



**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Consolidated Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Consolidated Financial Statements

December 31, 2016 and 2015

Table of Contents

| | Page(s) |
|---|----------------|
| Independent Auditors' Report | 1–2 |
| Financial Statements: | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 6–22 |



KPMG LLP
6th Floor, Suite A
100 Westminister Street
Providence, RI 02903-2321

Independent Auditors' Report

The Board of Directors

The Rhode Island Community Foundation,
The Rhode Island Charities Trust, Inc.,
The Haffenreffer Family Fund,
The Downcity Partnership, Inc.,
June Rockwell Levy Foundation, Inc. and
Westerly Higher Education and Job Skills Center:

We have audited the accompanying consolidated financial statements of The Rhode Island Community Foundation, The Rhode Island Charities Trust, Inc., The Haffenreffer Family Fund, The Downcity Partnership, Inc., June Rockwell Levy Foundation, Inc., and Westerly Higher Education and Job Skills Center (collectively, the Foundation), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 20, 2017

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Consolidated Statements of Financial Position

December 31, 2016 and 2015

| Assets | 2016 | 2015 |
|---|----------------|-------------|
| Cash | \$ 1,704,902 | 2,173,430 |
| Investments (note 2) | 802,620,620 | 733,307,154 |
| Other assets (notes 4 and 6) | 17,169,346 | 15,937,940 |
| Other receivables, net (note 3) | 3,672,532 | 26,597,406 |
| Fixed assets, net (note 7) | 4,138,337 | 4,375,296 |
| Promissory notes receivable (less allowance for doubtful accounts of \$650,000) (note 5) | 7,476,012 | 7,476,012 |
| Total assets | \$ 836,781,749 | 789,867,238 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses (note 10) | \$ 1,296,246 | 821,166 |
| Grants payable (note 9) | 2,646,088 | 2,807,914 |
| Charitable trusts (note 6) | 6,319,527 | 6,533,399 |
| Liability for funds held as agency endowments (note 10) | 69,675,986 | 62,245,215 |
| Total liabilities | 79,937,847 | 72,407,694 |
| Commitments and contingencies (note 11) | | |
| Net assets: | | |
| Unrestricted: | | |
| Primarily designated for long-term investment (note 15) | 742,614,080 | 680,679,236 |
| Temporarily restricted (note 16) | 14,229,822 | 36,780,308 |
| Total net assets | 756,843,902 | 717,459,544 |
| Total liabilities and net assets | \$ 836,781,749 | 789,867,238 |

See accompanying notes to consolidated financial statements.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Consolidated Statements of Activities

Years ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|---------------------|
| Unrestricted: | | |
| Revenues and investment activity: | | |
| Contributions (note 10) | \$ 24,076,341 | 25,873,783 |
| Net investment return (note 2) | 57,773,993 | (10,745,394) |
| Royalties and other income (notes 4 and 13) | 1,465,635 | 2,120,356 |
| Net assets released from restrictions | <u>29,716,237</u> | <u>1,260,977</u> |
| Total revenues and investment activity | <u>113,032,206</u> | <u>18,509,722</u> |
| Expenses: | | |
| Net grants appropriated (notes 9 and 14) | 41,608,576 | 38,674,555 |
| Administrative expenses (note 14) | 8,407,427 | 8,299,702 |
| Special initiatives (note 14) | <u>454,906</u> | <u>1,471,585</u> |
| Total expenses | <u>50,470,909</u> | <u>48,445,842</u> |
| Adjustment for funds held as agency endowments | <u>(626,453)</u> | <u>—</u> |
| Change in unrestricted net assets | <u>61,934,844</u> | <u>(29,936,120)</u> |
| Temporarily restricted: | | |
| Contributions | 1,925,092 | 3,724,252 |
| Change in value of investments held in trust | 4,766,604 | (1,711,535) |
| Net investment return | 474,055 | (96,388) |
| Net assets released from restrictions | <u>(29,716,237)</u> | <u>(1,260,977)</u> |
| Change in temporarily restricted net assets | <u>(22,550,486)</u> | <u>655,352</u> |
| Change in net assets | <u>39,384,358</u> | <u>(29,280,768)</u> |
| Net assets, beginning of year | <u>717,459,544</u> | <u>746,740,312</u> |
| Net assets, end of year | <u>\$ 756,843,902</u> | <u>717,459,544</u> |

