

Rhode Island College Foundation

Financial Statements

June 30, 2014

(With Comparative Totals for June 30, 2013)

With Independent Auditors' Reports

BlumShapiro

Accounting | Tax | Business Consulting

RHODE ISLAND COLLEGE FOUNDATION

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes In Net Assets	4
Statements of Cash Flows	5
Schedules of Functional Expenses	6
Notes to Financial Statements	7 - 25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27

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To the Board of Directors
Rhode Island College Foundation
Providence, Rhode Island

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island College Foundation (Foundation), which comprise the statement of financial position as of June 30, 2014, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 the Rhode Island College Foundation as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rhode Island College Foundation's 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 5, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of Rhode Island College Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island College Foundation's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Providence, Rhode Island
September 29, 2014

RHODE ISLAND COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 399,553	\$ 112,207
Accounts receivable	6,591	5,605
Capital pledges receivable	182,834	219,181
Prepaid expenses	8,203	3,293
TOTAL CURRENT ASSETS	597,181	340,286
NET PROPERTY AND EQUIPMENT	14,555	7,843
OTHER ASSETS		
Investments	26,090,495	22,831,968
Capital pledges receivable, less current portion	702,034	809,147
Restricted assets	654,616	633,280
Deposits	3,450	1,400
Donated assets	471,951	359,576
TOTAL OTHER ASSETS	27,922,546	24,635,371
TOTAL ASSETS	\$ 28,534,282	\$ 24,983,500
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 82,326	\$ 31,158
Current portion of long-term debt	2,809	0
Current portion of gift annuities payable	55,016	57,449
TOTAL CURRENT LIABILITIES	140,151	88,607
NON-CURRENT LIABILITIES		
Long-term debt, less current portion	8,897	0
Deposits held in custody for others	514,000	446,607
Gift annuities payable, less current portion	167,861	188,761
TOTAL NON-CURRENT LIABILITIES	690,758	635,368
TOTAL LIABILITIES	830,909	723,975
NET ASSETS		
Unrestricted	5,199,825	4,235,224
Temporarily restricted	6,401,430	3,946,107
Permanently restricted	16,102,118	16,078,194
TOTAL NET ASSETS	27,703,373	24,259,525
TOTAL LIABILITIES AND NET ASSETS	\$ 28,534,282	\$ 24,983,500

See Accompanying Notes.

RHODE ISLAND COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
SUPPORT					
Contributions	\$ 946,199	\$ 542,004	\$ 193,423	\$ 1,681,626	\$ 1,873,025
Special events, net	(10,758)	0	0	(10,758)	4,071
Net assets released from restrictions	1,202,989	(1,202,989)	0	0	0
Total Support	<u>2,138,430</u>	<u>(660,985)</u>	<u>193,423</u>	<u>1,670,868</u>	<u>1,877,096</u>
REVENUE					
Interest and dividends	109,161	470,537	0	579,698	606,881
Net realized gains on investments	318,318	1,391,495	0	1,709,813	1,219,113
Net unrealized gains on investments	351,372	1,280,671	0	1,632,043	296,132
Investment management fees	(29,708)	(133,110)	0	(162,818)	(157,162)
Total Revenue	<u>749,143</u>	<u>3,009,593</u>	<u>0</u>	<u>3,758,736</u>	<u>1,964,964</u>
TOTAL SUPPORT AND REVENUE	<u>2,887,573</u>	<u>2,348,608</u>	<u>193,423</u>	<u>5,429,604</u>	<u>3,842,060</u>
EXPENDITURES					
Program expenditures	1,520,146	0	0	1,520,146	1,319,780
Total Program Expenditures	<u>1,520,146</u>	<u>0</u>	<u>0</u>	<u>1,520,146</u>	<u>1,319,780</u>
Other Expenditures					
Administrative	183,300	0	0	183,300	232,189
Fundraising	282,310	0	0	282,310	327,731
Total Other Expenditures	<u>465,610</u>	<u>0</u>	<u>0</u>	<u>465,610</u>	<u>559,920</u>
TOTAL EXPENDITURES	<u>1,985,756</u>	<u>0</u>	<u>0</u>	<u>1,985,756</u>	<u>1,879,700</u>
Fund Transfers	62,784	106,715	(169,499)	0	0
INCREASE IN NET ASSETS	964,601	2,455,323	23,924	3,443,848	1,962,360
NET ASSETS - Beginning	4,235,224	3,946,107	16,078,194	24,259,525	22,297,165
NET ASSETS - Ending	<u>\$ 5,199,825</u>	<u>\$ 6,401,430</u>	<u>\$ 16,102,118</u>	<u>\$ 27,703,373</u>	<u>\$ 24,259,525</u>

See Accompanying Notes.

