,670	309,995	85,315	409,061	804,371
Occupancy	108,977	55,612	32,014	196,603	119,472	65,510	40,316	225,298
Special events	91,796	29,279	69,635	190,710	64,420	77,193	89,836	231,449
Supplies	18,973	147,290	13,304	179,567	42,136	156,143	11,429	209,708
Membership dues	92,903	46,546	22,873	162,322	76,196	41,243	20,205	137,644
Advertising	26,852	110,538	101	137,491	34,651	108,124	-	142,775
Building - interest and rent expense	53,524	28,035	16,090	97,649	50,044	27,087	17,442	94,573
Equipment - repairs and rental	15,138	16,060	57,745	88,943	11,609	13,970	84,615	110,194
Staff training and conferences	31,190	7,139	47,910	86,239	74,972	6,013	57,163	138,148
Miscellaneous	34,920	21,125	27,022	83,067	45,182	23,187	46,888	115,257
Telephone and internet	34,623	18,812	16,844	70,279	36,459	19,466	28,296	84,221
Postage and shipping	3,668	30,642	9,638	43,948	3,949	26,590	5,380	35,919
Recruitment	-	-	2,317	2,317	-	-	73,554	73,554
Subtotal	3,348,901	2,344,678	2,107,903	7,801,482	2,908,013	2,040,794	2,274,722	7,223,529
Depreciation and amortization	136,137	72,844	43,922	252,903	126,381	77,039	47,275	250,695
Allocation of supporting services*	585,847	298,984	(884,831)	-	619,443	379,195	(998,638)	-
Program grants and awards	4,233,066	-	-	4,233,066	4,239,745	-	-	4,239,745
Total	\$ 8,303,951	\$ 2,716,506	\$ 1,266,994	\$ 12,287,451	\$ 7,893,582	\$ 2,497,028	\$ 1,323,359	\$ 11,713,969

*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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in total net assets	\$ 2,386,773	\$ 212,649
Adjustments to reconcile increase in total net assets to net cash provided (used) by operating activities:		
Provision for uncollectible pledges	500,000	303,843
Depreciation and amortization	252,903	250,695
Depreciation (appreciation) in fund held in trust by The Rhode Island Foundation	145	(21,437)
Net realized and unrealized gains on investments	(384,088)	(391,997)
Loss on disposal of property and equipment	-	8,178
Non-cash (earnings) losses from beneficial interests in perpetual trusts	138,517	(139,128)
Changes in operating assets and liabilities:		
Pledges receivable, net	115,461	430,416
Contributions and grant receivables	(719,893)	29,489
Prepaid expenses and other assets	(60,221)	(1,302)
Campaign designations payable	(125,767)	(312,216)
Community impact grants and awards payable	(2,529,254)	(467,441)
Accounts payable and accrued expenses	810,357	(115,158)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>384,933</u>	<u>(213,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Property and equipment	(18,881)	(108,468)
Investments	(3,676,554)	(1,576,851)
Proceeds from:		
Sale of investments	5,415,121	1,478,901
Sale of property and equipment	-	10,500
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,719,686</u>	<u>(195,918)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable - bank	(38,697)	(37,095)
Proceeds from paycheck protection program note payable	848,735	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>810,038</u>	<u>(37,095)</u>
NET INCREASE (DECREASE) IN CASH	2,914,657	(446,422)
CASH, BEGINNING OF THE YEAR	<u>594,833</u>	<u>1,041,255</u>
CASH, END OF THE YEAR	<u>\$ 3,509,490</u>	<u>\$ 594,833</u>

SUPPLEMENTAL INFORMATION -

Cash payments for interest were approximately \$98,000 in 2020 and \$90,000 in 2019.

See notes to financial statements.

UNITED WAY OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Rhode Island, Inc. (United Way of RI) 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. United Way of RI 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 United Way of RI directly funds critical programs and urgent services, as 100% of United Way of RI's fundraising and administrative costs are covered by contributions from a trust at The Rhode Island Foundation. See Note 9.

