

RHODE ISLAND COLLEGE FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2021



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RHODE ISLAND COLLEGE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rhode Island College Foundation
Providence, Rhode Island

We have audited the accompanying financial statements of Rhode Island College Foundation, which comprise the statement of financial position as of June 30, 2021, 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 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 Rhode Island College Foundation as of June 30, 2021, 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.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

The financial statements as of June 30, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Their report, dated September 10, 2020, expressed an unmodified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2021 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 solely 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 effectiveness of the Rhode Island College Foundation's 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.



CliftonLarsonAllen LLP

Cranston, Rhode Island
September 20, 2021

RHODE ISLAND COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 266,269	\$ 546,379
Accounts receivable	15,370	15,378
Pledges receivable, current portion	751,618	256,213
Prepaid expenses	5,920	5,250
Total current assets	<u>1,039,177</u>	<u>823,220</u>
Noncurrent Assets		
Investments	43,258,028	32,535,851
Pledges receivable, less current portion, net	598,330	3,982
Restricted assets	585,093	539,055
Deposits	200	200
Donated assets	597,240	597,240
Total other assets	<u>45,038,891</u>	<u>33,676,328</u>
Total Assets	<u><u>\$ 46,078,068</u></u>	<u><u>\$ 34,499,548</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses and other current liabilities	\$ 823,929	\$ 38,095
Current portion of alumni association grant payable	125,000	125,000
Current portion of gift annuities payable	6,506	6,532
Total current liabilities	<u>955,435</u>	<u>169,627</u>
Noncurrent Liabilities		
Long-term debt	-	146,300
Alumni association grant payable, net	329,428	454,428
Deposits held in custody for others	307,286	140,884
Gift annuities payable, net	14,875	21,382
Total noncurrent liabilities	<u>651,589</u>	<u>762,994</u>
Total liabilities	<u>1,607,024</u>	<u>932,621</u>
Net Assets		
Without donor restrictions	4,548,360	4,238,163
With donor restrictions	39,922,684	29,328,764
Total net assets	<u>44,471,044</u>	<u>33,566,927</u>
Total Liabilities and Net Assets	<u><u>\$ 46,078,068</u></u>	<u><u>\$ 34,499,548</u></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, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Investment Gains				
Support:				
Contributions	\$ 807,565	\$ 4,537,074	\$ 5,344,639	\$ 1,910,277
Special events, net	45,666	-	45,666	11,446
Other income	124,019	-	124,019	375,404
Paycheck Protection Program Income	146,300	-	146,300	-
Net assets released from restrictions	1,625,450	(1,625,450)	-	-
Total support	<u>2,749,000</u>	<u>2,911,624</u>	<u>5,660,624</u>	<u>2,297,127</u>
Investment gains (losses):				
Interest and dividends	135,056	416,922	551,978	389,454
Net realized gains (losses) on investments	160,480	211,017	371,497	(317,901)
Net unrealized gains (losses) on investments and gift annuities	550,110	7,198,466	7,748,576	(121,951)
Investment management fees	(9,565)	(144,109)	(153,674)	(98,315)
Total investment gains (losses)	<u>836,081</u>	<u>7,682,296</u>	<u>8,518,377</u>	<u>(148,713)</u>
Total support and investment gains	<u>3,585,081</u>	<u>10,593,920</u>	<u>14,179,001</u>	<u>2,148,414</u>
Expenses				
Program services	<u>2,356,842</u>	<u>-</u>	<u>2,356,842</u>	<u>2,737,848</u>
Supporting services:				
Administrative	580,897	-	580,897	965,649
Fundraising	337,145	-	337,145	467,952
Total supporting services	<u>918,042</u>	<u>-</u>	<u>918,042</u>	<u>1,433,601</u>
Total expenses	<u>3,274,884</u>	<u>-</u>	<u>3,274,884</u>	<u>4,171,449</u>
Increase (Decrease) in Net Assets	310,197	10,593,920	10,904,117	(2,023,035)
Net Assets - Beginning of Year	<u>4,238,163</u>	<u>29,328,764</u>	<u>33,566,927</u>	<u>35,589,962</u>
Net Assets - End of Year	<u>\$ 4,548,360</u>	<u>\$ 39,922,684</u>	<u>\$ 44,471,044</u>	<u>\$ 33,566,927</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021				2020
	Program Services	Administrative	Fundraising	Total	Total
Payroll and fringe benefits	\$ 343,077	\$ 295,739	\$ 286,777	\$ 925,593	\$ 910,273
Payroll taxes	17,055	16,081	15,594	48,730	59,333
Scholarships	909,576	-	-	909,576	663,238
Rhode Island College support expense	644,067	-	-	644,067	1,046,198
Other expenses	139,990	152,448	23,291	315,729	164,938
Consultants	215,084	8,027	6,243	229,354	448,485
Uncollectible pledges	-	55,731	-	55,731	422,692
Professional fees	-	37,183	-	37,183	38,519
Cultivation and appeal	30,824	-	3,048	33,872	106,543
Professional development	19,146	5,558	-	24,704	29,799
Sponsorship and promotions	12,630	8,989	1,192	22,811	54,268
Dues and subscriptions	11,824	1,055	1,000	13,879	62,477
Bank fees	9,215	-	-	9,215	832
Receptions	3,029	71	-	3,100	55,927
Lecturer	1,162	15	-	1,177	54,357
Travel costs	163	-	-	163	53,570
Total Expenses	\$ 2,356,842	\$ 580,897	\$ 337,145	\$ 3,274,884	\$ 4,171,449