RHODE ISLAND COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,443,848	\$ 1,962,360
Items Which Do Not Affect Cash:		
Depreciation	7,335	8,517
Net Realized and Unrealized Gain on Investments	(3,341,856)	(1,515,245)
Donated Stock	(34,424)	(75,956)
Donated Assets	(112,375)	(88,881)
Annuities Adjustment	31,683	41,498
Uncollectible Pledges	(500)	(2,237)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(986)	17,293
Capital Pledges Receivable	143,960	117,267
Prepaid Expenses	(4,910)	964
Restricted Assets	(21,336)	(14,039)
Deposits	(2,050)	3,650
Increase (Decrease) in Operating Liabilities		
Accounts Payable	51,168	(222,895)
Deferred Revenue	0	(6,800)
Deposits Held In Custody	67,393	46,090
Net Cash Provided from Operating Activities	226,950	271,586
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities	(17,646,319)	(13,473,118)
Proceeds Received from Sale of Securities	17,764,072	13,064,855
Net Cash Provided from (Used by) Investing Activities	117,753	(408,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	(2,341)	(5,929)
Payment of Gift Annuities	(55,016)	(64,908)
Net Cash Used By Financing Activities	(57,357)	(70,837)
INCREASE (DECREASE) IN CASH	287,346	(207,514)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	112,207	319,721
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 399,553	\$ 112,207

See Accompanying Notes.

**RHODE ISLAND COLLEGE FOUNDATION
SCHEDULES OF FUNCTIONAL EXPENSES
FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	2014			2013	
	Program	Administrative	Fundraising	Total	Total
Payroll and fringe benefits	\$ 63,356	\$ 32,134	\$ 146,146	\$ 241,636	\$ 155,667
Payroll taxes	5,999	2,546	13,013	21,558	15,844
Donated services	0	96,437	55,346	151,783	254,525
Bank fees	0	4,245	0	4,245	3,320
Consultants	12,799	0	5,000	17,799	18,658
Depreciation	0	7,335	0	7,335	8,517
Dues and subscriptions	15,430	364	0	15,794	9,697
Receptions	51,204	2,153	0	53,357	37,226
Fundraising	0	0	58,376	58,376	74,083
Insurance	0	66	0	66	542
Lecturer	46,880	0	0	46,880	37,212
Other expenses	3,803	17,167	828	21,798	78,427
Professional development	2,812	796	0	3,608	8,857
Professional fees	0	16,955	0	16,955	16,860
Scholarships	499,576	0	0	499,576	417,278
Sponsorship and promotions	5,425	1,650	0	7,075	6,049
Faculty research grants	12,500	0	0	12,500	12,500
Rhode Island College support expense	742,237	0	0	742,237	646,396
Uncollectible pledges	0	0	0	0	(2,237)
Travel costs	58,125	1,452	3,601	63,178	80,279
TOTAL EXPENSES	\$ 1,520,146	\$ 183,300	\$ 282,310	\$ 1,985,756	\$ 1,879,700

See Accompanying Notes.

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 1 – NATURE OF ORGANIZATION

The Rhode Island College Foundation (the Foundation) is a non-profit corporation founded in 1965 to solicit, encourage, and receive gifts and grants for the benefit of Rhode Island College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the requirements of ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958 and ASC 958-205, *Endowments of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - consist of unrestricted amounts which are available for use in carrying out the mission of the Foundation.

Temporarily Restricted Net Assets - consist of those contributions which are donor-restricted for a specific purpose or time period. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted resources that fulfill the restrictions in the same reporting period are reported as unrestricted support.

Permanently Restricted Net Assets - consist of contributions from donors that require the permanent preservation of capital.

BASIS OF PRESENTATION

The Foundation's financial statements are presented on the accrual basis of accounting.

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAXES

No provision for federal and state income taxes has been reflected in the accompanying financial statements since the Foundation qualifies as a tax-exempt organization as provided under the Internal Revenue Code, Section 501(c)(3). The Foundation is subject to federal and state examinations by taxing authorities for the tax years ended June 30, 2011 through June 30, 2013.

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

The Foundation has adopted the guidance in ASC 740, *Income Taxes*, relating to uncertain tax positions. This guidance prescribes a two step process for the measurement of uncertain tax positions that have been taken or are expected to be taken on a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. Such positions for a nonprofit corporation would include the nonprofit organization's status as an exempt entity, whether the organization's activities are related to its tax exempt purpose and, if applicable, how the organization allocates revenue and expenses between its exempt purpose and unrelated business activities. ASC 740 also provides guidance on derecognition of such tax positions, classification, potential interest and penalties, and disclosure. Management believes no uncertain tax positions within the scope of ASC 740 exist as of June 30, 2014.