United Way of RI 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 Summer Learning Initiatives (SLI) supported by Hasbro and Women United - SLI is 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 211 and Point

United Way of RI provides direct service to the community through 211 – a call center that helps Rhode Islanders connect to essential human services. 211 is a free and confidential service available 24 hours a day, 365 days a year. In a typical year, 211 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 211, United Way of RI also operates a statewide resource network, Point, that provides information, referrals, and long-term care options to seniors, adults with disabilities, and their caregivers.

Rhode Islanders can access 211 by calling 211 or by visiting 211ri.org to search information or to chat online. Typically, 211 services are also available in person at United Way of RI's office and on the 211 Outreach RV. United Way of RI is the only United Way in the country to bring the services of 211 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, 211 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. United Way of RI relies on data from 211 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 United Way of RI.

Recently Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. United Way of RI adopted the provisions of the ASU for the year ended June 30, 2020 which resulted in no material impact to the financial statements.

Basis of Financial Reporting

United Way of RI 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 United Way of RI, the accounts of United Way of RI 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 United Way of RI'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

United Way of RI 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, 2020 and 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

United Way of RI 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 United Way of RI; however, United Way of RI will never receive the assets of the trusts. At the date United Way of RI 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 statements of financial position, with investment income and expenses, and changes in fair value recognized in the statements 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 statements of financial position. Net investment return/(loss) is reported in the statements 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, United Way of RI 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. Due to the COVID-19 pandemic that began in March 2020, United Way of RI deferred the implementation and announcement of its new Strategic Plan, as well as its annual announcement of multi-year grants.

Revenue Recognition

All contributions are considered to be available for use by the various programs and general operations of United Way of RI 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. United Way of RI 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, United Way of RI 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

United Way of RI 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. United Way of RI had no unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, a provision for income taxes has not been recorded in the accompanying financial statements.

United Way of RI evaluates all significant tax positions. As of June 30, 2020, United Way of RI 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. United Way of RI's income tax returns are subject to examination by the appropriate taxing jurisdictions. United Way of RI's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

Reclassifications

Certain amounts reported in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Specifically, certain expenses previously classified as program services were reclassified to management and general.

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.

Subsequent Events

Management has evaluated subsequent events through December 4, 2020, which is the date the financial statements were available to be issued.

2. 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 statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 3,509,490	\$ 594,833
Investments	7,491,789	8,846,413
Pledges receivable, net	2,784,971	3,400,432
Contributions and grant receivables	1,920,713	1,200,820
Total financial assets	<u>15,706,963</u>	<u>14,042,498</u>
Less amounts not available to be used within one year:		
Investment held in perpetuity	(98,393)	(98,393)
Fund held in trust by The Rhode Island Foundation	(10,000)	(10,000)
Include distributions anticipated to be received from:		
Beneficial interests in perpetual trusts	256,000	261,000
The Rhode Island Foundation	<u>3,704,000</u>	<u>3,870,000</u>
Total	<u>\$ 19,558,570</u>	<u>\$ 18,065,105</u>

Investments of \$410,357 are subject to an annual spending rate as described in Note 10. Although United Way of RI 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: United Way of RI 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, United Way of RI could draw on its investments or its revolving line of credit (Notes 4 and 5).

3. PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land	\$ 488,000	\$ 488,000
Building and Improvements	2,993,286	2,993,286
Equipment and software	1,011,256	1,246,975
Motor vehicles	81,747	81,747
Total property and equipment	4,574,289	4,810,008
Less accumulated depreciation and amortization	1,820,566	1,822,263
Property and equipment, net	<u>\$ 2,753,723</u>	<u>\$ 2,987,745</u>

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

United Way of RI 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 United Way of RI 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.

2020	Total	Level 1	Level 2	Level 3	Measured at Net Asset Value ^(a)
Investments:					
Money Market Mutual Funds	\$ 178,778	\$ 178,778	\$ -	\$ -	\$ -
Fixed income securities:					
U.S. Gov't obligations	271,654	271,654	-	-	-
Corporate bonds	479,057	479,057	-	-	-
Equity securities	2,275,824	2,275,824	-	-	-
Mutual Funds:					
Equity	1,236,495	1,236,495	-	-	-
Fixed income	2,639,624	2,639,624	-	-	-
Fund held in trust by The Rhode Island Foundation	410,357	-	-	-	410,357
Total investments	7,491,789	7,081,432	-	-	410,357
Beneficial interests in perpetual trusts	6,029,944	-	-	6,029,944	-
Total	<u>\$13,521,733</u>	<u>\$ 7,081,432</u>	<u>\$ -</u>	<u>\$ 6,029,944</u>	<u>\$410,357</u>

