

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

FINANCIAL STATEMENTS

JUNE 30, 2018

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Executive Board of
The Alumni Association of the University of Rhode Island
Kingston, Rhode Island

Report on the financial statements

We have audited the accompanying financial statements of the Alumni Association of the University of Rhode Island (a component unit of the University of Rhode Island) (the "Association"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flow 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 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 statement referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018 and, 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

We have previously audited the Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Association's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

August 30, 2018

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

Statements of Financial Position

June 30,

Assets

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and equivalents	\$ 915,667	\$ 1,125,615
Marketable securities	5,939,223	5,386,794
Due from URI Foundation	889,755	1,209,242
Due from URI	8,167	2,442
Other assets	<u>17,166</u>	<u>31,936</u>
Total Assets	<u>\$ 7,769,978</u>	<u>\$ 7,756,029</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$ 52,207	\$ 29,400
Due to URI	319,251	121,218
Accrued payroll and related expenses	64,749	67,128
Deferred revenue	<u>30,335</u>	<u>50,120</u>
Total Liabilities	<u>466,542</u>	<u>267,866</u>
Net Assets:		
Unrestricted	5,943,872	5,627,415
Temporarily restricted	<u>1,359,564</u>	<u>1,860,748</u>
Total Net Assets	<u>7,303,436</u>	<u>7,488,163</u>
Total Liabilities and Net Assets	<u>\$ 7,769,978</u>	<u>\$ 7,756,029</u>

The accompanying notes are an integral part of the financial statements.

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>		<u>2017</u>	
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Athletic funds	\$ -	\$ 1,626,921	\$ 1,626,921	\$ 1,449,982
In-kind donations	1,057,614	-	1,057,614	1,062,090
Contributions from related parties	1,557,125	2,871	1,559,996	1,474,575
Marketable securities gains, net	482,937	-	482,937	555,535
Events and sales	118,305	38,443	156,748	373,817
Royalties	140,813	-	140,813	148,283
Interest and dividend income, net	93,044	-	93,044	99,524
Membership dues	61,759	-	61,759	111,741
Other	2,185	-	2,185	7,503
Net assets released from restrictions	<u>2,169,419</u>	<u>(2,169,419)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>5,683,201</u>	<u>(501,184)</u>	<u>5,182,017</u>	<u>5,283,050</u>
Expenses:				
Program:				
Scholarships and grants	559,457	-	559,457	603,631
Grants to URI Foundation	368,953	-	368,953	-
Events and sales	404,864	-	404,864	502,130
Athletic and booster club(s)	1,999,835	-	1,999,835	2,193,835
Alumni publications	252,429	-	252,429	323,844
Alumni outreach	1,057,282	-	1,057,282	1,020,613
Advancement services	284,253	-	284,253	309,621
Membership program	<u>23,372</u>	<u>-</u>	<u>23,372</u>	<u>43,134</u>
Total Program	4,950,445	-	4,950,445	4,996,808
Support Services:				
General and administrative	<u>416,299</u>	<u>-</u>	<u>416,299</u>	<u>437,969</u>
Total Expenses	<u>5,366,744</u>	<u>-</u>	<u>5,366,744</u>	<u>5,434,777</u>
Changes in Net Assets	316,457	(501,184)	(184,727)	(151,727)
Net Assets, Beginning of Year	<u>5,627,415</u>	<u>1,860,748</u>	<u>7,488,163</u>	<u>7,639,890</u>
Net Assets, End of Year	<u>\$ 5,943,872</u>	<u>\$ 1,359,564</u>	<u>\$ 7,303,436</u>	<u>\$ 7,488,163</u>

The accompanying notes are an integral part of the financial statements.

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (184,727)	\$ (151,727)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(482,937)	(555,535)
Changes in assets and liabilities:		
Due from URI Foundation, net	319,487	657,653
Due from URI	(5,725)	336,059
Other assets	14,770	(15,295)
Accounts payable and accrued expenses	22,807	(26,018)
Due to URI	198,033	95,854
Due to URI Foundation	-	(1,601)
Accrued payroll and related expenses	(2,379)	11,744
Deferred revenue	<u>(19,785)</u>	<u>10,466</u>
Net Adjustments	<u>44,271</u>	<u>513,327</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(140,456)</u>	<u>361,600</u>
Cash Flows from Investing Activities:		
Purchases of marketable securities	(4,347,304)	(3,489,098)
Proceeds from sales of marketable securities	<u>4,277,812</u>	<u>3,841,791</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(69,492)</u>	<u>352,693</u>
Net Increase (Decrease) in Cash and Equivalents	(209,948)	714,293
Cash and Equivalents, Beginning of Year	<u>1,125,615</u>	<u>411,322</u>
Cash and Equivalents, End of Year	<u>\$ 915,667</u>	<u>\$ 1,125,615</u>

The accompanying notes are an integral part of the financial statements.