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, 2021

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 10,904,117	\$ (2,023,035)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Uncollectible pledges	55,731	422,692
Net realized and unrealized (gain) loss on investments and gift annuities	(8,120,073)	439,852
Donated stock	-	(593)
Donated assets	-	(34,489)
(Increase) decrease in operating assets:		
Accounts receivable	8	(1,355)
Pledges receivable	(1,145,484)	40,216
Prepaid expenses	(670)	2,321
Increase (decrease) in operating liabilities:		
Alumni association grant payable	(125,000)	(150,000)
Accrued expenses and other current liabilities	785,834	8,086
Deposits held in custody for others	166,402	(20,595)
Net cash provided by (used in) operating activities	<u>2,520,865</u>	<u>(1,316,900)</u>
Cash Flows from Investing Activities		
Purchase of securities	(8,189,836)	(4,568,478)
Proceeds received from sale of securities	5,587,732	5,267,726
Net cash provided by (used in) investing activities	<u>(2,602,104)</u>	<u>699,248</u>
Cash Flows from Financing Activities		
Proceeds (payments) from long-term debt	(146,300)	146,300
Payment of gift annuities	(6,533)	(6,532)
Net cash provided by (used in) financing activities	<u>(152,833)</u>	<u>139,768</u>
Net Decrease in Cash and Cash Equivalents, Deposits and Restricted Assets	(234,072)	(477,884)
Cash and Cash Equivalents, Deposits, and Restricted Assets - Beginning of Year	<u>1,085,634</u>	<u>1,563,518</u>
Cash and Cash Equivalents, Deposits, and Restricted Assets - End of Year	<u>\$ 851,562</u>	<u>\$ 1,085,634</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF FOUNDATION

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

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized financial 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 Foundation's audited financial statements for the year ended June 30, 2020, from which the summarized financial information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Foundation are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which management and the Board of Directors of the Foundation retain full control to use in carrying out the mission of the Foundation. It also includes board-designated net assets that represent net assets without donor restrictions on which the Board of Directors has voluntarily placed restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investments gains and income on donor-restricted endowment investments that have not been appropriated for expenditure. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require the principal be maintained in perpetuity but permit the Foundation to expend the income earned thereon for either a restricted purpose or general support of the Foundation.

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 statement of cash flows, none of the investments held in the Foundation's investment portfolio (see Note 4) 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.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

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 10%-30% fixed income, 40%-70% international or US equity securities, and 5%-25% alternatives or real assets. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% over a three-year period. 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 statement 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 acquisitions and improvements thereon that exceed \$5,000 are capitalized 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 support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Impairment of Long-Lived Assets

The Foundation 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.

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a nonprofit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Foundation. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Foundation reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statement of financial position.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Payroll Protection Program Income

On April 14, 2020, the Foundation received proceeds in the amount of \$146,300 to fund payroll, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. The Organization recognized \$146,300 of revenue related to this agreement during the year ended June 30, 2021, which represents the portion of the PPP loan funds for which the performance barriers have been met due to notice of formal forgiveness by the SBA received on May 19, 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses directly attributable to a specific program or general and administrative categories are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques. Such allocations are determined by management on an equitable basis. The expenses that are allocated include payroll and fringe benefits, payroll taxes, and donated services. These expenses are all allocated based on time and effort.