See accompanying notes to consolidated financial statements.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Consolidated Statements of Cash Flows

Years ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 39,384,358 | (29,280,768) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 284,262 | 288,387 |
| Realized gains on investments | (9,484,392) | (21,485,712) |
| Realized losses from agency funds | 847,482 | 1,724,584 |
| Net unrealized (gains) losses on investments | (51,635,336) | 34,269,595 |
| Net unrealized losses (gains) on agency funds | 4,349,471 | (3,009,632) |
| Change in other assets | (1,231,406) | 665,934 |
| Change in other receivables | 22,924,874 | 113,951 |
| Change in accounts payable and accrued expenses | 475,080 | (1,565,596) |
| Change in grants payable | (161,826) | 817,103 |
| Change in liability as trustee for charitable trusts | (213,872) | (250,249) |
| Change in liability for funds held as agency endowments | 7,430,771 | 9,580,306 |
| Net cash provided by (used in) operating activities | <u>12,969,466</u> | <u>(8,132,097)</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (622,126,277) | (376,973,428) |
| Proceeds from sales and maturities of investments | 608,735,586 | 385,645,323 |
| Additions to fixed assets | (47,303) | (132,838) |
| Payments on promissory notes receivable | — | 1,000,000 |
| Net cash (used in) provided by investing activities | <u>(13,437,994)</u> | <u>9,539,057</u> |
| Net change in cash | (468,528) | 1,406,960 |
| Cash, beginning of year | <u>2,173,430</u> | <u>766,470</u> |
| Cash, end of year | <u>\$ 1,704,902</u> | <u>2,173,430</u> |

See accompanying notes to consolidated financial statements.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Nature of the Business

The Rhode Island Foundation (the Foundation) is a community foundation formed in 1916 by a group of prominent local leaders in conjunction with Rhode Island Hospital Trust National Bank. The mission of the Foundation is to be a proactive community and philanthropic leader dedicated to meeting the needs of the people of Rhode Island.

The Rhode Island Community Foundation (the Community Foundation) was formed in 1984 as a nonprofit corporation with the same board of directors and management as The Rhode Island Foundation. The Community Foundation has similar charitable purposes as The Rhode Island Foundation, but the Community Foundation has funds that benefit charities both within and outside of Rhode Island.

On April 1, 2000, The Rhode Island Foundation dissolved the trust relationship with BankBoston. The assets of The Rhode Island Foundation were merged with The Rhode Island Community Foundation. The surviving entity is a nonprofit corporation, The Rhode Island Community Foundation, doing business as The Rhode Island Foundation.

The Haffenreffer Family Fund and June Rockwell Levy Foundation, Inc. became supporting organizations of The Rhode Island Community Foundation in 1987 and 2011, respectively. The board of directors of the Rhode Island Community Foundation appoints a majority of the directors of the governing bodies of each organization. These supporting organizations have charitable purposes similar to The Rhode Island Foundation.

In 1991, The Rhode Island Charities Trust, Inc., a not-for-profit corporation, became a supporting organization of The Rhode Island Community Foundation. The board of directors is the same as the membership of the Board for The Rhode Island Community Foundation. The income of The Rhode Island Charities Trust is designated for the United Way of Rhode Island.

