

RHODE ISLAND COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

RHODE ISLAND COLLEGE FOUNDATION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 auditors consider 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, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2016, Rhode Island College Foundation elected early adoption of Accounting Standards Update No. 2015-07, *Fair Value Measurement - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This amendment requires retrospective application. As a result, the Foundation no longer categorizes investments for which fair value is measured using the net asset value per share practical expedient within the fair value hierarchy. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Rhode Island College Foundation's 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 a report dated September 21, 2016 on our consideration of the Rhode Island College Foundation's internal control over financial reporting and our tests 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 the Rhode Island College Foundation's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 21, 2016

RHODE ISLAND COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 717,081	\$ 864,024
Accounts receivable	5,646	7,146
Capital pledges receivable	232,753	570,705
Prepaid expenses	35,494	52,440
Total current assets	<u>990,974</u>	<u>1,494,315</u>
Net Property and Equipment	<u>7,024</u>	<u>9,833</u>
Other Assets		
Investments	26,454,371	27,096,857
Capital pledges receivable, less current portion	463,565	554,971
Restricted assets	663,291	662,180
Deposits	200	6,300
Donated assets	518,276	494,026
Total other assets	<u>28,099,703</u>	<u>28,814,334</u>
Total Assets	<u>\$ 29,097,701</u>	<u>\$ 30,318,482</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 87,356	\$ 20,807
Accrued expenses	72,532	401,251
Current portion of long-term debt	2,809	2,809
Current portion of alumni association grant payable, net	148,275	-
Current portion of gift annuities payable, net	6,532	6,532
Total current liabilities	<u>317,504</u>	<u>431,399</u>
Non-Current Liabilities		
Long-term debt, net	3,278	6,087
Alumni association grant payable, net	924,053	-
Deposits held in custody for others	191,387	470,323
Gift annuities payable, net	35,544	37,442
Total non-current liabilities	<u>1,154,262</u>	<u>513,852</u>
Total liabilities	<u>1,471,766</u>	<u>945,251</u>
Net Assets		
Unrestricted	4,302,915	6,114,855
Temporarily restricted	5,813,786	6,829,573
Permanently restricted	17,509,234	16,428,803
Total net assets	<u>27,625,935</u>	<u>29,373,231</u>
Total Liabilities And Net Assets	<u>\$ 29,097,701</u>	<u>\$ 30,318,482</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND INVESTMENT GAINS (LOSSES)					
Support					
Contributions	\$ 825,076	\$ 924,820	\$ 875,064	\$ 2,624,960	\$ 3,231,861
Special events, net	85,792	-	-	85,792	(235)
Net assets released from restrictions	1,692,319	(1,692,319)	-	-	-
Total support	<u>2,603,187</u>	<u>(767,499)</u>	<u>875,064</u>	<u>2,710,752</u>	<u>3,231,626</u>
Investment Gains (Losses)					
Interest and dividends	170,390	485,382	-	655,772	703,533
Net realized gains (losses) on investments	(145,954)	(328,635)	-	(474,589)	1,419,644
Net unrealized losses on investments and gift annuities	(211,630)	(315,979)	-	(527,609)	(1,391,762)
Investment management fees	(34,207)	(129,019)	-	(163,226)	(158,439)
Total investment gains (losses)	<u>(221,401)</u>	<u>(288,251)</u>	<u>-</u>	<u>(509,652)</u>	<u>572,976</u>
Total Support and Investment Gains (Losses)	<u>2,381,786</u>	<u>(1,055,750)</u>	<u>875,064</u>	<u>2,201,100</u>	<u>3,804,602</u>
EXPENSES					
Program services	<u>3,476,173</u>	<u>-</u>	<u>-</u>	<u>3,476,173</u>	<u>1,585,261</u>