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.

Subsequent Events

Subsequent events have been evaluated through September 20, 2021, the date the financial statements were available to be issued.

NOTE 3 - 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 pledges receivable. For financial statement purposes, pledges are discounted using varying risk-free interest rates, presently .29% to 1.20% as of June 30, 2021 and .16% to .18% as of June 30, 2020, over the anticipated number of years until receipt of contributions.

Pledges receivable were as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 2,069,051	\$ 723,908
Less allowance for estimated unfulfilled pledges	(516,426)	(463,695)
Less discount to present value	(202,677)	(18)
	<u>1,349,948</u>	<u>260,195</u>
Less current portion of pledges	(751,618)	(256,213)
Pledges Receivable, Long-Term Portion	<u>\$ 598,330</u>	<u>\$ 3,982</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Pledges receivable are expected to be collected as follows:

Year Ending June 30,

2022	\$	751,618
2023		15,000
2024		12,500
2025		12,500
2026		12,500
Thereafter		<u>1,264,933</u>
Total	\$	<u>2,069,051</u>

For the year ended June 30, 2021, three donors represented 90% of the total outstanding pledge balance. For the year ended June 30, 2020, two donors represented 88% of the total outstanding pledge balance.

NOTE 4 - FAIR VALUE MEASUREMENT

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement 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 statement of activities and changes in net assets for the corresponding asset classes.

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.

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.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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) as determined by third-party managers. The fair value of these investments is not included in the fair value hierarchy.

Level 1 assets include mutual funds that are valued at the quoted market price of shares held by the Foundation at year-end.

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, 2021:

	<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>
Equities:					
Domestic equity	\$ 3,173,516	\$ -	\$ 3,173,516	\$ -	\$ -
International equity	240,028	-	240,028	-	-
Total equities:	<u>3,413,544</u>	<u>-</u>	<u>3,413,544</u>	<u>-</u>	<u>-</u>
Mutual funds:					
Fixed income	5,496,286	-	5,496,286	-	-
US equities	11,595,033	-	11,595,033	-	-
International equities	3,972,501	-	3,972,501	-	-
Hedge funds	1,451,818	-	1,451,818	-	-
Real estate and infrastructure	717,034	-	717,034	-	-
Hard assets	505,417	-	505,417	-	-
Total mutual funds	<u>23,738,089</u>	<u>-</u>	<u>23,738,089</u>	<u>-</u>	<u>-</u>
FIAM Total Endowment Fund LP	<u>15,656,212</u>	<u>15,656,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments at fair value	42,807,845	15,656,212	27,151,633	-	-
Cash and cash equivalents	<u>450,183</u>	<u>-</u>	<u>450,183</u>	<u>-</u>	<u>-</u>
Total Investments	\$ <u>43,258,028</u>	\$ <u>15,656,212</u>	\$ <u>27,601,816</u>	\$ <u>-</u>	\$ <u>-</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following table represents the Foundation's fair value hierarchy for those assets measured at fair value as of June 30, 2020:

	Total	Investments Valued Using Practical Expedient (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Equities:					
Domestic equity	\$ 467,093	\$ -	\$ 467,093	\$ -	\$ -
International equity	5,608	-	5,608	-	-
Total equities:	472,701	-	472,701	-	-
Mutual funds:					
Fixed income	4,248,810	-	4,248,810	-	-
US equities	8,965,472	-	8,965,472	-	-
International equities	1,251,905	-	1,251,905	-	-
Hedge funds	603,235	-	603,235	-	-
Real estate and infrastructure	288,643	-	288,643	-	-
Hard assets	590,746	-	590,746	-	-
Total mutual funds	15,948,811	-	15,948,811	-	-
FIAM Total Endowment Fund LP	12,789,467	12,789,467	-	-	-
Total investments at fair value	29,210,979	12,789,467	16,421,512	-	-
Cash and cash equivalents	3,324,872	-	3,324,872	-	-
Total Investments	\$ 32,535,851	\$ 12,789,467	\$ 19,746,384	\$ -	\$ -