In 2001, the Foundation set aside \$9,000,000 to invest in the future of Providence's downcity neighborhoods through a separate nonprofit, The Downcity Partnership, Inc. The mission of The Downcity Partnership, Inc. is focused on the revitalization of downtown Providence (Downcity), acting as a catalyst for development and new initiatives to benefit Downcity neighborhoods. The Downcity Partnership, Inc. will coordinate with other public, private, and nonprofit organizations, acting as the primary impetus for revitalization efforts.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

In 2015, the Westerly Higher Education and Job Skill Center became a supporting organization of the Rhode Island Community Foundation. This supporting organization was created with the intent to hold a facility that will provide workforce training in Rhode Island. Currently, it has accepted charitable contributions on behalf and in support of the workforce training project. The board of directors of the Rhode Island Community Foundation appoints a majority of the directors of the governing body of this organization.

The accompanying consolidated financial statements as of December 31, 2016 and 2015 include the accounts of The Rhode Island Community Foundation, The Rhode Island Charities Trust Inc., The Haffenreffer Family Fund, The Downcity Partnership, Inc., June Rockwell Levy Foundation, Inc. and Westerly Higher Education and Job Skill Center (collectively referred to herein as the Foundation). All material inter-entity activity has been eliminated in the consolidated financial statements.

(b) Net Asset Classification

Temporarily restricted net assets consist of charitable gift annuities, pooled income funds, irrevocable charitable trusts, pledges and other contributions with purpose restrictions.

(c) Investments Held in Trust by Others

Investments held in trust by others are recorded at present value of expected net proceeds ultimately payable to the Foundation. These assets are adjusted annually to fair value, and any gain or loss is reflected in the consolidated statements of activities as investment income or losses.

(d) Fixed Assets

Fixed assets include land, building, computer and automotive equipment, furniture and fixtures, and leasehold improvements. The fixed assets are stated at cost. The fixed assets are being depreciated on a straight-line basis and the useful lives of the assets are as follows:

| <u>Classification</u> | <u>Useful lives</u> |
|--|---------------------|
| Computer and automotive equipment | 4 years |
| Furniture, fixtures, and other equipment | 7 years |
| Building and building improvements | 4–40 years |

(e) Grants Payable

The Foundation records grants as expenses when all conditions stipulated by the grant have been substantially met by the grantee. Grants issued with future payment dates and without substantive conditions are accrued and expensed when approved.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(f) *Investments and Investment Income*

Investments are reported at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. Level 1 includes debt and equity securities that trade in an active exchange market, as well as U.S. Treasury securities;

Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

Level 3 – unobservable inputs are used when little or no market data is available. Significant professional judgment is used in determining the fair value assigned to such assets or liabilities. This category includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Investment management and custody fees represent fees paid directly to the investment managers.

(g) *Use of Estimates*

The management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities, to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(h) *Fair Value of Financial Instruments*

The fair values of the financial instruments as of December 31, 2016 and 2015, represents management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(i) Agency Endowment Funds

The Foundation follows generally accepted accounting principles (GAAP) regarding the treatment of transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor.

GAAP requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments. The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with GAAP, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

(j) Cash and Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except for long-term investment.

(2) Investments

(a) Investments and Spending Policy

The Foundation's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Investment Committee of the Board. The investment portfolio is allocated approximately 60% equity investments, 35% alternative investments, and 5% fixed income investments. The equity investments are further diversified into domestic, international and emerging markets. The alternative investments are further diversified into private equity, real assets and hedge/absolute return strategies. Additionally, the entire portfolio is diversified across economic sectors, geographic locations and industries.

(b) Strategies Employed for Achieving Objectives

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 (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. This policy is reviewed on an ongoing basis by the Investment Committee. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board of Directors and the Investment Committee have the broadest flexibility as to the selection of investments for the endowment fund.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Realized and unrealized investment gains or losses are determined by comparison of the asset cost basis to net proceeds received at the time of disposition on a first in first out basis (realized) and comparison of the difference between market values and the cost basis (unrealized), respectively. Dividend and interest income is recognized when earned.

