

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Fiscal Years Ended June 30, 2014 and 2013

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
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June 30, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The College Crusade of Rhode Island, Inc.  
Providence, Rhode Island

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The College Crusade of Rhode Island, Inc. ("The Crusade") which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of The College Crusade of Rhode Island, Inc. as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have also issued our report dated October 2, 2014, on our consideration of The College Crusade of Rhode Island, Inc.'s schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014, on our consideration of The College Crusade of Rhode Island, Inc.'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 College Crusade of Rhode Island, Inc.'s internal control over financial reporting and compliance.

### **Report on Supplementary Information**

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 26-27 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

NADÉAU WADDICK LLP

Warwick, Rhode Island  
October 2, 2014

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 197,400	\$ 473,158
Investments	7,715,753	6,942,145
Interest receivable	14,217	21,480
Grants receivable	587,368	539,384
Other receivables	2,682	3,492
Prepaid expenses	1,315	-
TOTAL CURRENT ASSETS	<u>8,518,735</u>	<u>7,979,659</u>
<u>LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET</u>	<u>147,217</u>	<u>53,474</u>
<u>NON-CURRENT ASSETS</u>		
Believe Fund	100,000	-
Legacy Fund	25,000	-
TOTAL NON-CURRENT ASSETS	<u>125,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,790,952</u>	<u>\$ 8,033,133</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 280,000	\$ 305,767
Line of credit	405,000	380,000
Grants payable	33,368	12,760
Deferred revenue	145,764	188,511
Accrued scholarship costs	605,327	544,897
TOTAL CURRENT LIABILITIES	<u>1,469,459</u>	<u>1,431,935</u>
<u>LONG-TERM LIABILITIES</u>		
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,469,459</u>	<u>1,431,935</u>
<u>NET ASSETS</u>		
Undesignated	86,067	203,950
Board - Designated	3,979,843	3,479,379
Total Unrestricted	<u>4,065,910</u>	<u>3,683,329</u>
Temporarily restricted	3,230,583	2,917,869
Permanently restricted	25,000	-
TOTAL NET ASSETS	<u>7,321,493</u>	<u>6,601,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,790,952</u>	<u>\$ 8,033,133</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Fiscal Year Ended June 30, 2014  
With Comparative Totals for Fiscal Year Ended June 30, 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b><u>REVENUES, GAINS, AND OTHER SUPPORT</u></b>					
Grants - Federal	\$ 2,868,137	\$ 250,000	\$ -	\$ 3,118,137	\$ 3,210,955
Grants - State of Rhode Island	356,538	-	-	356,538	356,538
Grants - other	549,626	-	-	549,626	364,235
Contributions	35,900	-	-	35,900	66,068
Special event, net of \$5,130	20,170	-	-	20,170	-
Interest and dividends, net	80,994	58,027	-	139,021	152,558
Realized gain on investments, net	210,268	148,779	-	359,047	160,200
Unrealized gain on investments, net	545,168	363,488	-	908,656	555,846
In-kind support	578,553	-	-	578,553	476,665
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>					
Cost of scholarships	507,580	(507,580)	-	-	-
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>5,752,934</b>	<b>312,714</b>	<b>-</b>	<b>6,065,648</b>	<b>5,343,065</b>
<b><u>EXPENSES</u></b>					
Program	4,619,961	-	-	4,619,961	4,113,046
Management and general	455,914	-	-	455,914	413,921
Development	269,478	-	-	269,478	242,023
<b>TOTAL EXPENSES</b>	<b>5,345,353</b>	<b>-</b>	<b>-</b>	<b>5,345,353</b>	<b>4,768,990</b>
<b>INCREASE IN NET ASSETS</b>	<b>407,581</b>	<b>312,714</b>	<b>-</b>	<b>720,295</b>	<b>574,075</b>
<b>NET ASSETS - July 1,</b>	<b>3,683,329</b>	<b>2,917,869</b>	<b>-</b>	<b>6,601,198</b>	<b>6,027,123</b>
Transfer	(25,000)	-	25,000	-	-
<b>NET ASSETS - June 30,</b>	<b>\$ 4,065,910</b>	<b>\$ 3,230,583</b>	<b>\$ 25,000</b>	<b>\$ 7,321,493</b>	<b>\$ 6,601,198</b>