(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 these above tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

FIAM Total Endowment Fund, LP

The FIAM Total Endowment Fund, LP (FIAM) offers an actively managed investment program which provides a diversified portfolio of proprietary privately offered funds, mutual funds, exchange-traded funds selected by the Investment Manager as well as nonproprietary investment vehicles. The objective of FIAM is to seek long-term total return in excess of a custom benchmark, which is based on a weighted average of the Russell 3000, MSCI World ex-US IMI, MSCI World Minimum Volatility, HFRI Fund of Funds Conservative, and others. FIAM is an investment in funds as opposed to a direct interest in FIAM's underlying holdings, which may be marketable. FIAM is valued at the net asset value of the units held in the fund. Because the net asset value reported by the fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein, the investment is not classified within the fair value hierarchy.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

At year end, the fair value, unfunded commitments and redemption rules of investments valued at NAV as the practical expedient is as follows:

Investments Held at June 30, 2021				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Day's Notice</u>
FIAM Total Endowment Fund, LP	\$ 15,656,212	\$ -	Daily	15

Investments Held at June 30, 2020				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Day's Notice</u>
FIAM Total Endowment Fund, LP	\$ 12,789,467	\$ -	Daily	15

NOTE 5 - ENDOWMENT

The Foundation's endowment consists of approximately 485 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 the Uniform Prudent Management of Institutional Funds Act (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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund that is classified in net assets with donor restrictions 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:

- the duration and preservation of the endowment fund
- the purpose of the foundation and the endowment
- general economic conditions
- the possible effect of inflation or deflation
- the expected total return from income and the appreciation of investments
- other resources
- the investment policy of the Foundation

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

In addition, the appropriation for expenditure in any year of an amount greater than 7% 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 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 4% 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 30 balances for spending in the subsequent fiscal year. The annual distribution shall not exceed total endowment return unless approved by the Board. The Foundation expects the current spending policy to allow its endowment to grow at an average of 3% 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 as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 36,788,858	\$ 36,788,858
Board-designated endowment funds	<u>1,233,813</u>	<u>-</u>	<u>1,233,813</u>
Total	<u>\$ 1,233,813</u>	<u>\$ 36,788,858</u>	<u>\$ 38,022,671</u>

The composition of endowment net assets by type of fund is as follows as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 27,199,344	\$ 27,199,344
Board-designated endowment funds	<u>1,392,302</u>	<u>-</u>	<u>1,392,302</u>
Total	<u>\$ 1,392,302</u>	<u>\$ 27,199,344</u>	<u>\$ 28,591,646</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets are as follows for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 1,392,302	\$ 27,199,344	\$ 28,591,646
Investment return:			
Investment income	201,166	224,241	425,407
Net appreciation (realized and unrealized)	1,050,179	6,359,304	7,409,483
Total investment return	<u>1,251,345</u>	<u>6,583,545</u>	<u>7,834,890</u>
Contributions	<u>-</u>	<u>3,822,094</u>	<u>3,822,094</u>
Additional board designation	<u>1,806,192</u>	<u>-</u>	<u>1,806,192</u>
Appropriation of endowment funds for expenditure	<u>(3,216,026)</u>	<u>(816,125)</u>	<u>(4,032,151)</u>
Endowment Net Assets - End of Year	<u>\$ 1,233,813</u>	<u>\$ 36,788,858</u>	<u>\$ 38,022,671</u>

Changes in endowment net assets are as follows for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 874,580	\$ 26,986,022	\$ 27,860,602
Investment return:			
Investment income	7,877	362,795	370,672
Net appreciation (realized and unrealized)	(2,968)	(423,787)	(426,755)
Total investment return	<u>4,909</u>	<u>(60,992)</u>	<u>(56,083)</u>
Contributions	<u>-</u>	<u>1,002,268</u>	<u>1,002,268</u>
Additional board designation	<u>1,149,575</u>	<u>-</u>	<u>1,149,575</u>
Appropriation of endowment funds for expenditure	<u>(636,762)</u>	<u>(727,954)</u>	<u>(1,364,716)</u>
Endowment Net Assets - End of Year	<u>\$ 1,392,302</u>	<u>\$ 27,199,344</u>	<u>\$ 28,591,646</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 net assets with donor restrictions. For the years ended June 30, 2021 and 2020, there were no underwater funds resulting from unfavorable market conditions.