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
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Notes to the Financial Statements

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies**

a. **Organization**

The Alumni Association of the University of Rhode Island (the “Association”) is an independent not-for-profit corporation. The Association is independent of, and separate from, the University of Rhode Island (the “University”).

The Association serves the University and its alumni by:

- Promoting interest in the University;
- Providing opportunities for the professional, social and intellectual growth of its members;
- Strengthening alumni attachment to, and financial support of the University;
- Sponsoring various alumni events throughout the world such as homecoming weekends, golf tournaments, galas, guest speaker series and reunions;
- Funding scholarships to students and grants to faculty and departments to enhance the educational experience at the University;
- Assisting athletic teams and academic programs through donations to academic departments and athletic booster clubs; and
- Communicating with alumni through a quarterly alumni magazine, a website and a bi-weekly online newsletter.

b. **Management 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 about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining deferred revenue and the value of pledges receivable managed by the University of Rhode Island Foundation (the “Foundation”) and the related allowance and discount.

**THE ALUMNI ASSOCIATION OF THE
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

c. *Financial Instruments*

Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash and equivalents and marketable securities. The Association maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Marketable securities are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses. Management monitors the financial conditions of the banking institutions, along with its cash balances to keep this potential risk to a minimum. In order to minimize excessive risk in geographical, industry and market sectors, the Board of Directors meets periodically with its investment advisors and reviews the portfolio for such concentrations and other matters. The carrying amount of certain financial instruments, including cash and equivalents, approximates fair value because of the relatively short maturity of these instruments. The carrying amount of marketable securities is reported at market value.

d. *Method of Accounting*

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

e. *Financial Statement Presentation*

Assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities and changes in net assets as net assets are released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be maintained permanently. The Association had no permanently restricted net assets at June 30, 2018 and 2017.

**THE ALUMNI ASSOCIATION OF THE
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

f. Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

g. Cash and Equivalents

The Association considers all highly liquid instruments with an original maturity of three months or less to be cash and equivalents.

h. Marketable Securities

The Association carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the accompanying statements of activities and changes in net assets.

To satisfy its long-term rate of return objectives, the Association 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 Association 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.

i. Contributions

Contributions received, including unconditional promises to give, are recognized as increases in assets or revenues or gains when the donor's commitment is received or decreases in liabilities or expenses depending on the form of the benefits received. Contributions received are measured at their fair values at the date of receipt and are considered to be available for unrestricted use unless specifically restricted by the donor.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Temporarily restricted contributions received during the year meeting donor-imposed stipulations are recorded as unrestricted contributions.

j. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

k. Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value, which provides a 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 as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies - Continued**

l. Donated Services

The Association recognizes donated services if they create or enhance nonfinancial assets or require specialized skills that would typically be purchased if not provided by donation. The University provides various services to the Association, which are reported as in-kind donations. Throughout the year, many volunteers also donate their time to actively participate in the Association's program services and fund-raising activities. Although such volunteer services constitute a significant portion of the Association's operations, they are considered to be of a supplemental nature and are not recorded.

m. Advertising

The Association charges the cost of advertising to expense as incurred.

n. Income Taxes

Accounting principles as practiced in the United States of America require an entity to assess the probability that a tax position has a more likely than not ("MLTN") sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely. As a not-for-profit entity exempt from income taxes, the Association may, however, be subject to tax on unrelated business income.

o. Functional Allocation of Expenses

The costs of the program and other activities have been summarized on the statements of activities and changes in net assets. Methods used in allocating these costs include actual expenses incurred and proportional percentage of allocation.

p. New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, effective for non-public and most not-for-profit entities for fiscal years beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded from this standard. Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

**THE ALUMNI ASSOCIATION OF THE
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - **Summary of Significant Accounting Policies – Continued**

p. New Accounting Pronouncements - continued

FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment to Topic 958, Not-for-Profit Entities in June 2016 with an effective date for fiscal years beginning after December 15, 2017. The purpose of this amendment is to improve the transparency and utility information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management does not expect implementation to have a material effect on financial position or results of operations.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an amendment to Topic 958 - Not for Profit Entities was issued by FASB in June 2018. The purpose of this amendment is to provide guidance in determining whether resource providers and resource recipients are participating in an exchange transaction, or if the transfer of funds is a contribution, by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this update should be applied on a modified prospective basis, however, retrospective application is permitted. For resource recipients involved in public markets, including over-the-counter exchanges, the amendments are effective for periods beginning after June 15, 2018. For all other resource recipient entities, it is effective for annual periods beginning after December 15, 2018. The effective date for resource providers involved in public markets is periods beginning after December 15, 2018. All other resource providers should apply the amendment to periods beginning after December 15, 2019. Early adoption is permitted. Although management has not concluded its review of this standards update, based on the nature of the Association's activities, it does not believe implementation will have a material effect on the financial statements.

q. Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and change in net assets are unchanged due to these reclassifications.