If applicable, the Foundation reports tax related interest and penalties as a component of interest expense. The Foundation did not incur any interest and penalties as of June 30, 2014 and 2013.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and related supporting services have been allocated to the appropriate programs and services in the statements of activities and changes in net assets.

CONCENTRATION OF CREDIT RISK

The Foundation maintains its operating cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For purposes of the statements of cash flows, none of the investments held in the Foundation's investment portfolio (Note 5) are included as cash and cash equivalents, regardless of the type of investment as it is the Foundation's intention that the funds deposited in the investment account are not for current operations.

CAPITAL PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these pledges is computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is netted against contribution revenue. Conditional promises to give are not recognized in revenue until such time as the conditions are substantially met.

INVESTMENTS

The Foundation's portfolio is managed by outside investment managers who operate within the guidelines established by the Investment Committee of the Board of Directors. The investment strategy for the portfolio is growth and income. This is consistent with a goal of long-term appreciation and modest current income. The Foundation has adopted an asset allocation range

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

which will allow portfolio managers to take a long-term approach to the asset allocation decision rather than a short-term market timing strategy. The present asset allocation range is 20-40 percent fixed income, 50-80 percent equity securities, 5-15 percent alternatives and 5-20 percent international equity/fixed income. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately eight percent annually. Actual results in any given year may vary from this amount.

All long-term investments have been reported in the financial statements at their current market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the market value of such investments has been included in the statements of activities in the appropriate net asset classification.

Management is not aware of any derivative financial positions entered into by its investment managers' investment strategy and mutual fund investments.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated on the straight-line basis over the assets' estimated useful lives.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the asset is placed in service at which time the Foundation reclassifies temporarily restricted net assets to unrestricted net assets.

GRANTS

Governmental grants are accrued as the Foundation incurs costs to fulfill the purpose of the grant. All income from grants is reported as an increase in unrestricted net assets.

SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through September 29, 2014, the date the financial statements were available to be issued.

NOTE 3 – CAPITAL PLEDGES RECEIVABLE

The Foundation, operating to solicit, encourage, and receive gifts for the benefit of Rhode Island College, has received various unconditional promises to give from various donors. These unconditional promises are recorded as capital pledges receivable. For financial statement purposes, pledges are discounted using varying risk-free interest rates, presently 0.47% to 1.62% as of June 30, 2014 and 0.36% to 1.41% as of June 30, 2013, over the anticipated number of years until receipt of contributions.

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 3 – CAPITAL PLEDGES RECEIVABLE (CONTINUED)

Capital pledges receivable were as follows at June 30:

	2014	2013
Capital Pledge Receivable	\$ 975,545	\$ 1,128,266
Less: Discount to Present Value	41,900	43,525
Less: Allowance for Unfulfilled Pledges	48,777	56,413
	884,868	1,028,328
Less: Current Portion of Capital Pledges	182,834	219,181
Capital Pledges Receivable	\$ 702,034	\$ 809,147

Capital pledges receivable at June 30, 2014 are expected to be collected as follows:

Year Ending June 30,	Amount
2015	\$ 182,834
2016	163,173
2017	104,438
2018	100,100
2019	100,000
2020 and beyond	325,000
	\$ 975,545

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at June 30:

	2014	2013
Office Furniture	\$ 1,078	\$ 1,078
Office Equipment	1,447	1,447
Vehicle	40,188	60,676
	42,713	63,201
Less: Accumulated Depreciation	28,158	55,358
	\$ 14,555	\$ 7,843

Depreciation expense charged to operations was \$7,335 and \$8,517 for fiscal years ended June 30, 2014 and 2013, respectively.

Useful lives of property and equipment for purposes of computing depreciation are as follows:

Office furniture and equipment	5 - 7 years
Vehicle	5 years

NOTE 5 – INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. The Foundation records purchased securities at quoted market value and contributed securities at their fair value on the date of receipt. Unrealized gains and losses are reflected in the statements of activities and changes in net assets for the corresponding asset classes.

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 5 – INVESTMENTS (CONTINUED)

The income from pooled investments and the realized and unrealized gains and losses on the investments are allocated to the participating funds based on the book value of the fund groups.