Supporting services					
Administrative	230,850	-	-	230,850	210,375
Fundraising	241,373	-	-	241,373	339,108
Total supporting services	<u>472,223</u>	<u>-</u>	<u>-</u>	<u>472,223</u>	<u>549,483</u>
Total Expenses	<u>3,948,396</u>	<u>-</u>	<u>-</u>	<u>3,948,396</u>	<u>2,134,744</u>
Fund transfers	(245,330)	39,963	205,367	-	-
Increase (Decrease) in Net Assets	<u>(1,811,940)</u>	<u>(1,015,787)</u>	<u>1,080,431</u>	<u>(1,747,296)</u>	<u>1,669,858</u>
Net Assets - Beginning of Year	<u>6,114,855</u>	<u>6,829,573</u>	<u>16,428,803</u>	<u>29,373,231</u>	<u>27,703,373</u>
Net Assets - End of Year	<u>\$ 4,302,915</u>	<u>\$ 5,813,786</u>	<u>\$ 17,509,234</u>	<u>\$ 27,625,935</u>	<u>\$ 29,373,231</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,747,296)	\$ 1,669,858
Items which do not affect cash:		
Depreciation	2,809	4,722
Net realized and unrealized (gain) loss on investments and gift annuities	1,002,198	(27,882)
Donated stock	(10,739)	(26,257)
Donated assets	(24,250)	(22,075)
Annuities adjustment	-	(155,665)
(Increase) decrease in operating assets:		
Accounts receivable	1,500	(555)
Capital pledges receivable	429,358	(240,808)
Prepaid expenses	16,946	(44,237)
Restricted assets	(1,111)	(7,564)
Deposits	6,100	(2,850)
Increase (decrease) in operating liabilities:		
Accounts payable	66,549	10,780
Alumni association grant payable	1,072,328	-
Accrued expenses	(328,719)	328,952
Deposits held in custody	(278,936)	(43,677)
Net cash provided from operating activities	<u>206,737</u>	<u>1,442,742</u>
Cash Flows from Investing Activities		
Purchase of securities	(9,556,842)	(18,990,584)
Proceeds received from sale of securities	<u>9,212,463</u>	<u>18,042,999</u>
Net cash used by investing activities	<u>(344,379)</u>	<u>(947,585)</u>
Cash Flows from Financing Activities		
Principal payments on note payable	(2,809)	(2,810)
Payment of gift annuities	<u>(6,492)</u>	<u>(27,876)</u>
Net cash used by financing activities	<u>(9,301)</u>	<u>(30,686)</u>
Increase (Decrease) in Cash	(146,943)	464,471
Cash and Cash Equivalents – Beginning of Year	<u>864,024</u>	<u>399,553</u>
Cash and Cash Equivalents – End of Year	<u>\$ 717,081</u>	<u>\$ 864,024</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015	
	Program	Administrative	Fundraising	Total	Total
Payroll and fringe benefits	\$ 292,074	\$ 29,354	\$ 137,649	\$ 459,077	\$ 284,343
Payroll taxes	38,712	5,870	11,400	55,982	27,812
Donated services	9,815	110,088	-	119,903	170,532
Bank fees	-	6,372	-	6,372	3,693
Consultants	28,439	-	1,875	30,314	44,043
Conferences	10,648	-	2,311	12,959	-
Depreciation	-	2,809	-	2,809	4,722
Dues and subscriptions	2,800	-	-	2,800	6,269
Receptions	88,570	13,240	421	102,231	53,678
Fundraising	280	-	63,289	63,569	86,126
Insurance	-	4,324	-	4,324	334
Lecturer	58,915	9,692	-	68,607	47,724
Other expenses	10,412	1,465	22,238	34,115	22,144
Professional development	13,621	940	-	14,561	10,408
Professional fees	-	44,198	-	44,198	19,180
Scholarships	602,733	-	-	602,733	522,100
Sponsorship and promotions	90,120	6,490	-	96,610	11,489
Faculty research grants	25,000	-	-	25,000	12,500
Rhode Island College support expense	923,394	-	-	923,394	727,091
Rhode Island College Alumni support expense	1,222,328	-	-	1,222,328	-
Uncollectible pledges	-	(3,992)	-	(3,992)	(6,807)
Travel costs	58,312	-	2,190	60,502	87,363
Total Expenses	\$ 3,476,173	\$ 230,850	\$ 241,373	\$ 3,948,396	\$ 2,134,744

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. On a periodic basis, the Foundation evaluates the collectability of these receivables and amounts are written off or an allowance for doubtful accounts is established based on management's evaluation of the collectability of each receivable resulting from collection efforts.