**THE ALUMNI ASSOCIATION OF THE
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 2 - **Marketable Securities**

The Association invests in bond and equity securities that are held by two financial institutions. The investments are managed by an investment advisor selected by the Board of Directors. Investments, stated at market value, are comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Market Value:		
Government bonds	\$968,485	\$ 544,693
Corporate bonds	1,001,850	1,035,211
Equities	<u>3,968,888</u>	<u>3,806,890</u>
	<u>\$5,939,223</u>	<u>\$ 5,386,794</u>

Expenses relating to investment revenues, including custodian fees and investment advisory fees, amounted to \$40,144 and \$37,721 for the years ended June 30, 2018 and 2017, respectively, and are reported in interest and dividend income, net in the accompanying statements of activities and changes in net assets.

The following schedule summarizes the gains and losses on investments at June 30:

	<u>2018</u>	<u>2017</u>
Net realized gains	\$ 486,543	\$ 71,560
Net unrealized gains (losses)	<u>(3,606)</u>	<u>483,975</u>
Total investment gains (losses), net	<u>\$ 482,937</u>	<u>\$ 555,535</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Fair Value Measurements**

The asset'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. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

Government Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Corporate Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Equity Securities: Value based on quoted prices in active markets of similar instruments.

The following tables set forth by level the Association's assets measured on a recurring basis:

	June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government bonds	\$ -	\$ 968,485	\$ -	\$ 968,485
Corporate bonds	-	1,001,850	-	1,001,850
Equity securities	<u>3,968,888</u>	<u>-</u>	<u>-</u>	<u>3,968,888</u>
Total Assets	<u>\$3,968,888</u>	<u>\$ 1,970,335</u>	<u>\$ -</u>	<u>\$5,939,223</u>

	June 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government bonds	\$ -	\$ 544,693	\$ -	\$ 544,693
Corporate bonds	95,267	939,944	-	1,035,211
Equity securities	<u>3,806,890</u>	<u>-</u>	<u>-</u>	<u>3,806,890</u>
Total Assets	<u>\$ 3,902,157</u>	<u>\$ 1,484,637</u>	<u>\$ -</u>	<u>\$ 5,386,794</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 4 - **Board Designated Net Assets**

The Association's Board of Directors designates a portion of unrestricted net assets as board designated funds which are classified and reported as unrestricted. The funds are invested according to the Association's investment policy which are intended to support its daily mission.

In 2011, the Association received an unrestricted gift in the amount of approximately \$110,000. Upon receipt, the Association board chose to designate an additional \$110,000 in unrestricted funds to establish an annual scholarship fund in memory of the donors. Collectively, the \$220,000 in unrestricted funds for this designated purpose represents approximately 5% of total board designated investments with an estimated market value of \$315,000 and \$295,000, as of June 30, 2018 and 2017, respectively.

In 2017, the board reserved \$1.5 million of unrestricted funds to be available to the Foundation in support of the upcoming capital campaign. In fiscal year 2018, \$250,000 in support was contributed to the Foundation. The remaining \$1.25 million in support remains reserved for the future needs of the campaign.

As a general rule, the board further designates all but \$250,000 of the remaining unrestricted funds as board designated funds. Board designated funds for the fiscal years ended June 30, 2018 and 2017 were \$5,693,872 and \$5,377,415, respectively.

Note 5 - **Temporarily Restricted Net Assets**

The Association maintains the University's Athletic Funds as well as various Alumni program funds, and although many of these funds have established active satellite committees, the committees serve at the pleasure of the Association's executive board and are subject to the same policies and procedures outlined in the Association's by-laws. The balances maintained for these funds as of June 30, were as follows:

	<u>2018</u>	<u>2017</u>
Athletic-related funds	\$ 1,181,780	\$ 1,567,346
Alumni program funds	<u>177,784</u>	<u>293,402</u>
	<u>\$ 1,359,564</u>	<u>\$ 1,860,748</u>

**THE ALUMNI ASSOCIATION OF THE
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Temporarily Restricted Net Assets - Continued**

Temporarily restricted net assets released from restrictions due to the satisfaction of purpose restrictions totaled \$2,050,466 and \$2,202,517 for the years ended June 30, 2018 and 2017, respectively.