Investments stated at fair value are comprised of the following at June 30, 2014:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>GROSS UNREALIZED GAINS</u>	<u>GROSS UNREALIZED LOSSES</u>
Common Stocks and Pooled Equity Funds Government Securities and Corporate Bonds Cash Equivalents	\$ 16,431,764	\$ 19,512,924	\$ 3,175,112	\$ (93,952)
	5,366,725	5,611,411	245,133	(447)
	966,160	966,160	0	0
	<u>\$ 22,764,649</u>	<u>\$ 26,090,495</u>	<u>\$ 3,420,245</u>	<u>\$ (94,399)</u>

Investments stated at fair value are comprised of the following at June 30, 2013:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>GROSS UNREALIZED GAINS</u>	<u>GROSS UNREALIZED LOSSES</u>
Common Stocks and Pooled Equity Funds Government Securities and Corporate Bonds Cash Equivalents	\$ 14,504,352	\$ 15,920,021	\$ 1,723,493	\$ (307,824)
	5,830,369	6,001,111	242,964	(72,222)
	910,836	910,836	0	0
	<u>\$ 21,245,557</u>	<u>\$ 22,831,968</u>	<u>\$ 1,966,457</u>	<u>\$ (380,046)</u>

Total investment income is summarized as follows as of June 30:

	<u>2014</u>	<u>2013</u>
Interest and Dividends	\$ 579,698	\$ 606,881
Net Realized Gain	1,709,813	1,219,113
Net Unrealized Gain	1,632,043	296,132
	<u>\$ 3,921,554</u>	<u>\$ 2,122,126</u>

Total investment fees as charged by the Foundation's investment managers were \$162,818 and \$157,162 for fiscal years ended June 30, 2014 and 2013, respectively.

The Foundation charges an annual administrative fee of 1.25% and 1% of the market value of its permanently and temporarily restricted investment fund for the fiscal years ended June 30, 2014 and 2013, respectively. The fee is charged monthly and reduces the investment income earned on the permanently and temporarily restricted net assets. Total fees assessed were \$255,020 and \$185,298 for fiscal years ended June 30, 2014 and 2013, respectively.

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 6 – FAIR VALUE INFORMATION

The Foundation has adopted the guidance as described in Financial Accounting Standards Board (FASB) Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, which defines fair value under U.S. generally accepted accounting principles, establishes framework for measuring fair value and enhances disclosures about fair value measurements. This standard defines fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

In addition, the Foundation reports certain investments using net asset value per share (NAV) as determined by third party investment managers. This allows NAV to represent fair value for reporting purposes when criteria for using this method are met. Fair value measurement standards also require the Foundation to classify these financial instruments into a three level hierarchy, based on the priority of inputs to the valuation technique or in accordance with NAV rules, which allow for Level 2 or 3 reporting depending on lock up or notice periods associated with the underlying funds.

The following provides a description of the three levels of inputs that may be used to measure fair value under the standard, the types of plan investments that fall under each category, and the valuation methodologies used to measure these investments at fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include assets and liabilities for which the determination of fair value requires significant management judgment or estimation.

Level 1 assets include mutual funds that are valued at the quoted market price of shares held by the Foundation at year end. Level 1 assets also include common stock which are valued at quoted closing prices.

Level 2 assets include a Commonfund Multi-Strategy Equity Fund and a Commonfund Institutional Commodities Fund. These holdings are investments in funds as opposed to direct interest in the funds' underlying holdings, which may be marketable. Both funds are valued at the net asset value of units held in the funds. Because the net asset value per share reported by the funds is used as a practical expedient to estimate the fair value of the Foundation's interest therein, classification as Level 2 is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is generally classified in Level 2. Level 2 assets also include corporate bonds and U.S. government securities which are valued at quoted closing prices or closing prices of similar instruments. There are no unfunded commitments or restrictions related to the investments in corporate bonds or U.S. securities.

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

Level 3 assets include the Partners Group Private Equity (Institutional TEI) Fund (“Fund”) and is valued at the Fund’s net asset value, which is used as a practical expedient. In determining the reasonableness of the valuation methodologies applied to the Fund, the Investment Committee evaluates a variety of factors including review of economic conditions, and industry and market developments. Certain unobservable inputs are substantiated utilizing available market data.

Commonfund Investments

The Commonfund Multi-Strategy Equity Fund is a pooled account which offers an actively managed, multi-manager investment program which provides broad exposure to global equity markets. The fund seeks to add value above the return of the U.S. equity market, as measured by the S&P 500 Index, net of fees and to provide competitive returns relative to the Russell U.S. Large Cap Market Oriented Equity Universe. The fund’s risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the index, including non-U.S. equity markets and to certain marketable alternative strategies.

The Commonfund Institutional Commodities Fund is a pooled account which allocates assets across a broad spectrum of commodity-oriented asset categories, with collateral primarily invested in cash, cash equivalents, treasuries, agencies or money markets. The Fund pursues a multi-strategy approach to investing in the commodities markets, which include primarily total return swaps and exchange traded futures on agricultural goods, metals, minerals, energy products and foreign currencies. The Fund seeks to outperform its benchmark, the Dow Jones-UBS Commodity Index.