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

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 STATEMENTS OF CASH FLOWS  
 Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in net assets	\$ 720,295	\$ 574,075
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</i>		
Interest and dividends	(181,562)	(191,562)
Net realized gain on investments	(359,047)	(160,200)
Net unrealized gain on investments	(908,656)	(555,846)
Depreciation and amortization	35,942	-
<i>(Increase) decrease in operating assets:</i>		
Interest receivable	7,263	(963)
Grants receivable	(47,984)	95,202
Other receivables	810	221
Prepaid expenses	(1,315)	-
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(48,902)	(101,781)
Accrued expenses	23,135	14,905
Grants payable	20,608	(16,839)
Deferred revenue	(42,747)	118,081
Accrued scholarship costs	60,430	11,750
NET CASH USED BY OPERATING ACTIVITIES	<u>(721,730)</u>	<u>(212,957)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments	(250,000)	(345,000)
Withdrawals from investments	925,657	1,018,047
Contribution to Investments - Believe Fund	(100,000)	-
Contribution to Investments - Legacy Fund	(25,000)	-
Purchase of equipment	(52,157)	-
Purchase of leasehold improvements	(77,528)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>420,972</u>	<u>673,047</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Advances on line-of-credit	1,235,000	1,790,000
Repayments on line-of-credit	(1,210,000)	(1,859,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>25,000</u>	<u>(69,000)</u>
NET INCREASE (DECREASE) IN CASH	(275,758)	391,090
CASH - July 1,	<u>473,158</u>	<u>82,068</u>
CASH - June 30,	<u>\$ 197,400</u>	<u>\$ 473,158</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u></b>		
Non-cash investing/financing activity		
Leasehold improvements and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 53,474</u>
Interest expense paid	<u>\$ 7,836</u>	<u>\$ 15,149</u>

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



THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*NATURE OF ORGANIZATION*

The College Crusade of Rhode Island, Inc. (the “Crusade”) is a Rhode Island not-for-profit organization formed in November 1989 for the purpose of fostering the education of economically disadvantaged youth through Crusader support programs for parents and students along with student scholarship awards. The Crusade is an independent 501(c)(3) not-for-profit organization with oversight by a Board of Directors.

*BASIS OF REPORTING*

The financial statements of the Crusade have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to non-profit organizations. The financial statements of the Crusade have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements include 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 GAAP. Accordingly, such information should be read in conjunction with the Crusade’s financial statements for the fiscal year ended June 30, 2013 from which the summarized financial information was derived.

*BASIS OF PRESENTATION*

*Cash and Cash Equivalents* – The Crusade considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For purposes of the statements of cash flows, none of the investments held in the Crusade’s investment portfolio are included as cash and cash equivalents, regardless of the type of investment, as it is the Crusade’s intention that the funds deposited in the investment account are not for current purposes. The Crusade had no cash equivalents at June 30, 2014 and 2013.

*Fair Value Measurements* – Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 820, “Fair Value Measurements and Disclosures”, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB ASC No. 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity’s own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under FASB ASC No. 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Crusade for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date.
- Level 2 – Significant inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

*Investments* – The Crusade's portfolio is managed by an outside investment manager who operates within the guidelines established by the Finance and Administration Committee of the Board of Directors. The Finance and Administration Committee has established and communicated to the investment manager policies relating to the nature of permitted investment instruments, diversification, and the use of derivatives.

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

Management is not aware of any derivative financial instruments through its investment manager's investment strategy and mutual fund investments. Derivatives, such as forward foreign currency contracts and futures, are used to hedge against foreign currency and price risk. Management has estimated that the risk, if any, associated with these derivatives is not material to the Crusade as of June 30, 2014 and 2013.