(c) Return Objectives and Risk Parameters

The primary investment objective of management is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Directors and the Investment Committee intend that the investments be managed with an intention to: maximize total returns consistent with prudent levels of risk; reduce portfolio risk through asset allocation and diversification. The Foundation manages its investment income spending policy by the "total return" method, which utilizes a Board-approved prudent spending rate percentage applied against a sixteen-quarter average investment portfolio market value. This method allows for the investments to be invested over the long term in order to achieve its primary investment objective. The Foundation's spending rate percentage ranged from 5% to 6.53% in 2016 and 2015.

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 consolidated financial statements.

Following is a description of the valuation methodologies used for assets at fair value:

Cash and cash equivalents: Money market funds are valued at the net asset value (NAV) reported by the financial institution.

Mutual funds, common stocks and equities: Valued at the closing price reported on an active market on which the individual securities are traded.

Fixed income: The accounts invest principally in fixed income instruments and debt instruments. Account investments are primarily valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments including matrix pricing.

Private equities, hedge funds, and real assets: The estimation of fair value of investments in investment companies for which investment does not have a readily determinable value is made using the NAV per share or its equivalent as a practical expedient.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The Foundation owns interests in alternative investment funds rather than in the securities underlying each fund and has therefore applied the provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)*. This standard allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable value using NAV per share or its equivalent as a practical expedient. The Foundation has utilized the NAV reported by each of the underlying funds as a practical expedient to estimate the value of the investment. In 2015, the Foundation retrospectively adopted ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*(ASU 2015-07), which clarified how investments valued using NAV as a practical expedient within the fair value hierarchy should be classified. ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV or its equivalent as a practical expedient to estimate fair value. The adoption did not impact the Foundation's consolidated statement of financial position, consolidated statement of activities, or consolidated statement of cash flows and resulted only in changes to the investment footnote disclosures.

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

ASU 2015-10, *Technical Corrections and Improvements*, clarified one aspect of the definition of readily determinable fair value (RDFV) thereby affecting the measurement of and disclosure about certain equity investments. During 2016, based on this technical correction, the Foundation re-evaluated its investments historically measured using NAV as a practical expedient in structures with characteristics similar to a mutual fund as to whether they have a RDFV. Based on that re-evaluation, NAV disclosures have been amended, and certain investments aggregating \$323,608,929 previously accounted for using NAV as a practical expedient as of December 31, 2015 and previously excluded from the fair value hierarchy were determined to have a RDFV and have been included as Level 1 investments at that date in the table below.

The following tables summarize the Foundation's investments, other than those recorded at NAV, by major category within the ASC 820-10 fair value hierarchy as of December 31, 2016 and 2015.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The following table summarizes Level 1 investments in the fair value hierarchy:

| | Level 1 | |
|--|-----------------------|--------------------|
| | December 31 | |
| | 2016 | 2015 |
| Short term investments: | | |
| Cash and cash equivalents | \$ 37,034,383 | 42,130,766 |
| Mutual funds – fixed income: | 490,248 | 377,510 |
| Mutual funds and common trust funds: | | |
| Equity | 204,449,774 | 175,887,717 |
| Real estate | 10,041,878 | 14,786,090 |
| Treasury inflation protected securities | 18,105,768 | — |
| Common stocks, preferred | | |
| Stock, and bonds: | | |
| Small-cap funds | 26,327,554 | 21,079,301 |
| Short duration bonds | 52,315,906 | 37,997,026 |
| International funds – equities and fixed income: | | |
| Emerging markets: equity | 37,047,420 | 33,050,522 |
| Developed markets: equity | 164,815,348 | 139,641,657 |
| Developed markets: fixed | — | 19,820,306 |
| Real assets/inflation hedging: | | |
| Commodities | — | 11,341,867 |
| Total December 31, 2016 | <u>\$ 550,628,279</u> | <u>496,112,762</u> |