The Foundation charged an annual administrative fee of 1.25% of the market value of its donor-restricted investment funds. The fee is charged monthly and is used to support foundation operations. Total fees assessed were \$512,417 and \$432,039 for fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 266,269	\$ 546,379
Accounts receivable	15,370	15,378
Pledges receivable, current portion	751,618	256,213
Investments	43,258,028	32,535,851
Total financial assets available within one year	<u>44,291,285</u>	<u>33,353,821</u>
Less amounts unavailable for general expenditures within one year, due to:		
Deposits held in custody for others	(307,286)	(140,884)
Funds held in the endowment	(38,643,815)	(28,591,646)
Board-designated for specific purposes	<u>(426,849)</u>	<u>(913,293)</u>
Total amounts unavailable for general expenditure within one year	<u>(39,377,950)</u>	<u>(29,645,823)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 4,913,335</u>	<u>\$ 3,707,998</u>

Liquidity Management

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due, while striving to maximize the investment of its available funds. In addition, income from many of the donor-restricted endowment funds can be used for operational purposes and the unrestricted endowment may be used with board approval.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RESTRICTED ASSETS

Restricted assets at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Variable life insurance policy	\$ 391,830	\$ 391,830
Student-managed investment fund	<u>193,263</u>	<u>147,225</u>
Total	<u>\$ 585,093</u>	<u>\$ 539,055</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 nonprofit organizations. The cash surrender value at June 30, 2021 and 2020 was \$391,830.

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, 2021 and 2020 was \$193,263 and \$147,225, respectively, and were valued using Level 1 inputs.

NOTE 8 - DONATED ASSETS

Donated assets represent 61 paintings, 10 sculptures, 32 decorative art pieces, furniture, stamps, books 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, 2021 and 2020, the carrying value of donated assets was \$597,240.

NOTE 9 - 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.

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - 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. During the year ended June 30, 2021, the Foundation made a payment of \$125,000 and appropriated a \$125,000 payment for the upcoming fiscal year. The remaining outstanding grant payable amount of \$500,000 is reported in the accompanying statement of financial position net of a discount of \$45,572 to adjust the long-term promise to give to fair value as of June 30, 2021.

NOTE 11 - 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 that range from 3.0% to 6.0%.

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are funds that have been designated for scholarships by the Board of Directors in the amount of \$426,849 and \$913,293 as of June 30, 2021 and 2020, respectively.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation had net assets with donor restrictions for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted in perpetuity:		
Scholarships and awards	\$ 22,944,175	\$ 17,979,041
Educational programs	6,499,124	839,614
Other net assets with donor restrictions:		
Scholarships and awards	8,904,276	8,062,940
Educational programs	1,266,427	2,392,115
Capital improvements	308,682	55,054
Total	<u>\$ 39,922,684</u>	<u>\$ 29,328,764</u>

RHODE ISLAND COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes:

	<u>2021</u>	<u>2020</u>
Scholarships and awards	\$ 229,966	\$ 1,630,758
Educational programs	1,368,611	2,237,873
Capital improvements	<u>26,873</u>	<u>406,326</u>
Total	<u>\$ 1,625,450</u>	<u>\$ 4,274,957</u>

NOTE 14 - 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 \$35,058 and \$38,242 for the years ended June 30, 2021 and 2020, respectively.

NOTE 15 - CASH, DEPOSITS AND RESTRICTED ASSETS

The following table provides a reconciliation of cash, cash equivalents, deposits and restricted assets reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 266,269	\$ 546,379
Deposits	200	200
Restricted assets	<u>585,093</u>	<u>539,055</u>
Total Cash, Deposits and Restricted Assets Shown in the Statements of Cash Flows	<u>\$ 851,562</u>	<u>\$ 1,085,634</u>

NOTE 16 - 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 statement of activities and changes in net assets.



**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**

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 Rhode Island College Foundation, which comprise the statement of financial position as of June 30, 2021, 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 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island College 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 Rhode Island College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhode Island College 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 Rhode Island College Foundation's financial statements are free from 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 *Government 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 Rhode Island College 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 Rhode Island College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cranston, Rhode Island
September 20, 2021

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