*Leasehold Improvements and Equipment* – Leasehold improvements and equipment is recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of respective assets. Useful lives of assets are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Leasehold Improvements	5 years	\$5,000
Office Furniture & Equipment	5 years	\$2,000
Computer Equipment	3 years	\$5,000

*Income Taxes* – The Crusade is exempt from taxation under Internal Revenue Code Section 501(c)(3). The Crusade evaluates all significant tax positions as required by GAAP. As of fiscal year ended June 30, 2014, the organization does not believe it has taken any positions that would require the recording of any additional tax liability nor does it believe there are any realized tax benefits that would either increase or decrease within the next twelve months. The Crusade's income tax returns are subject to examination by

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

the appropriate taxing jurisdiction. As of fiscal year ended June 30, 2014, the Crusade's income tax returns remain open for three years from the date filed with each taxing jurisdiction.

Net Assets – Financial statement presentation follows the recommendation of FASB ASC No. 958, "Not-for-Profit Entities". Under FASB ASC No. 958, the Crusade is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose having been accomplished and/or the stipulated time period having elapsed, are reported as transfers between the applicable classes of net assets. See Note 13 for further information on the composition of unrestricted net assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets include grants, gifts, unconditional promises to give, income, and gains which can be expended but for which restrictions have not yet been met. Such restrictions include restrictions where donors have specified the purpose for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the gift (capital projects, unconditional promises to give to be paid in the future). See Note 14 for further information on the composition of temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets include the historical dollar amount of gifts (including unconditional promises to give), and investment earnings required by donors to be permanently retained. See Note 15 for further information on the composition of permanently restricted net assets.

Advertising Costs – The Crusade expenses advertising costs as they are incurred.

Compensated Absences – Employees are allowed to accrue ten vacation days and thirty sick days. Employees are entitled to receive full pay for the number of vacation days accrued at the time of termination which has been accrued. Employees' sick leave is not accrued and does not vest. Accordingly, employees may only utilize sick time when sick or when appropriately approved for personal reasons.

Contributions – The Crusade accounts for contributions in accordance with the recommendations of FASB ASC No. 958. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or proposed restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

Donated Goods and Services – The Crusade accounts for donated goods and services received in accordance with the recommendations of FASB ASC No. 958 at fair market value at the date of donation. There were no donated goods received during the fiscal years ended June 30, 2014 and 2013.

Contributed Services – Unpaid volunteers have made contributions of their time to develop the Crusade's programs and to assist in registering students in these programs. The value of this contributed time is reflected in these financial statements and it is susceptible to objective measurement or valuation.

Functional Allocation of Expenses – Costs of providing the Crusade's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect costs. Indirect costs are allocated among program and support services by a method that best measures the relative degree of benefit.

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

Reclassifications – Certain reclassifications have been made to the fiscal year ended June 30, 2013 financial statement presentation to correspond with current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events – The Crusade has evaluated subsequent events for recognition and disclosure through October 2, 2014, which is the date the financial statements were available to be issued. Management does not believe that there have been any events which have occurred that require further disclosure or adjustment to the financial statements as presented.

**NOTE 2 – GRANTS RECEIVABLE**

The following is a summary of grants receivable as of June 30, 2014 and 2013:

	2014	2013
GEAR UP Grant	\$ 583,233	\$ 539,384
Other grants	4,135	-
TOTAL	<u>\$ 587,368</u>	<u>\$ 539,384</u>

Management believes, due to the nature of the grants receivable, the amounts are fully collectible.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

**NOTE 3 – INVESTMENTS**

At June 30, 2014 and 2013 investments consisted of the following:

	June 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Money market funds	\$ 415,940	\$ -	\$ -
Corporate bonds	461,055	6,656	(13,597)	454,114
Corporate agency securities	30,946	-	(735)	30,211
U.S. Treasuries	266,368	6,697	(2,713)	270,352
Government agency securities	321,041	14,224	-	335,265
Preferred stocks	88,612	2,392	-	91,004
Common stocks	<u>3,761,812</u>	<u>2,375,984</u>	<u>(18,929)</u>	<u>6,118,867</u>
<b>TOTAL</b>	<u>\$ 5,345,774</u>	<u>\$ 2,405,953</u>	<u>\$ (35,974)</u>	<u>\$ 7,715,753</u>