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 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

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

such investments has been included in the statements of activities and changes in net assets 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.

Impairment of Long Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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.

Basis of Presentation

The Foundation's net assets and revenues, expenditures, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Includes funds of which management and the Board of Directors of the Foundation retain full control to use in carrying out the mission of the Foundation. This group also includes board-designated net assets that represent unrestricted net assets on which the Board of Directors has voluntarily placed restrictions.

Temporarily Restricted Net Assets

Includes funds restricted by donors, which may only be utilized in accordance with purposes and/or time periods established by the donors of such funds, and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

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NOTES TO FINANCIAL STATEMENTS

Permanently Restricted Net Assets

Includes funds permanently restricted by donors, which require that the principal be invested in perpetuity and only the income be utilized by the Organization. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net 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 Organization's financial statements for the year ended June 30, 2015, from which the financial information was derived.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Recognition of Revenues and Expenses

Revenues and expenses are recognized by the accrual method of accounting.

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).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation reports tax-related interest and penalties, if any, as a component of interest expense.

Functional Allocation of Expenses

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

Change in Accounting Principles

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Fair Value Measurements - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at the net asset value per share practical expedient within the fair value hierarchy tables. It also removes the requirement to make certain disclosures for all investments that are eligible to be

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NOTES TO FINANCIAL STATEMENTS

measures at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The standard is effective for years beginning after December 15, 2016. The Foundation has elected early adoption of the amendments for the year ended June 30, 2016. The amendments have been retrospectively applied.

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.

Subsequent Events

The Foundation has evaluated all subsequent events through September 21, 2016, 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 0.58% to 1.01% as of June 30, 2016 and 0.64% to 1.63% as of June 30, 2015, over the anticipated number of years until receipt of contributions.

Capital pledges receivable were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Capital pledge receivable	\$ 757,853	\$ 1,204,596
Less discount to present value	23,557	36,950
Less allowance for unfulfilled pledges	37,978	41,970
	<u>696,318</u>	<u>1,125,676</u>
Less current portion of capital pledges	232,753	570,705
Capital pledges receivable, long-term portion	<u>\$ 463,565</u>	<u>\$ 554,971</u>

Capital pledges receivable at June 30, 2016 are expected to be collected as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 232,753
2018	100,100
2019	100,000
2020	100,000
2021	100,000
2022 and Beyond	125,000
	<u>\$ 757,853</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Office furniture	\$ 1,078	\$ 1,078
Office equipment	1,447	1,447
Vehicle	<u>40,188</u>	<u>40,188</u>
	42,713	42,713
Less accumulated depreciation	<u>35,689</u>	<u>32,880</u>
	<u>\$ 7,024</u>	<u>\$ 9,833</u>

Depreciation expense charged to operations was \$2,809 and \$4,722 for fiscal years ended June 30, 2016 and 2015, respectively.

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

Office furniture and equipment	5 years
Vehicle	5 - 7 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.

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, 2016:

	<u>Cost</u>	<u>Market Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
Common Stocks and Pooled Equity Funds	\$ 18,004,409	\$ 19,077,683	\$ 2,146,147	\$ (1,072,873)
Government Securities and Corporate Bonds	6,139,694	6,306,440	276,178	(109,432)
Cash Equivalents	<u>1,070,248</u>	<u>1,070,248</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,214,351</u>	<u>\$ 26,454,371</u>	<u>\$ 2,422,325</u>	<u>\$ (1,182,305)</u>

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NOTES TO FINANCIAL STATEMENTS

Investments stated at fair value are comprised of the following at June 30, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
Common Stocks and Pooled Equity Funds	\$ 17,929,876	\$ 19,809,180	\$ 2,546,466	\$ (667,162)
Government Securities and Corporate Bonds	5,773,863	5,885,103	174,957	(63,717)
Cash Equivalents	<u>1,402,574</u>	<u>1,402,574</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,106,313</u>	<u>\$ 27,096,857</u>	<u>\$ 2,721,423</u>	<u>\$ (730,879)</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 655,772	\$ 703,533
Net realized gain (loss)	(474,589)	1,419,644
Net unrealized loss	<u>(527,609)</u>	<u>(1,391,762)</u>
Total investment income (loss)	<u>\$ (346,426)</u>	<u>\$ 731,415</u>

Total investment fees as charged by the Foundation's investment managers were \$163,226 and \$158,439 for fiscal years ended June 30, 2016 and 2015, respectively.