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The following table reconciles NAV-measured investments to investments reported in the consolidated statements of the Foundation as of December 31, 2016 and 2015.

| | <u>Year ended December 31</u> <u>2016</u> | <u>2015</u> | <u>Redemption</u> <u>or liquidation</u> | <u>Days'</u> <u>Notice</u> |
|---|--|--------------------|--|-------------------------------|
| Hedge funds/flexible capital: | | | | |
| Multiple strategies | \$ 86,400,687 | 92,322,073 | Quarterly | 45-60 |
| Multiple strategies | 22,782,415 | 4,823,304 | Quarterly (1) | 60-95 |
| Multiple strategies | — | 3,706,968 | Quarterly (2) | 60 |
| Multiple strategies | 45,066,005 | 36,366,868 | Semi-liquid (4) | 65-95 |
| Multiple strategies | 11,284,415 | 7,068,263 | Quarterly (3) | 65 |
| Multiple strategies | 10,290,759 | 22,705,651 | Annually | 45-95 |
| Multiple strategies | 1,028,276 | 1,293,285 | Illiquid (5) | — |
| Private equity: | | | | |
| Private equity and Venture capital funds | 43,266,030 | 39,557,573 | Illiquid (5) | — |
| Real assets/inflation hedging: | | | | |
| Treasury inflation | | | | |
| Protected securities | 6,587,424 | 9,195,028 | Quarterly (2) | 60 |
| Real estate and natural Resources | <u>25,286,330</u> | <u>20,155,379</u> | Illiquid (5) | — |
| Total investments measured at NAV | 251,992,341 | 237,194,392 | | |
| All other investments | <u>550,628,279</u> | <u>496,112,762</u> | | |
| Total Investments | <u>\$ 802,620,620</u> | <u>733,307,154</u> | | |

(1) 25% per quarter.

(2) No more than 1/3 annually. Final 1/3 to be redeemed in 2017.

(3) 20% existing shares available to redeem per quarter, full redemptions take 7 quarters.

(4) Redemptions generally available annually. Balances of \$3,662,434 are illiquid.

(5) Depending on the age of the fund, these funds are expected to liquidate in 1 to 25 years.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The return on investments consisted of the following for the years ended December 31:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|---------------------|
| Interest and dividends | \$ 4,120,396 | 3,512,621 |
| Unrealized and realized gains (losses) | 61,119,728 | (12,783,883) |
| Investment management and custody fees | (2,171,835) | (2,705,904) |
| Change in investment income receivable | 90,903 | 13,136 |
| Add (less) investment activity from agency funds | <u>(5,385,199)</u> | <u>1,218,636</u> |
| Net investment gains (losses) | <u>\$ 57,773,993</u> | <u>(10,745,394)</u> |

The change in investments consisted of the following for the years ended December 31:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|---------------------|
| Investments, beginning of year | \$ 733,307,154 | 753,477,884 |
| Interest and dividends | 4,120,396 | 3,512,621 |
| Unrealized and realized (losses) gains | 61,119,728 | (12,783,883) |
| Investment management and custody fees | (2,171,835) | (2,705,904) |
| Net transfers | <u>6,245,177</u> | <u>(8,193,564)</u> |
| Change in investments | <u>69,313,466</u> | <u>(20,170,730)</u> |
| Investments, end of year | <u>\$ 802,620,620</u> | <u>733,307,154</u> |

Net transfers consist primarily of contributions for long term investment and grant disbursements. Investment management and custody fees are fees paid directly to the managers. Additional investment fees that were not paid directly to the managers have been netted against the return on certain investments. The Foundation is not able to determine the amount of such fees.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The investment composition by fund type for the years ended December 31 are:

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-----------------------|--------------------|
| Board designated | \$ 275,746,681 | 234,699,307 |
| Donor designated | 291,939,454 | 274,723,311 |
| Donor advised | 195,536,855 | 184,534,653 |
| Supporting organizations | <u>39,397,630</u> | <u>39,349,883</u> |
| | <u>\$ 802,620,620</u> | <u>733,307,154</u> |

Liquidity

Investments as of December 31, 2016 are summarized below based on when they may be redeemed or sold:

| | |
|--------------|-----------------------|
| Daily | \$ 417,078,824 |
| Semi-Monthly | 55,064,859 |
| Monthly | 78,484,596 |
| Quarterly | 127,054,941 |
| Annually | 51,694,330 |
| Illiquid | <u>73,243,070</u> |
| Total | <u>\$ 802,620,620</u> |

(3) Other Receivables

Other receivables consist primarily of pledges and the Foundation's remainder interest in charitable remainder trusts where the Foundation is not the trustee.

The Foundation's net interest in charitable remainder trusts as of December 31, 2016 and 2015 was \$2,665,889 and \$26,007,183, respectively. The Foundation's net interest in these charitable remainder trusts represents the fair value of assets in the trusts less the present value of payments expected to be made to other beneficiaries. Pledge receivables as of December 31, 2016 and 2015 were \$623,926 and \$391,886, respectively.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(4) Land

Included in other assets are land and a mining lease held by The Rhode Island Charities Trust Inc., in Sandersville, Georgia. The land is valued at cost and has been under lease to mining companies since 1963. The carrying value of the land at December 31, 2016 and 2015 is \$1 and the carrying value of the mining lease is \$1. The lease provides for a royalty based on the sales value of mining production. The royalty income in 2016 and 2015 was \$460,598 and \$929,479, respectively.

(5) Promissory Notes Receivable

At December 31, promissory notes receivable consisted of the following:

A promissory note dated February 25, 2004, in the amount of \$3,500,000 from the Providence Preservation Society Revolving Fund, Inc., a nonprofit corporation organized to preserve Providence's architectural heritage and stimulate community revitalization. The initial term of the loan was for ten years, with additional 5-year extensions at the discretion of the Foundation. An extension was granted on December 28, 2011, extending the maturity date to December 31, 2018. Interest is 1%, payable annually. The balance at December 31, 2016 and 2015 was \$3,500,000.

A promissory note dated July 7, 2005 in the amount of \$3,000,000 from the Providence Preservation Society Revolving Fund, Inc., a nonprofit corporation organized to preserve Providence's architectural heritage and stimulate community revitalization. The initial term of the loan was for ten years, with additional 5-year extensions at the discretion of the Foundation. An extension was granted on December 28, 2011, extending the maturity date to December 31, 2018. Interest is 1%, payable annually. The balance at December 31, 2016 and 2015 was \$3,000,000.

A promissory note dated December 28, 2011 in the amount of \$1,300,000 from the Providence Preservation Society Revolving Fund, Inc., a nonprofit corporation organized to preserve Providence's architectural heritage and stimulate community revitalization. The note matures on December 31, 2018. Interest is 1%, payable annually. The balance at December 31, 2016 and 2015 was \$1,300,000.

A promissory note dated May 16, 2007 in the amount of \$2,360,109 from Rhode Island Public Radio, a nonprofit corporation. The principal balance of this note is due and payable on May 16, 2022. Interest is 0.86% and is payable quarterly. The balance at December 31, 2016 and 2015 was \$326,012.

The Foundation has established an allowance on the above noted promissory notes receivable. The balance at December 31, 2016 and 2015 was \$650,000.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(6) Charitable Trusts

The fair values of the charitable remainder trusts, charitable gift annuities and pooled income funds are as follows and are included in other assets:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|----------------------|-------------------|
| Charitable remainder trusts | \$ 3,182,723 | 3,170,333 |
| Charitable gift annuities | 5,929,183 | 5,743,228 |
| Pooled income funds | <u>7,042,939</u> | <u>6,813,416</u> |
| Total | <u>\$ 16,154,845</u> | <u>15,726,977</u> |

When the Foundation acts as trustee, a liability is recorded for the amount due to income beneficiaries of charitable gift annuities and charitable remainder trust, and for deferred revenue on pooled income funds. The present value of the estimated future payments to be distributed during the beneficiaries' expected lives is recorded as a liability using the current discount rate of 1.8% in 2016 and 2015.