  

	June 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Money market funds	\$ 93,608	\$ -	\$ -
Corporate bonds	822,382	6,151	(33,717)	794,816
Corporate agency securities	42,977	-	(2,735)	40,242
U.S. Treasuries	341,082	14,015	-	355,097
Government agency securities	196,884	14,115	(509)	210,490
Preferred stocks	141,107	-	(4,690)	136,417
Common stocks	<u>3,842,782</u>	<u>1,558,625</u>	<u>(89,932)</u>	<u>5,311,475</u>
<b>TOTAL</b>	<u>\$ 5,480,822</u>	<u>\$ 1,592,906</u>	<u>\$ (131,583)</u>	<u>\$ 6,942,145</u>

Gross gains of \$457,391 and gross losses of \$98,344 were realized on sales of investments during the fiscal year ended June 30, 2014 and gross gains of \$169,315 and gross losses of \$9,115 were realized on sales of investments during the fiscal year ended June 30, 2013.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

Interest and dividend income for the fiscal years ended June 30, 2014 and 2013 consist of the following:

	2014	2013
Interest and dividend income	\$ 181,562	\$ 191,562
Less investment expenses	<u>(42,541)</u>	<u>(39,004)</u>
 TOTAL	 <u>\$ 139,021</u>	 <u>\$ 152,558</u>

The cost and fair value of corporate bonds, corporate agency, U.S. Treasuries, and government agency securities at June 30, 2014 and 2013 by maturity are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Due within one year	\$ 105,643	\$ 101,376	\$ 403,088	\$ 384,072
Due after one through five years	454,288	452,969	661,410	663,218
Due after five through ten years	154,026	149,692	97,532	93,422
Due after ten years	<u>365,453</u>	<u>385,905</u>	<u>241,295</u>	<u>259,933</u>
 TOTAL	 <u>\$ 1,079,410</u>	 <u>\$ 1,089,942</u>	 <u>\$ 1,403,325</u>	 <u>\$ 1,400,645</u>

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2014 and 2013 are as follows:

	June 30, 2014			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
<u>Debt securities:</u>				
Corporate bonds	\$ 324,401	\$ (869)	\$ (12,728)	\$ (13,597)
Corporate agency securities	30,211	-	(735)	(735)
U.S. Treasuries	<u>162,750</u>	<u>(2,713)</u>	<u>-</u>	<u>(2,713)</u>
Total debt securities	<u>354,612</u>	<u>(3,582)</u>	<u>(13,463)</u>	<u>(17,045)</u>
 <u>Equity securities:</u>				
Common stocks	<u>77,243</u>	<u>(18,929)</u>	<u>-</u>	<u>(18,929)</u>
 TOTAL	 <u>\$ 431,855</u>	 <u>\$ (22,511)</u>	 <u>\$ (13,463)</u>	 <u>\$ (35,974)</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014 and 2013

	June 30, 2013			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
<u>Debt securities:</u>				
Corporate bonds	\$ 723,291	\$ (7,821)	\$ (25,896)	\$ (33,717)
Government agency securities	36,135	(509)	-	(509)
Corporate agency securities	<u>39,953</u>	<u>(326)</u>	<u>(2,409)</u>	<u>(2,735)</u>
Total debt securities	<u>799,379</u>	<u>(8,656)</u>	<u>(28,305)</u>	<u>(36,961)</u>
<u>Equity securities:</u>				
Common stocks	450,971	(16,369)	(73,563)	(89,932)
Preferred stocks	<u>136,416</u>	<u>(55)</u>	<u>(4,635)</u>	<u>(4,690)</u>
Total equity securities	<u>587,387</u>	<u>(16,424)</u>	<u>(78,198)</u>	<u>(94,622)</u>
 TOTAL	 <u>\$ 1,386,766</u>	 <u>\$ (25,080)</u>	 <u>\$ (106,503)</u>	 <u>\$ (131,583)</u>