At year end, the fair value, unfunded commitments, and redemption rules of Commonfund Investments is as follows:

	Investments Held at June 30, 2014			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Days Notice</u>
Commonfund Multi-Strategy Equity Fund	\$ 3,016,437	\$ 0	Monthly	5
Commonfund Institutional Commodities Fund	238,275	0	Monthly	5
	Investments Held at June 30, 2013			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Days Notice</u>
Common Multi-Strategy Equity Fund	\$ 2,433,947	\$ 0	Monthly	5
Commonfund Institutional Commodities Fund	223,617	0	Monthly	5

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

Partners Group Private Equity Investment

The Fund invests substantially all of its assets in Partners Group Private Equity Offshore II, LDC (“Offshore Fund”), which serves as an intermediary entity through which the fund invests in Partners Group Private Equity Master Fund (“Master Fund”). The objective of the Fund is to seek attractive long-term capital appreciation by investing in a diversified portfolio of private equity investments. To achieve its objective, the Fund invests substantially all of its assets in limited liability company interests in the Master Fund.

The net asset values of the Offshore Fund and the Master Fund will equal, unless otherwise noted, the value of the total assets of each fund, less all of each entity’s respective liabilities, including accrued fees and expenses, each determined as of the relevant determination date.

Because the Partners Group Private Equity (Institutional TEI) Fund invests all or substantially all of its assets in the Master Fund through the Offshore Fund, the value of the assets of the Fund will depend on the value of its pro rata interest in the Master Fund Investments. The advisor will oversee the valuation of the Fund’s investments on behalf of the Fund and the valuation of the Master Fund Investments on behalf of the Master Fund. The Board and the Master Fund Board have approved valuation procedures for the Fund and the Master Fund, which are in substance identical.

The valuation procedures provide that the Master Fund will value its investments in Portfolio Funds and direct private equity investments at fair value. The fair value of such investments as of each determination date ordinarily will be the carrying amount (book value) of the Master Fund’s interest in such investments as determined by reference to the most recent balance sheet, statement of capital account or other valuation provided by the relevant Portfolio Fund Manager as of or prior to the relevant determination date; provided that such values will be adjusted for any other relevant information available at the time the Master Fund values its portfolio, including capital activity and material events occurring between the reference dates of the Portfolio Fund Manager’s valuations and the relevant determination date.

An asset or liability’s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

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

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

The following table represents the Plan's fair value hierarchy for those assets measured at fair value as of June 30, 2014:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 966,160	\$ 966,160	\$ 0	\$ 0
Mutual Funds				
Core Equity	5,118,966	5,118,966		
International	2,272,124	2,272,124	0	0
International Emerging	542,654	542,654	0	0
Alternative	777,210	777,210	0	0
Total Mutual Funds	8,710,954	8,710,954	0	0
Common Stocks				
Consumer Discretionary	1,325,404	1,324,404	0	0
Consumer Staples	268,594	268,594	0	0
Energy	810,954	810,954	0	0
Financial	1,205,513	1,205,513	0	0
Healthcare	1,198,668	1,198,668	0	0
Industrials	561,036	561,036	0	0
Information Technology	1,548,417	1,548,417	0	0
Materials	155,168	155,168	0	0
Communications	106,973	106,973	0	0
Utilities	105,396	105,396	0	0
Total Common Stocks	7,286,123	7,286,123		
Commonfund Multi-Strategy Equity Fund				
Core Equity	1,327,232	0	1,327,232	0
Diversifying	512,794	0	512,794	0
Opportunistic	1,176,411	0	1,176,411	0
Total Commonfund Multi-Strategy Equity Fund	3,016,437	0	3,016,437	0

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Level 2)	Significant Unobservable Inputs (Level 3)
Commonfund Institutional Commodities Fund				
Commodities	238,275	0	238,275	0
Total Commonfund Institutional Commodities Fund	238,275	0	238,275	0
Partners Group Private Equity Fund	261,136	0	0	261,136
Bonds				
Government and Municipal				
Aaa	136,355	0	136,355	0
A1	52,006	0	52,006	0
Aa1	498,955	0	498,955	0
Aa2	228,219	0	228,219	0
Total Government and Municipal Bonds	915,535	0	915,535	0
Corporate				
A2	162,697	0	162,697	0
A3	907,288	0	907,288	0
Aa2	110,133	0	110,133	0
Aa3	399,660	0	399,660	0
Baa1	139,922	0	139,922	0
WR	260,860	0	260,860	0
Not Rated	1,809,052	0	1,809,052	0
Total Corporate Bonds	3,789,612	0	3,789,612	0
Fixed Income Bond Funds - Not Rated	906,263	0	906,263	0
Total Bonds	5,611,410	0	5,611,410	0
Total	<u>\$ 26,090,495</u>	<u>\$ 16,963,237</u>	<u>\$ 8,866,122</u>	<u>\$ 261,136</u>