(7) Fixed Assets

Fixed assets consisted of the following as of December 31:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|--------------------|
| Land | \$ 450,000 | 450,000 |
| Building | 4,108,201 | 4,108,201 |
| Building improvements | 1,936,484 | 1,908,490 |
| Furniture and fixtures | 503,391 | 503,391 |
| Computer equipment | 645,140 | 625,831 |
| Office equipment | 84,240 | 84,240 |
| Automotive equipment | <u>39,636</u> | <u>39,636</u> |
| | 7,767,092 | 7,719,789 |
| Less accumulated depreciation and amortization | <u>(3,628,755)</u> | <u>(3,344,493)</u> |
| | <u>\$ 4,138,337</u> | <u>4,375,296</u> |

Depreciation expense was \$284,262 and \$288,387 for the years ended December 31, 2016 and 2015, respectively.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(8) Retirement Plan

The Foundation sponsors a defined contribution retirement plan in which contributions are based upon a specified percentage of salary. All employees are eligible after six months of service. There is a 4-year vesting schedule for the employer contribution as follows: 25% after year 1, 50% after year 2, 75% after year 3, and 100% after year 4. Retirement plan expense was \$372,897 and \$341,298 for 2016 and 2015, respectively. Employees also have the option to contribute to this plan through salary reductions. These funds are managed exclusively by third-party administrators.

(9) Grants

Grants payable for the years ended December 31, 2016 and 2015 is summarized as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------|------------------|
| Grants due in 2016 | \$ - | 2,492,914 |
| Grants due in 2017 | 2,531,088 | 315,000 |
| Grants due in 2018 | 115,000 | - |
| Grants payable at end of year | <u>\$ 2,646,088</u> | <u>2,807,914</u> |

The Foundation approves grants with conditions; however, the probability is remote that the grantees will not meet these conditions. Accordingly, all grants are accounted for as grants payable when approved.

(10) Liability for Funds Held as Agency Endowments

At December 31, 2016 and 2015, the Foundation held agency endowment funds and certain other designated funds with a combined value of \$69,675,986 and \$62,245,215, respectively, which it accounts for as a liability. The following summarizes activity in such liability accounts during the years then ended:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|--------------------|
| Beginning liability for funds held as agency endowments | \$ 62,245,215 | 52,664,909 |
| Contributions | 5,929,985 | 14,087,389 |
| Investment income | 380,562 | 274,705 |
| Unrealized and realized gains (losses) | 5,196,953 | (1,285,048) |
| Investment management and custody fees | (192,316) | (208,293) |
| Foundation support fees | (607,558) | (496,435) |
| Grants | <u>(3,276,855)</u> | <u>(2,792,012)</u> |
| Ending liability for funds held as agency endowments | <u>\$ 69,675,986</u> | <u>62,245,215</u> |

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

During 2016 and 2015, the Foundation, as a fiscal agent, received funds designated for specific organizations in the amount of \$425,000 and \$257,610, respectively. Included in accounts payable and accrued expenses is the Foundation's net fiscal agent liability from these funds which was \$378,442 and \$163,305 at December 31, 2016 and 2015, respectively.

(11) Commitments and Contingencies

(a) Investments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the Foundation is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real asset investments as of December 31, 2016 and 2015 were \$63,700,211 and \$53,050,099.

(b) Loan Guarantees

The Foundation is also a limited liability guarantor of a promissory note from RBS Citizens, National Association to the Rhode Island Philharmonic Orchestra for up to 50% of the principal balance. The guarantee at December 31, 2016 is \$2,175,606. This guaranty will remain in effect until August 31, 2018.