The Foundation charged an annual administrative fee of 1.25% of the market value of its permanently and temporarily restricted investment fund for the fiscal years ended June 30, 2016 and 2015, respectively. The fee is charged monthly and is reported net of the investment income earned on the permanently and temporarily restricted net assets. Total fees assessed were \$331,749 and \$270,189 for fiscal years ended June 30, 2016 and 2015, respectively. These fee charges are netted against investment management fees and are reflected in the schedule of functional expenses as Rhode Island College support expense.

NOTE 6 – FAIR VALUE INFORMATION

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access

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NOTES TO FINANCIAL STATEMENTS

Level 2

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset per share value (NAV).

Mutual funds are valued at the quoted market price of shares held by the Foundation at year end. Common stock is valued at quoted closing prices.

Corporate bonds and U.S. government securities are valued at quoted closing prices in markets that are not active or closing prices of similar instruments. There are no unfunded commitments or restrictions related to the investments in corporate bonds or U.S. securities.

Commonfund Investment

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 Multi-Strategy Equity Fund is an investment in funds as opposed to direct interest in the funds' underlying holdings, which may be marketable. This fund is valued at the net asset value of units held in the funds as a practical expedient to estimate the fair value of the Foundation's interest therein.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Investments Held at June 30, 2016				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Days Notice</u>
Commonfund Multi-Strategy Equity Fund	\$ 3,077,429	\$ -	Monthly	5

Investments Held at June 30, 2015				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Days Notice</u>
Common Multi-Strategy Equity Fund	\$ 3,172,232	\$ -	Monthly	5

Partners Group Private Equity Investment

The Partners Group Private Equity (Institutional TEI) Fund (“Fund”) is valued at the Fund’s net asset value, which is used as a practical expedient.

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.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

The following table represents the Foundation's fair value hierarchy for those assets measured at fair value as of June 30, 2016:

	Total	Investments Valued Using Practical Expedient (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Investments					
Cash and cash equivalents	\$ 1,070,248	\$ -	\$ 1,070,248	\$ -	\$ -
Mutual Funds:					
Core equity	4,507,525	-	4,507,525	-	-
International	1,163,122	-	1,163,122	-	-
International emerging	245,242	-	245,242	-	-
Growth	954,926	-	954,926	-	-
Total Mutual Funds	6,870,815	-	6,870,815	-	-
Common Stocks:					
Consumer discretionary	1,108,112	-	1,108,112	-	-
Consumer staples	544,455	-	544,455	-	-
Energy	699,609	-	699,609	-	-
Financial	1,501,418	-	1,501,418	-	-
Healthcare	1,547,655	-	1,547,655	-	-
Industrials	743,537	-	743,537	-	-
Information technology	1,744,346	-	1,744,346	-	-
Materials	164,588	-	164,588	-	-
Communications	313,970	-	313,970	-	-
Utilities	244,618	-	244,618	-	-
Total Common Stocks	8,612,308	-	8,612,308	-	-
Commonfund Multi-Strategy Equity Fund:					
Domestic	2,373,120	2,373,120	-	-	-
International	243,097	243,097	-	-	-
Emerging markets	67,082	67,082	-	-	-
Diversifying	393,879	393,879	-	-	-
Total Commonfund Multi- Strategy Equity Fund	3,077,178	3,077,178	-	-	-
Partners Group Private Equity Fund	517,383	517,383	-	-	-