No investments at June 30, 2014 and 2013 were considered "other-than-temporary" impaired.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014 and 2013

As of June 30, 2014, the Crusade had the following fixed income investments:

Investment	Maturity	Standard & Poor's Rating	Fair Value
WPP Finance UK	9/15/2014	BBB	\$ 25,373
Time Warner Cable, Inc.	2/1/2015	BBB	30,524
Petrobras International Finance	2/6/2015	BBB-	45,480
Home Depot, Inc.	3/1/2016	A	21,582
Americredit Automobile Receivables	8/8/2016	AA+	30,211
Constellation Brands, Inc.	9/1/2016	BB+	44,600
Avnet, Inc.	9/15/2016	BBB-	22,155
Verizon Communications	11/1/2016	BBB+	49,005
US Treasury Notes	11/15/2016	AA+	162,750
Berkshire Hathaway, Inc.	1/31/2017	AA	40,963
Eaton Corp.	3/15/2017	A-	21,902
Beam, Inc.	5/15/2017	BBB-	20,056
McDonalds Corp.	3/1/2018	A	39,746
Borgwarner, Inc.	10/1/2019	BBB+	49,422
Kellogg Co.	11/15/2019	BBB+	43,307
US Treasury Notes	8/15/2022	AA+	50,639
GNMA Pool # 578181	1/15/2032	Not Rated	27,012
GNMA Pool # 675373	5/15/2038	Not Rated	47,182
GNMA Pool # 736558	2/15/2040	Not Rated	25,097
GNMA Pool # 737377	3/15/2040	Not Rated	18,376
US Treasury Notes	11/15/2040	AA+	56,963
GNMA Pool # 738433	6/16/2041	Not Rated	12,835
GNMA Pool # 738546	7/15/2041	Not Rated	16,781
FNMA Pool # AL3527	9/1/2042	Not Rated	81,739
GNMA Pool # AF9112	8/15/2043	Not Rated	<u>106,242</u>
 TOTAL			 <u>\$ 1,089,942</u>

As of June 30, 2014, the Crusade had no investments with exposure to foreign currency risk.



THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014 and 2013

As of June 30, 2013, the Crusade had the following fixed income investments:

Investment	Maturity	Standard & Poor's Rating	Fair Value
Chesapeake Energy Corp	7/15/2013	BB-	\$ 30,000
American Express Credit Co.	8/20/2013	A-	116,050
US Treasury Notes	9/30/2013	AA+	60,005
BP Capital markets PLC	11/7/2013	A	15,249
Staples, Inc.	1/15/2014	BBB	31,405
US Treasury Notes	2/15/2014	AA+	25,600
Ford Motor Credit Co.	6/01/2014	BB+	105,764
WPP Finance UK	9/15/2014	BBB	26,980
Petrobras International Finance	2/6/2015	BBB	45,405
Americredit Automobile Receivables	3/9/2015	AAA	289
Americredit Automobile Receivables	1/15/2016	AA+	9,318
Home Depot	3/1/2016	A-	78,000
International Business Machines	7/22/2016	AA-	82,000
Americredit Automobile Receivables	8/8/2016	AA	30,635
Constellation Brands, Inc.	9/1/2016	BB+	45,450
Avnet, Inc.	9/15/2016	BBB-	22,400
US Treasury Notes	11/15/2016	AA+	220,050
Berkshire Hathaway, Inc.	1/31/2017	AA+	40,426
Eaton Corp	3/15/2014	A-	22,144
McDonalds Corp	3/01/2018	A	40,121
Borgwarner, Inc.	10/1/2019	BBB+	50,469
Kellogg Co.	11/15/2019	BBB+	42,952
GNMA PL#578181	1/15/2032	Not Rated	52,969
GNMA PL#675373	5/15/2038	Not Rated	60,529
GNMA PL#736558	2/15/2040	Not Rated	37,407
GNMA PL#737377	3/15/2040	Not Rated	23,450
US Treasury Notes	11/15/2040	AA+	49,443
GNMA PL#738433	6/16/2041	Not Rated	16,527
GNMA PL#738546	7/15/2041	Not Rated	<u>19,608</u>
<b>TOTAL</b>			<b><u>\$ 1,400,645</u></b>

As of June 30, 2013, the Crusade had no investments with exposure to foreign currency risk.