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

The following table represents the Plan's fair value hierarchy for those assets measured at fair value as of June 30, 2013:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 910,836	\$ 910,836	\$ 0	\$ 0
Mutual Funds				
Growth	578,732	578,732	0	0
Core	3,754,009	3,754,009	0	0
Emerging	348,350	348,350	0	0
International				
Emerging	2,134,778	2,134,778	0	0
Alternative	638,227	638,227	0	0
Total Mutual Funds	7,454,096	7,454,096	0	0
Common Stocks				
Consumer				
Discretionary	981,176	981,176	0	0
Consumer				
Staples	566,391	566,391	0	0
Energy	619,925	619,925	0	0
Financials	790,287	790,287	0	0
Healthcare	604,366	604,366	0	0
Industrials	672,053	672,053	0	0
Information				
Technology	865,262	865,262	0	0
Materials	183,795	183,795	0	0
Communications	115,175	115,175	0	0
Utilities	178,973	178,973	0	0
Total Common Stocks	5,577,403	5,577,403	0	0
Commonfund Multi-Strategy Equity Fund				
Core Equity	973,578	0	973,578	0
Diversifying	462,450	0	462,450	0
Opportunistic	997,918	0	997,918	0
Total Commonfund Multi-Strategy Equity Fund	2,433,946	0	2,433,946	0

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Level 2)	Significant Unobservable Inputs (Level 3)
Commonfund				
Institutional				
Commodities Fund				
Commodities	223,617	0	223,617	0
Total Commonfund				
Institutional				
Commodities Fund	223,617	0	223,617	0
Partners Group				
Private Equity				
Fund	230,959	0	0	230,959
Bonds				
Government and				
Municipal				
Aaa	553,637	0	553,637	0
A1	100,000	0	100,000	0
Aa1	489,805	0	489,805	0
Aa2	228,999	0	228,999	0
Total Government				
and Municipal				
Bonds	1,372,441	0	1,372,441	0
Corporate				
A1	279,695	0	279,695	0
A2	451,927	0	451,927	0
A3	607,624	0	607,624	0
Aa2	383,485	0	383,485	0
Aa3	125,851	0	125,851	0
Baa2	137,449	0	137,449	0
WR	253,722	0	253,722	0
Not Rated	2,021,261	2,021,261	0	0
Total Corporate				
Bonds	4,261,014	2,021,261	2,239,753	0
Fixed Income				
Bond Funds -				
Not Rated	367,656	367,656	0	0
Total Bonds	6,001,111	2,388,917	3,612,194	0
Total	<u>\$ 22,831,968</u>	<u>\$ 16,331,252</u>	<u>\$ 6,269,757</u>	<u>\$ 230,959</u>

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 6 – FAIR VALUE INFORMATION (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2014 and 2013:

	Partners Group Private Equity Fund
Balance, July 1, 2012	\$ 0
Purchases	225,000
Unrealized Gain	5,959
Balance, June 30, 2013	<u>230,959</u>
Unrealized Gain	30,177
Balance, June 30, 2014	<u>\$ 261,136</u>

The amount of total gains for the period attributable to the change in unrealized gains relating to Level 3 assets still held at the reporting date were \$30,177 and \$5,959 for the fiscal years ended June 30, 2014 and 2013, respectively.

NOTE 7 – ENDOWMENT

The Foundation's endowment consists of approximately 286 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with Rhode Island State law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) the duration and preservation of the endowment fund
- b) the purpose of the Foundation and the endowment
- c) general economic conditions
- d) the possible effect of inflation or deflation
- e) the expected total return from income and the appreciation of investments
- f) other resources
- g) the investment policy of the Foundation

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 7 – ENDOWMENT (CONTINUED)

In addition, the appropriation for expenditure in any year of an amount greater than seven percent of a three year-rolling average fair market value may be deemed imprudent.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold for either a donor-specified time 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 that match or exceed the results of the Standard & Poor 500 index and other comparable indices as applicable, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Under the Foundation's spending policy, the Board has approved up to four percent of the consolidated invested assets of the endowments based on a three year-rolling average of the fair market value. Annual distributions should be calculated based on September 30th balances for spending in the subsequent fiscal year. The annual distribution shall not exceed total return for each endowment absent board approval. The Foundation expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The composition of endowment net assets by type of fund is as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 0	\$ 4,088,171	\$ 16,102,118	\$ 20,190,289
Board-designated endowment funds	1,003,540	0	0	1,003,540
	<u>\$ 1,003,540</u>	<u>\$ 4,088,171</u>	<u>\$ 16,102,118</u>	<u>\$ 21,193,829</u>