(c) Potential Litigation

The Foundation is involved in miscellaneous general liability suits arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Foundation's financial position or results of operations.

(12) Tax Status

Each of the entities comprising the Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The Foundation is highly confident that it has at all times maintained its tax-exempt status by fulfilling its mission and is highly confident that the vast majority of its operations and revenue are exempt from income tax liability. Management asserts that no such uncertain tax position exists for the Foundation at December 31, 2016.

The Foundation's long-term investments include alternative investments, such as hedge funds and venture capital funds that generate unrelated business income per Section 514 of the Internal Revenue Code. The Foundation reports applicable unrelated business income by filing the applicable U.S. and state income tax returns.

(13) Leases

The Foundation leases property to others under noncancelable operating leases requiring fixed monthly payments over various terms. For the years ended December 31, 2016 and 2015, the Foundation recognized \$291,050 and \$559,768, respectively, in lease revenue which is included in other income. At December 31, 2016, future minimum lease receipts were as follows:

| | Amount |
|--------------------------|---------------|
| Year ending December 31: | |
| 2017 | \$ 179,227 |
| 2018 | 67,703 |
| 2019 | 67,703 |
| 2020 | 67,703 |
| 2021 | 62,061 |
| Total | \$ 444,397 |

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(14) Functional Classification of Expenses

For the years ended December 31, 2016 and 2015, total expenses of the Foundation were classified by function as follows:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|-------------------|
| Grants and program services: | | |
| Net grants appropriated | \$ 41,608,576 | 38,674,555 |
| Administration of grants and programs | <u>1,734,284</u> | <u>2,655,973</u> |
| | 43,342,860 | 41,330,528 |
| Management and general and communications | 6,128,317 | 6,002,161 |
| Fundraising | <u>999,732</u> | <u>1,113,153</u> |
| | <u>\$ 50,470,909</u> | <u>48,445,842</u> |

Special initiatives are included in administration of grants and programs.

(15) Unrestricted Net Assets by Organization

Unrestricted net assets by organization at December 31, 2016 and 2015 consist of:

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|--------------------|
| The Rhode Island Community Foundation | \$ 695,664,670 | 634,092,691 |
| The Rhode Island Charities Trust, Inc., The Haffenreffer Family Fund, The Downcity Partnership, Inc., Westerly Higher Education and Job Skills Center and The June Rockwell Levy Foundation, Inc. | <u>46,949,410</u> | <u>46,586,545</u> |
| Total | <u>\$ 742,614,080</u> | <u>680,679,236</u> |

**THE RHODE ISLAND COMMUNITY FOUNDATION,
THE RHODE ISLAND CHARITIES TRUST, INC.,
THE HAFFENREFFER FAMILY FUND,
THE DOWNCITY PARTNERSHIP, INC.,
JUNE ROCKWELL LEVY FOUNDATION, INC., AND
WESTERLY HIGHER EDUCATION AND JOB SKILLS CENTER
(COLLECTIVELY, THE FOUNDATION)**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(16) Temporarily Restricted Net Assets by Organization

Temporarily restricted net assets by organization at December 31, 2016 and 2015 consist of:

| | 2016 | 2015 |
|--|---------------|-------------|
| The Rhode Island Community Foundation: | | |
| Time and purpose restrictions | \$ 14,229,822 | 36,780,308 |
| Total | \$ 14,229,822 | 36,780,308 |

(17) Related Parties

Members of the Foundation's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Foundation. The Foundation's conflict of interest policy requires, among other things, that no member of the Board of Directors or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Directors and senior management, the Foundation requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the Foundation. When such relationships exist, measures are taken to address the actual or perceived conflict to ensure the best interests of the Foundation and ensure compliance with relevant conflict of interest laws or policy.

(18) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through June 20, 2017, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.