Interest Rate Risk: The Crusade's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Crusade's general investment policy is to apply the Prudent-Person Rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

reasonable income, preserve capital, and, in general, avoid speculative investments. The Crusade's investment policy limits investments in bonds to be rated both investment grade ("BBB or Higher") and non-investment Grade ("BB or Lower") by a national recognized statistical rating organization provided an average rating of "A" or higher is maintained for the entire fixed income section.

*Custodial Credit Risk:* Custodial credit risk is risk that the Crusade will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. The Crusade's investment policy does not directly address custodial credit risk. As of June 30, 2014 and 2013, the Crusade had investments at fair value subject to custodial credit risk totaling \$7,715,753 and \$6,942,145, respectively.

*Concentration of Credit Risk:* The Crusade's investment policy requires, in an attempt to minimize the adverse effects of interest rate fluctuations, that the fixed-income section may not contain more than 10%, valued at cost, of a given issuer, except for U.S. Treasury and agency obligations. As of June 30, 2014, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and Bonds (24.80%), Government Agency Securities (30.76%), and Corporate Bonds (41.66%). As of June 30, 2013, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and Bonds (25.35%), Government Agency Securities (15.03%), and Corporate Bonds (46.39%).

*Foreign Currency Risk:* The Crusade's investment policy does not limit foreign currency-denominated investments as a means of managing its exposure to fair value losses arising from foreign currency fluctuations.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Financial instruments carried at fair value at June 30, 2014 and 2013 are presented according to the FASB fair value hierarchy as follows:

	June 30, 2014			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Investments:</b>				
Money market funds	\$ 415,940	\$ -	\$ -	\$ 415,940
Corporate bonds	454,114	-	-	454,114
Corporate agency securities	30,211	-	-	30,211
U.S. Treasuries	270,352	-	-	270,352
Government agency securities	335,265	-	-	335,265
Preferred stocks	91,004	-	-	91,004
Common stocks				
U.S. large cap	5,060,638	-	-	5,060,638
U.S. mid cap	65,193	-	-	65,193
U.S. small cap	6,676	-	-	6,676
Developed international	986,360	-	-	986,360
	<u>7,715,753</u>	<u>-</u>	<u>-</u>	<u>7,715,753</u>
<b>Investments:</b>				
Funds held in trust by The Rhode Island Foundation	-	-	125,000	125,000
<b>TOTAL</b>	<u>\$ 7,715,753</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 7,840,753</u>
	June 30, 2013			
	Level 1	Level 2	Level 3	Total Fair Value
<b>Investments:</b>				
Money market funds	\$ 93,608	\$ -	\$ -	\$ 93,608
Corporate bonds	794,816	-	-	794,816
Corporate agency securities	40,242	-	-	40,242
U.S. Treasuries	355,097	-	-	355,097
Government agency securities	210,490	-	-	210,490
Preferred stocks	136,417	-	-	136,417
Common stocks				
U.S. large cap	4,576,953	-	-	4,576,953
U.S. mid cap	47,201	-	-	47,201
Developed international	687,321	-	-	687,321
<b>TOTAL</b>	<u>\$ 6,942,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,942,145</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014 and 2013

For the year ended June 30, 2014, activity related to level three inputs consisted of the following:

	<u>2014</u>
Funds held in trust by The Rhode Island Foundation at beginning of the year	\$ -
Deposits	125,000
Net investment return	-
Fees	-
Funds distributed to the Crusade	<u>-</u>
Funds held in trust by The Rhode Island Foundation at end of the year	<u>\$ 125,000</u>

**NOTE 5 – LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET**

The summary of changes in leasehold improvements and equipment at June 30, 2014 is as follows:

	Balance <u>June 30, 2013</u>	Additions	Retirements	Balance <u>June 30, 2014</u>
<u>Cost:</u>				
Office equipment	\$ 159,102	\$ -	\$ (79,054)	\$ 80,048
Furniture	57,811	52,156	(18,282)	91,685
Leasehold improvements	<u>48,350</u>	<u>77,528</u>	<u>-</u>	<u>125,878</u>
TOTAL COST	<u>\$ 265,263</u>	<u>\$ 129,684</u>	<u>\$ (97,336)</u>	<u>\$ 297,611</u>
<u>Accumulated Depreciation:</u>				
Office equipment	153,978	1,708	(79,054)	76,632
Furniture	57,811	8,098	(18,282)	47,627
Leasehold improvements	<u>-</u>	<u>26,135</u>	<u>-</u>	<u>26,135</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 211,789</u>	<u>\$ 35,941</u>	<u>\$ (97,336)</u>	<u>\$ 150,394</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET	<u>\$ 53,474</u>			<u>\$ 147,217</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014 and 2013

The summary of changes in leasehold improvements and equipment at June 30, 2013 is as follows:

	Balance			Balance	
	June 30, 2012	Additions	Retirements	June 30, 2013	
<u>Cost:</u>					
Office equipment	\$ 153,978	\$ -	\$ -	\$ 153,978	
Furniture	57,811	-	-	57,811	
Leasehold improvements and equipment in progress	-	53,474	-	53,474	
TOTAL COST	<u>\$ 211,789</u>	<u>\$ 53,474</u>	<u>\$ -</u>	<u>\$ 265,263</u>	
<u>Accumulated Depreciation:</u>					
Office equipment	153,978	-	-	153,978	
Furniture	57,811	-	-	57,811	
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 211,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,789</u>	
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET	<u>\$ -</u>			<u>\$ 53,474</u>	

Depreciation expense for the fiscal years ended June 30, 2014 and 2013 was \$35,942 and \$0-, respectively.

#### NOTE 6 – CONTRIBUTIONS

Contributions are available for unrestricted use unless specifically restricted by the donor.

The Crusade received \$35,900 and \$66,068 of unrestricted contributions during fiscal years ended June 30, 2014 and 2013, respectively.

#### NOTE 7 – IN-KIND SUPPORT

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs, and the use of space as in-kind support to the Crusade. The Crusade also received in-kind advertising services for the fiscal year ended June 30, 2014.

For the fiscal years ended June 30, 2014 and 2013, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space has been reflected in the accompanying statement of revenues, expenses, and changes in net assets as in-kind support services with a similar amount included in other grant program expense. For the fiscal years ended June 30, 2014 and 2013, the fair value of in-kind advertising services totaling \$115,000 and \$90,000, respectively, was recognized as in-kind support services with a similar amount included in advertising expense.

#### **NOTE 8 – OUTSIDE SCHOLARSHIP AGREEMENTS**

The Crusade has obtained scholarship agreements from 19 colleges, universities and proprietary schools. The college and university scholarship agreements are tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$3,000, except for the University of Rhode Island (URI) which is tied to the full tuition amount at the time of matriculation, currently \$10,878, and Roger Williams University that donates \$5,000 scholarships.

The value of these scholarship agreements has not been recorded in the Crusade's financial statements since they are considered an intention to give rather than a legal obligation to give, final awards are received directly by the students and awards are considered highly contingent.

Management has estimated that the maximum value of these contingent scholarships, which may become available, to be approximately \$31,500,000 at June 30, 2014 and approximately \$41,000,000 at June 30, 2013. In August 2008 The Higher Education Opportunity Act (Public Law 110-315) authorized GEAR UP grant recipients (which the Crusade is) to benchmark their scholarship award amount in FY 2014 to no less than minimum Pell vs. maximum Pell as authorized in previous years, thus reducing the maximum value of these contingent scholarships. As noted above the University of Rhode Island donated scholarships are equivalent to their tuition value of \$10,878. The values used for the 2014 projected usage estimate is the Crusade's Board authorized scholarship amount for a two-year school at \$1,725 and an average award amount of \$6,939 (which is the average of the URI tuition of \$10,878 and the Crusade's Board authorized scholarship amount of \$3,000) for one and four-year schools. As of June 30, 2014 and 2013, management had projected that, of the total contingent scholarships approximately \$18,500,000 and approximately \$16,800,000 respectively, will likely be utilized over the life of the scholarship agreements. In December 2010, the Crusade completed an updated actuarial study factoring in actual experience as well as the changes in the federal GEAR UP regulations. The increase in the projected usage value is due to changes in the regulations that state all GEAR UP participants have up to six years to access their scholarship awards (previously the Crusade's requirement was one year) and no financial needs test will be applied (previously the Crusade's eligibility requirement was an Expected Family Contribution (EFC) of \$5,000 or less.)