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 7 – ENDOWMENT (CONTINUED)

The composition of endowment net assets by type of fund is as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 0	\$ 1,953,512	\$ 16,078,194	\$ 18,031,706
Board-designated endowment funds	936,462	0	0	936,462
	<u>\$ 936,462</u>	<u>\$ 1,953,512</u>	<u>\$ 16,078,194</u>	<u>\$ 18,968,168</u>

Changes in endowment net assets are as follows for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 936,462</u>	<u>\$ 1,953,512</u>	<u>\$ 16,078,194</u>	<u>\$ 18,968,168</u>
Investment return:				
Investment Income, net of Fees	16,471	322,099	0	338,570
Net appreciation (realized and unrealized)	130,341	2,550,578	0	2,680,919
Total investment return	<u>146,812</u>	<u>2,872,677</u>	<u>0</u>	<u>3,019,489</u>
Contributions	472,459	500	193,423	666,382
Endowment Reclassification	0	(18,271)	(169,499)	(187,770)
Appropriation of endowment funds for expenditure	<u>(552,193)</u>	<u>(720,247)</u>	<u>0</u>	<u>(1,272,440)</u>
Endowment net assets, end of year	<u>\$ 1,003,540</u>	<u>\$ 4,088,171</u>	<u>\$ 16,102,118</u>	<u>\$ 21,193,829</u>

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 7 – ENDOWMENT (CONTINUED)

Changes in endowment net assets are as follows for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 859,797	\$ 1,028,706	\$ 15,724,378	\$ 17,612,881
Investment return:				
Investment Income, net of Fees	18,707	339,128	0	357,835
Net appreciation (depreciation) (realized and unrealized)	23,532	1,126,191	0	1,149,723
Total investment return	42,239	1,465,319	0	1,507,558
Contributions	380,621	1,355	353,816	735,792
Appropriation of endowment funds for expenditure	(346,195)	(541,868)	0	(888,063)
Endowment net assets, end of year	<u>\$ 936,462</u>	<u>\$ 1,953,512</u>	<u>\$ 16,078,194</u>	<u>\$ 18,968,168</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. For the year ended June 30, 2013, there were no unrealized loss deficiencies resulting from unfavorable market conditions. A deficiency of \$2,300 of unrealized loss was reclassified from temporarily restricted net assets to unrestricted net assets for the year ended June 30, 2014.

NOTE 8 – RESTRICTED ASSETS

Restricted assets at June 30 were as follows:

	2014	2013
Variable Life Insurance Policy	\$ 385,987	\$ 380,047
Restricted Land and Buildings	165,000	165,000
Student Managed Investment Fund	103,629	88,233
	<u>\$ 654,616</u>	<u>\$ 633,280</u>

During fiscal year 2003, the Foundation received a donation of a variable life insurance policy with a face value of \$500,000. The donation of the life insurance policy was received as part of the Foundation's capital campaign. In return for the donation, the Foundation has agreed not to cash in the insurance policy, and will retain the policy through the time of death of the donor. Amounts that may accrue above and beyond the \$500,000 gift have been pledged to other Rhode Island non-profit organizations. The cash surrender value at June 30, 2014 and 2013 was \$385,987 and \$380,047, respectively.

**RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)**

NOTE 8 – RESTRICTED ASSETS (CONTINUED)

During 2003, the Foundation received a donation of property in close proximity to Rhode Island College. The land and building have been recorded at fair market value of \$165,000 as of the date of the donation.

During fiscal year 2007, a student managed investment fund was established with a gift from a donor. Investments are selected by class participants, under the guidance of senior faculty members of the School of Management. The income derived from the investments is restricted to support faculty development opportunities and enhance educational programs for the Department of Economics and Finance. The fair value of the investments at June 30, 2014 and 2013 was \$103,629 and \$88,233, respectively.

NOTE 9 – DONATED ASSETS

Donated assets represent forty-seven paintings which were recorded at their fair market value as of the date of the gift. Also included are nine donated sculptures which were recorded at their fair market value as of the date of the gift and one sculpture with an undetermined value. During fiscal year 2003, the Foundation had the donated assets appraised by a licensed appraiser. The appraisal value of the donated assets was \$110,450 at June 30, 2004. Foundation management reviewed the appraisal and other factors and adjusted the carrying value of the assets to \$90,450 to better reflect the current value of these assets. Additional assets of \$6,245 were donated to the Foundation in 2005, \$73,000 in 2010 and \$101,001 in 2011. The Foundation received thirteen paintings during fiscal year 2012 and nine paintings and nine sculptures during fiscal year 2013, valued at \$88,880 as designated by a licensed appraiser at the date of gift. In 2014 the Foundation received furniture, thirty two decorative art pieces and eight paintings with an appraised value of \$112,375 at the date of the gift. As of June 30, 2014 and 2013, the carrying value of donated assets was \$471,951 and \$359,576, respectively.