2019	Total	Level 1	Level 2	Level 3	Measured at Net Asset Value ^(a)
Investments:					
Money Market Mutual 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 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, 2020 and 2019:

	Fair Value	Commitments	Frequency	Notice Period
2020				
Fund held in trust by The Rhode Island Foundation*	\$ 410,357	n/a	*	*
2019				
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 United Way of RI maintains with The Rhode Island Foundation, the Board of Directors of United Way of RI 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 United Way of RI will never receive the trusts' assets.

For the years ended June 30, 2020 and 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 United Way of RI 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 years ended June 30, 2020 and 2019, net investment return included in the statements of activities consisted of the following:

	2020	2019
Interest and dividends, net of investment fees of \$48,577 in 2020 and \$47,311 in 2019	\$ 149,525	\$ 165,871
Net realized and unrealized gains	384,088	391,997
Subtotal	533,613	557,868
Appreciation (depreciation) in fund held in trust by The Rhode Island Foundation	(145)	21,437
Total net investment return	<u>\$ 533,468</u>	<u>\$ 579,305</u>

As of June 30, 2020 and 2019, the nature of restrictions on investments and beneficial interests in perpetual trusts are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2020			
Investments	\$ 7,393,396	\$ 98,393	\$ 7,491,789
Beneficial interests in perpetual trusts	\$ -	\$ 6,029,944	\$ 6,029,944
2019			
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 years ended June 30, 2020 and 2019, with the execution of the fund held in trust by The Rhode Island Foundation, United Way of RI did not appropriate any investment funds for operations.

5. REVOLVING LINE OF CREDIT

United Way of RI 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, 2020 was 0.18%. There were no borrowings under the line of credit agreement as of June 30, 2020 and 2019. The line of credit expired on December 1, 2019 and was extended to December 31, 2021 by the bank under the same terms. In connection with the line of credit, United Way of RI 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 9.

6. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On April 20, 2020, United Way of RI executed an unsecured promissory note with a bank to provide borrowings of \$848,735. The note is guaranteed by the Small Business Administration under the Paycheck Protection Program (PPP) and accrues interest at 1%. The note is payable in equal monthly installments beginning September 2021 through April 2022, at which time all remaining outstanding principal and interest is due. The PPP provisions contained in the promissory note restrict the use of the loan proceeds and include a provision in which the SBA may provide loan forgiveness of principal and accrued interest based on the terms set forth in the promissory note.

Scheduled maturities under the note payable are as follows:

Year ending June 30,	Amount
2021	\$ -
2022	848,735
Total	<u>\$ 848,735</u>

7. NOTE PAYABLE

In August 2013, United Way of RI 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 \$2,476,000. The note required monthly payments of interest only through August 2015. In July 2014, United Way of RI 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:

Year ending June 30,	Amount
2021	\$ 40,938
2022	43,011
2023	45,188
2024	1,785,748
Total	<u>\$ 1,914,885</u>

In connection with the note payable to the bank, United Way of RI 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, 2020 and 2019:

	2020	2019
Board-Designated Purpose:		
Community investment grants	\$ 1,241,742	\$ 1,274,928
Endowment	311,964	337,215
Building fund	30,185	30,185
Technology upgrades	18,717	34,174
Internal operations reserve	-	41,759
Clay mine reserve	797,396	797,396
	<u>\$ 2,400,004</u>	<u>\$ 2,515,657</u>

Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
RI Good Neighbor Energy Program	\$ 291,064	\$ 224,763
United Way 211 in RI	130,000	114,000
CVS Opioid Addiction Program	20,953	23,998
Volunteer Income Tax Assistance Program	42,500	40,000
Various program grants	28,665	5,357
Subtotal	<u>513,182</u>	<u>408,118</u>
Subject to spending policy and appropriation:		
Investment in perpetuity	98,393	98,393
Subject to third party spending policy and appropriation:		
Beneficial interests in perpetual trusts	<u>6,029,944</u>	<u>6,168,461</u>
Total net assets with donor restrictions	<u>\$ 6,641,519</u>	<u>\$ 6,674,972</u>