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

	<u>Total</u>	<u>Investments Valued Using Practical Expedient (a)</u>	<u>Fair Value Measurements Using</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Bonds					
Government and Municipal					
Aaa	110,176	-	-	110,176	-
A1	50,147	-	-	50,147	-
A2	122,885	-	-	122,885	-
A3	139,516	-	-	139,516	-
Aa1	519,724	-	-	519,724	-
Aa2	272,373	-	-	272,373	-
Aa3	220,039	-	-	220,039	-
Total Government and Municipal Bonds	<u>1,434,860</u>	<u>-</u>	<u>-</u>	<u>1,434,860</u>	<u>-</u>
Corporate					
A2	166,943	-	-	166,943	-
A3	1,075,924	-	-	1,075,924	-
Aa1	127,396	-	-	127,396	-
Aa2	111,218	-	-	111,218	-
Aa3	136,468	-	-	136,468	-
Baa1	361,133	-	-	361,133	-
WR	278,511	-	-	278,511	-
Not Rated	2,613,986	-	-	2,613,986	-
Total Corporate Bonds	<u>4,871,579</u>	<u>-</u>	<u>-</u>	<u>4,871,579</u>	<u>-</u>
Total Bonds	<u>6,306,439</u>	<u>-</u>	<u>-</u>	<u>6,306,439</u>	<u>-</u>
Total investments	<u>\$ 26,454,371</u>	<u>\$ 3,594,561</u>	<u>\$ 16,553,371</u>	<u>\$ 6,306,439</u>	<u>\$ -</u>

The following table represents the Foundation's fair value hierarchy for those assets measured at fair value as of June 30, 2015

	<u>Total</u>	<u>Investments Valued Using Practical Expedient (a)</u>	<u>Fair Value Measurements Using</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Cash and cash equivalents	<u>\$ 1,402,574</u>	<u>\$ -</u>	<u>\$ 1,402,574</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds:					
Core equity	3,685,413	-	3,685,413	-	-
International	1,270,155	-	1,270,155	-	-
International emerging	683,058	-	683,058	-	-
Alternative	1,071,146	-	1,071,146	-	-
Total Mutual Funds	<u>6,709,772</u>	<u>-</u>	<u>6,709,772</u>	<u>-</u>	<u>-</u>
Common Stocks:					
Consumer discretionary	1,569,064	-	1,569,064	-	-
Consumer staples	337,856	-	337,856	-	-
Energy	511,697	-	511,697	-	-

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

	Total	Investments Valued Using Practical Expedient (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Investments					
Financial	1,647,244	-	1,647,244	-	-
Healthcare	1,755,733	-	1,755,733	-	-
Industrials	992,438	-	992,438	-	-
Information technology	1,724,420	-	1,724,420	-	-
Materials	390,086	-	390,086	-	-
Communications	397,251	-	397,251	-	-
Utilities	134,621	-	134,621	-	-
Total Common Stocks	<u>9,460,410</u>	<u>-</u>	<u>9,460,410</u>	<u>-</u>	<u>-</u>
Commonfund Multi- Strategy Equity Fund:					
Domestic	2,591,714	2,591,714	-	-	-
International	158,611	158,611	-	-	-
Diversifying	421,907	421,907	-	-	-
Total Commonfund Multi-Strategy Equity Fund	<u>3,172,232</u>	<u>3,172,232</u>	<u>-</u>	<u>-</u>	<u>-</u>
Partners Group Private Equity Fund	<u>466,766</u>	<u>466,766</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds					
Government and Municipal					
Aaa	136,265	-	-	136,265	-
A1	50,323	-	-	50,323	-
A3	62,671	-	-	62,671	-
Aa1	376,955	-	-	376,955	-
Aa2	451,964	-	-	451,964	-
Total Government and Municipal Bonds	<u>1,078,178</u>	<u>-</u>	<u>-</u>	<u>1,078,178</u>	<u>-</u>
Corporate					
A2	163,645	-	-	163,645	-
A3	656,683	-	-	656,683	-
Aa2	109,212	-	-	109,212	-
Aa3	385,136	-	-	385,136	-
Baa1	362,051	-	-	362,051	-
WR	257,420	-	-	257,420	-
Not Rated	2,872,778	-	-	2,872,778	-
Total Corporate Bonds	<u>4,806,925</u>	<u>-</u>	<u>-</u>	<u>4,806,925</u>	<u>-</u>
Total Bonds	<u>5,885,103</u>	<u>-</u>	<u>-</u>	<u>5,885,103</u>	<u>-</u>
Total investments	<u>\$ 27,096,857</u>	<u>\$ 3,638,998</u>	<u>\$ 17,572,756</u>	<u>\$ 5,885,103</u>	<u>\$ -</u>

a - Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – ENDOWMENT

The Foundation's endowment consists of approximately 305 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 (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

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

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	-	\$ 2,661,804	\$ 17,509,234	\$ 20,171,038
Board-designated endowment funds	<u>1,261,982</u>	<u>-</u>	<u>-</u>	<u>1,261,982</u>
	<u>\$ 1,261,982</u>	<u>\$ 2,661,804</u>	<u>\$ 17,509,234</u>	<u>\$ 21,433,020</u>

The composition of endowment net assets by type of fund is as follows for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,827,872	\$ 16,428,803	\$ 20,256,675
Board-designated endowment funds	<u>997,436</u>	<u>-</u>	<u>-</u>	<u>997,436</u>
	<u>\$ 997,436</u>	<u>\$ 3,827,872</u>	<u>\$ 16,428,803</u>	<u>\$ 21,254,111</u>

Changes in endowment net assets are as follows for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>997,436</u>	\$ <u>3,827,872</u>	\$ <u>16,428,803</u>	\$ <u>21,254,111</u>
Investment return:				
Investment income, net of fees	13,300	355,789	-	369,089
Net depreciation (realized and unrealized)	<u>(26,545)</u>	<u>(630,282)</u>	<u>-</u>	<u>(656,827)</u>
Total investment loss	(13,245)	(274,493)	-	(287,738)
Contributions	535,003	18,820	875,063	1,428,886
Endowment reclassification	400,000	(39,965)	205,368	565,403

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Appropriation of endowment funds for expenditure	(657,212)	(870,430)	-	(1,527,642)
Endowment net assets, end of year	\$ 1,261,982	\$ 2,661,804	\$ 17,509,234	\$ 21,433,020

Changes in endowment net assets are as follows for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,003,540	\$ 4,088,171	\$ 16,102,118	\$ 21,193,829
Investment return:				
Investment Income, net of Fees	15,174	418,812	-	433,986
Net appreciation (depreciation) (realized and unrealized)	(1,270)	32,153	-	30,883
Total investment return	13,904	450,965	-	464,869
Contributions	469,691	-	318,300	787,991
Endowment Reclassification	(120,499)	-	8,385	(112,114)
Appropriation of endowment funds for expenditure	(369,200)	(711,264)	-	(1,080,464)
Endowment net assets, end of year	\$ 997,436	\$ 3,827,872	\$ 16,428,803	\$ 21,254,111

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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. For the years ended June 30, 2016 and 2015, there were no unrealized loss deficiencies resulting from unfavorable market conditions.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RESTRICTED ASSETS

Restricted assets at June 30 were as follows:

	<u>2016</u>	<u>2015</u>
Variable Life Insurance Policy	\$ 391,830	\$ 391,830
Restricted Land and Buildings	165,000	165,000
Student Managed Investment Fund	<u>106,461</u>	<u>105,350</u>
	<u>\$ 663,291</u>	<u>\$ 662,180</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, 2016 and 2015 was \$391,830.

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, 2016 and 2015 was \$106,461 and \$105,350, respectively.

NOTE 9 – DONATED ASSETS

Donated assets represent fifty-nine paintings, ten sculptures, thirty-two decorative art pieces, furniture and gemstones. The assets are valued at their appraised value at the date of the gift as designated by a licensed appraiser. As of June 30, 2016 and 2015, the carrying value of donated assets was \$518,276 and \$494,026, respectively.