Note 6 - **Related Party Transactions**

Funding Activity Agreement

The Association is party to a Funding Activity Agreement (the "Agreement") with the University and the University of Rhode Island Foundation (the "Foundation") which expired on June 30, 2018. The Agreement provided the Association with a funding amount of \$819,837 from the Foundation and \$737,288 from the University for the year ended June 30, 2018. For the year ended June 30, 2017, the funding amounts were \$561,575 from the Foundation and \$913,000 from the University. As of the date of these financial statements, a new Funding Activity Agreement has not been executed. The parties are actively working on completing a new agreement. Management believes that the agreement will substantially be the same as the previous agreement.

The Agreement also provides that the Foundation is responsible for the collection of all Athletic Funds, whose collections are remitted to the Association monthly. Balances in accounts receivable represent collected pledges that have not been remitted to the Association. The balances due from the Foundation at June 30, were as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable, net	\$ 687,165	\$ 892,617
Accounts receivable	<u>202,590</u>	<u>316,625</u>
	<u>\$ 889,755</u>	<u>\$ 1,209,242</u>

The Association has recognized the amount from the Foundation and the University under the Funding Activity Agreement for the years ended June 30, 2018 and 2017, respectively, which is included in contributions from related parties in the accompanying statements of activities and changes in net assets.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 6 - **Related Party Transactions - Continued**

University of Rhode Island Foundation

Board designated net assets for the Foundation are discussed in Note 4.

In 2008, all academic department fundraising efforts were moved to the Foundation but not necessarily the balance in their funds. For fiscal year 2018, the Association made a transfer of \$9,814 from temporarily restricted net assets for various academic related funds to the Foundation.

University of Rhode Island

The University provided various services and other items to the Association, which were reported as in-kind donations in the accompanying financial statements. In addition, the Association provided funds for scholarships and athletics to the University.

A summary of the transactions with the University for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
In-kind donations from the University:		
Rent	\$ 82,000	\$ 81,842
Personnel	590,738	564,645
Printing costs	129,786	134,270
General and administrative costs	159,833	162,549
Postage	83,466	106,459
Telephone	<u>11,791</u>	<u>12,325</u>
	<u>\$ 1,057,614</u>	<u>\$ 1,062,090</u>
Funds provided to the University:		
Scholarships and grants	\$ 441,529	\$ 449,598
Athletics	<u>210,642</u>	<u>161,189</u>
	<u>\$ 652,171</u>	<u>\$ 610,787</u>

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
(a component unit of the University of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 7 - **Royalties**

The Association has entered into several agreements with businesses to provide and market various products to the alumni of the University. The Association receives royalty payments based on the business agreements and for the use of the Association's name, marks and logo in the marketing plan.

Future scheduled collections relating to these agreements are as follows:

	<u>Years Ending June 30,</u>	
2019		117,500
2020		<u>5,500</u>
		<u>\$ 123,000</u>

Note 8 - **Commitments**

The Association has a vehicle lease expiring June 2019. The monthly payment for the lease is \$333 per month. Future minimum lease payments relating to this lease for the ending June 30, 2019 are \$3,999.

Total lease expense was \$3,999 and \$6,518 for the years ended June 30, 2018 and 2017, respectively.

Note 9 - **Risks, Uncertainties and Concentrations**

Investment Risk

The Association's marketable securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain 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 Association's financial position. Of the marketable securities balance, \$500,000, as of June 30, 2018 and 2017, was covered by the Securities Investor Protection Corporation ("SIPC") which protects the custody function of the broker dealer. SIPC works to restore securities and cash to customers from financially-troubled SIPC-member brokerage firms if the brokerage firm liquidates. The remaining amount as of June 30, 2018 and 2017 of \$5,439,223 and \$4,886,794, respectively, were not covered by SIPC protection.

**THE ALUMNI ASSOCIATION OF THE
UNIVERSITY OF RHODE ISLAND**
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Risks, Uncertainties and Concentrations – Continued**

Cash

At June 30, 2018 and 2017, the carrying amount of the Association's cash balances was \$915,667 and \$1,125,615, respectively, and the bank balance was \$1,032,011 and \$1,338,429, respectively.

Of the bank balance, \$500,000 was covered by federal depository insurance as of June 30, 2018 and June 30, 2017. The remaining amount as of June 30, 2018 and June 30, 2017 of \$532,011 and \$838,429, respectively, was uninsured and uncollateralized.

From time to time, the Association's cash balances fluctuate and exceed the federally insured limit. Management monitors the financial condition of the banking institution along with its cash balances and tries to keep the potential risk to a minimum.

Note 10 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through August 30, 2018, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to June 30, 2018 requiring disclosure in the financial statements.

**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***



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Executive Board of
The Alumni Association of the University of Rhode Island
Kingston, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alumni Association of the University of Rhode Island (a component unit of the University of Rhode Island) (the "Association"), which comprise the statement of financial position as of June 30, 2018, the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

August 30, 2018