9. CONTRIBUTION INCOME FROM THE RHODE ISLAND FOUNDATION

During the years ended June 30, 2020 and 2019, United Way of RI received contributions from The Rhode Island Foundation (the Foundation) of approximately \$3,745,000 and \$3,870,000, respectively. 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 \$73,365,000 and \$77,601,000 as of June 30, 2020 and 2019, respectively. The Trust is held and controlled by the Foundation and not reflected on the financial statements of United Way of RI 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 United Way of RI which were approximately \$3,404,000 and \$3,381,000 for the years ended June 30, 2020 and 2019, respectively. Such amounts have been presented on the statements 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 years ended June 30, 2020 and 2019, United Way of RI received approximately \$341,000 and \$489,000, respectively, 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 as contribution income.

10. ENDOWMENT

United Way of RI's endowment includes both donor-restricted endowment funds and endowment funds designated by the Board of Directors to provide income for United Way of RI. 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, United Way of RI 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 United Way of RI in a manner consistent with the standard of prudence prescribed by R.I. UPMIFA. In accordance with R.I. UPMIFA, United Way of RI, 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 United Way of RI 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 United Way of RI; and
- The investment policy of United Way of RI.

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 United Way of RI to retain as a fund of perpetual duration. As of June 30, 2020 and 2019, there were no such funds with deficiencies.

Return Objectives and Risk Parameters

United Way of RI 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 United Way of RI 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

To satisfy its long-term rate-of-return objectives, Untied Way of RI 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). United Way of RI targets a diversified asset allocation that places emphasis on investments in equities, bonds and absolute return strategies in a ratio to achieve its long-term return objectives within prudent risk constraints.

Endowment Net Asset Composition by Type of Fund:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2020</u>			
Endowment funds designated by donor:			
Investments	\$ -	\$ 98,393	\$ 98,393
Beneficial interests in perpetual trusts	-	6,029,944	6,029,944
Endowment fund designated by Board of Directors - Investments	311,964	-	311,964
Total endowment funds	<u>\$ 311,964</u>	<u>\$ 6,128,337</u>	<u>\$ 6,440,301</u>
<u>June 30, 2019</u>			
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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 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, June 30, 2019	337,215	6,266,854	6,604,069
Investment return - Net unrealized appreciation (depreciation), net of Foundation support fee	(3,683)	118,420	114,737
Appropriation of endowment assets for expenditure	<u>(21,568)</u>	<u>(256,937)</u>	<u>(278,505)</u>
Endowment net assets, June 30, 2020	<u>\$ 311,964</u>	<u>\$ 6,128,337</u>	<u>\$ 6,440,301</u>

11. EMPLOYEE RETIREMENT PLAN

United Way of RI 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 United Way of RI was approximately \$85,000 and \$76,000 for the years ended June 30, 2020 and 2019, respectively.

12. COMMITMENTS

United Way of RI leases certain office equipment under operating lease agreements, expiring at various dates through June 2024. As of June 30, 2020, 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>
2021	\$22,000
2022	11,000
2023	11,000
2024	<u>11,000</u>
Total	<u>\$55,000</u>

For the years ended June 30, 2020 and 2019, rent expense under all operating leases was approximately \$25,000 and \$30,000, respectively.

13. RISKS AND UNCERTAINTIES

Concentrations of Risk

Financial instruments, which potentially subject United Way of RI to concentrations of credit risk consist principally of investments.

United Way of RI'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 26% and 33% of total revenues, gains and other support for the years ended June 30, 2020 and 2019, respectively.

COVID-19 Outbreak

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization declared that the outbreak constituted a "Public Health Emergency of International Concern," which was further upgraded to a pandemic on March 11, 2020. The extent of the impact of COVID-19 on United Way of RI's operational and financial performance will depend on certain developments, including the

duration and spread of the outbreak, impact on employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact United Way of RI's financial condition or results of operations is uncertain.