NOTE 10 – LONG TERM DEBT

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

	<u>2016</u>	<u>2015</u>
Note payable agreement with a financing company in the original amount of \$14,047. The note is payable in 60 monthly installments of \$234, at zero percent interest, with final payment due August 2018. The note is secured by a vehicle.	\$ 6,087	\$ 8,896
Less current maturities included in current liabilities	<u>2,809</u>	<u>2,809</u>
	<u>\$ 3,278</u>	<u>\$ 6,087</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Future maturities of long term debt at June 30, 2016 are as follows:

<u>Fiscal Year June 30</u>	<u>Amount</u>
2017	\$ 2,809
2018	2,809
2019	469
	<u>\$ 6,087</u>

The Foundation did not incur or pay interest costs during the fiscal years ended June 30, 2016 and 2015.

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 – ALUMNI ASSOCIATION GRANT PAYABLE

The Foundation entered into a ten-year Multiple Year Support Agreement with the Rhode Island College Alumni Association (Association). According to the agreement, the Foundation shall grant an amount of not less than \$125,000 annually beginning July 1, 2015 to support the mission of the Association. The agreement automatically renews for additional ten year terms, unless terminated through written notice twelve months prior to the expiration of the current term. As of June 30, 2016, the Foundation made a payment of \$150,000 and appropriated a \$150,000 payment for the upcoming fiscal year. The grant amount of \$1,150,000, reflecting the net of the total award of \$1,250,000 less the scheduled amortized payment of \$125,000, plus the additional appropriated payment of \$25,000 for the following fiscal year, is reported in the accompanying statements of financial position net of a discount of \$77,672 to adjust the long term promise to give to fair value as of June 30, 2016.

NOTE 13 – 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 14 – 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 for scholarships by the Board of Directors in the amount of \$1,261,980 and \$997,436 as of June 30, 2016 and 2015, respectively.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

The Organization had temporarily restricted net assets for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Scholarships and Awards	\$ 4,005,342	\$ 4,931,465
Educational Programs	1,405,592	1,749,115
Capital Improvements	402,852	148,993
	<u>\$ 5,813,786</u>	<u>\$ 6,829,573</u>

Net assets released from donor restrictions by incurring expenses which satisfy the restricted purpose during the years ended June 30, 2016 and 2015 totaled \$1,692,319 and \$1,490,877, respectively.

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS

The Organization had permanently restricted net assets for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Scholarships and Awards	\$ 16,232,400	\$ 16,155,719
Educational Programs	1,276,834	273,084
	<u>\$ 17,509,234</u>	<u>\$ 16,428,803</u>

NOTE 17 – CONTRIBUTED SERVICES AND FACILITIES

The Foundation relies upon donated services and facilities to support its programs. The Foundation recognizes all services received from personnel of an affiliate that directly benefit the Foundation. A portion of the Foundation's administrative services are provided by the College. The estimated value of wages was \$119,653 and \$170,532 for 2016 and 2015, respectively. During fiscal years ended June 30, 2016 and 2015, the Foundation recorded a wage expense and in-kind contribution of \$119,653 and \$170,532, 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.

NOTE 18 – 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 \$13,618 and \$1,992 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTE 19 – NET ASSETS ADJUSTMENTS

During fiscal year ended June 30, 2016, the Foundation identified several unrestricted funds totaling \$105,330 which either were reclassified or had reached the required level to be classified as permanently restricted endowment. As result of this review, the Foundation reclassified \$15,104 to permanently restricted endowment and \$90,226 to temporarily restricted funds.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation Board designated \$400,000 of unrestricted funds for infrastructure improvements.

In addition, the Foundation transferred \$140,000 out of unrestricted funds to permanently restricted endowment due to an agreement to create the President's Endowed Diversity Scholarship Fund.

Lastly, the Foundation transferred \$50,263 out of temporarily restricted funds to permanently restricted endowment due to an agreement to create the Class of 1963 Endowed Fund.

NOTE 20 – 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 the amounts reported in the statements of activities and changes in net assets.

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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, 2016 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, and have issued our report thereon dated September 21, 2016.

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 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 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.

Cranston, Rhode Island
September 21, 2016