NOTE 10 - LONG TERM DEBT

The following is a summary of long term debt at June 30:

	2014
Note payable agreement with a financing company in the amount of \$14,047. The note is payable in 60 monthly installments of \$234.12, at zero percent interest, with final payment due August 2018. The note is secured by a vehicle.	\$ 11,706
Less: Current Maturities Included In Current Liabilities	2,809
	\$ 8,897

Future maturities of long term debt at June 30, 2014 are as follows:

FISCAL YEAR JUNE 30	AMOUNT
2015	\$ 2,809
2016	2,809
2017	2,809
2018	2,809
2019	470
	\$ 11,706

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 10 - LONG TERM DEBT (CONTINUED)

The Foundation did not incur or pay interest costs during the fiscal years ended June 30, 2014 and 2013.

NOTE 11 – DEPOSITS HELD IN CUSTODY FOR OTHERS

The Foundation holds funds for certain Rhode Island College organizations. The Foundation pools these funds with its own investments and allocates returns, net of expenses, to the Rhode Island College organizations' asset balances.

NOTE 12 – GIFT ANNUITIES

The Foundation has received various charitable gifts which require annuity payments to the donors. These annuities are to be paid on a quarterly basis at various rates. The Foundation has recorded liabilities for the present value of the annuities based upon the life expectancy of the donors by applying current discount rates which range from 2.0% to 6.0%.

NOTE 13 – UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of contributions to the Foundation with no donor-imposed restriction and unspent investment income and gains which can be used at the discretion of the Board of Directors for operations, capital acquisitions or program support. Annual contributions are available for unrestricted use in the year received unless specifically restricted by the donor. Included in unrestricted net assets are funds which have been designated by the Board of Directors in the amount of \$1,003,540 and \$936,462 for the years ended June 30, 2014 and 2013, respectively.

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$6,401,430 and \$3,946,107 at June 30, 2014 and 2013, respectively, are comprised of contributions and related income, which carry donor-imposed restrictions for purposes such as scholarships, awards and educational programs.

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$16,102,118 and \$16,078,194 as of June 30, 2014 and 2013, respectively, represent contributions designated by the donor to be held in perpetuity with the related investment income supporting programs and operations.

NOTE 16 – CONTRIBUTED SERVICES AND FACILITIES

The Foundation relies upon donated services and facilities to support its programs. The Foundation only records donated services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A portion of the Foundation's administrative services is provided by the College. The estimated value of wages was \$151,783 and \$254,525 for 2014 and 2013, respectively. During fiscal years ended June 30, 2014 and 2013, the Foundation recorded a wage expense and in-kind contribution of \$151,783 and \$254,525, respectively. The rent value of the donated facility is not reflected in these financial statements since it is not susceptible to objective measure or valuation.

RHODE ISLAND COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

NOTE 17 – RETIREMENT PLAN

The Foundation established the Rhode Island College Foundation Defined Contribution Retirement Plan (the Plan) under Section 403(b) of the Internal Revenue Code. The Plan requires minimum contributions of 5% of eligible employees' compensation with matching contributions of 9% by the Foundation. Total contributions paid by the Foundation under the Plan were \$3,271 for the year ended June 30, 2014. During fiscal year ending 2013, there were no employees deemed eligible to receive an employer match in accordance with the Plan requirements. No employer contributions were made for the year ended June 30, 2013.

NOTE 18 – NET ASSETS ADJUSTMENTS

During fiscal year ended June 30, 2014, the Foundation identified one emerging endowment fund classified as temporarily restricted which reached the required level to be classified as a permanently restricted endowment. As a result of this review, the Foundation has reclassified the \$5,000 to the appropriate net asset classifications of permanently restricted net assets.

The Foundation reclassified the principal portion of one fund in the amount of \$115,438 from permanently restricted to temporarily restricted. The corresponding earnings of \$3,723 on this fund were also reclassified from temporarily restricted to unrestricted. In addition, a reclassification on one fund was made from permanently restricted to unrestricted in the amount of \$59,061. In each instance, the donors amended their endowment agreements authorizing the change in classification. There was no amendment to the purpose restriction in the case of the fund reclassified to temporarily restricted.

NOTE 19 – RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. 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 and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 20 - SUPPLEMENTAL DISCLOSURE TO STATEMENTS OF CASH FLOWS - NON CASH ACTIVITIES

During fiscal year 2014, the Foundation financed the purchase of a vehicle through a note payable in the amount of \$14,047.

NOTE 21 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Rhode Island College Foundation
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rhode Island College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

Providence, Rhode Island
September 29, 2014