#### **NOTE 9 – PENSION PLAN**

The Crusade established, and has the authority to amend, The College Crusade of Rhode Island, Inc. Defined Contribution Retirement Plan on January 1, 1993, which covers substantially all employees. The Plan is administered by TIAA-CREF and allows tax-deferred employee contributions in accordance with Internal Revenue Code Section 403(b). Under the provisions of the plan beginning July 1, 2008, employees may defer 2% or 5% of their salary and the Crusade will match up to 3%, respectively. Employees may defer an additional percentage to a supplemental plan that is not matched by the Crusade. Participants are fully and immediately vested in plan contributions when they are made. Pension expense for the fiscal years ended June 30, 2014 and 2013 was \$74,672, and \$66,218 respectively, which is included in personnel costs.

#### **NOTE 10 – ACCRUED SCHOLARSHIP COSTS**

Through the accumulation of funds, the Crusade will award scholarships for undergraduate studies to eligible students. Scholarship awards are granted on a year-to-year basis. In the Crusade's sole judgment, if not enough money is available to meet all of the Crusade's current or future financial

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014 and 2013

obligations, the Crusade's paid scholarships may be reduced as the Crusade deems appropriate, but not below the minimum Pell grant threshold.

The Crusade's scholarship amount to four year colleges and universities and proprietary schools for 2014 was tied to the Crusade Board authorized scholarship amount of \$3,000; in 2013 the scholarship amount was also tied to the Crusade Board's authorized scholarship amount of \$3,000. The Crusade's scholarship amount for two year colleges and the Community College of Rhode Island for 2014 were tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$1,725; in 2013 the scholarship amount was also tied to the Crusade Board authorized amount at the time of matriculation of \$1,725.

As noted above in Note 8, the 2008 Higher Education Opportunity Act reduces the scholarship benchmark from maximum Pell to no less than minimum Pell grant threshold.

Management has developed, and regularly updates, comprehensive projections that account for numerous factors that might influence the Crusade's potential scholarship amount and adjusts the enrollment of new cohorts accordingly. Consistent with this, enrollment for new cohorts beginning with 2011 will be targeted at 500 as contrasted with 250 for 2007 – 2010; 500 from 1996 – 2006; and uncapped enrollment of approximately 3,500 in previous years. There were 622 and 551 new enrollments for the fiscal years ended June 30, 2014 and 2013, respectively. Factors that influence the potential scholarship include the number of these students who will continue in the program until they start college, and whether the student will choose to attend an in-state institution or an institution from which the Crusade has secured an agreement.

At June 30, 2014, the Crusade has committed \$605,327 toward scholarships for educational expenses during the 2014/2015 school year. This amount represents an average award of approximately \$2,147 per student to approximately 282 students. At June 30, 2013, the Crusade had committed \$544,897 toward educational expenses for tuition during the 2013/2014 school year. This amount represents an average award of approximately \$1,703 per student to approximately 320 students. As noted above, the 2008 Higher Education Opportunity Act allowed for these reductions in the scholarship amounts. The changes allowed by the Higher Education Opportunity Act provided the Crusade with much needed flexibility to manage scholarship costs and to extend future opportunities to newly enrolled cohorts.

At June 30, 2014, based on the updated actuarial study completed as of December 2010, the estimated value of the potential future scholarship costs through the year 2026 is estimated to range from \$1,100,000 to \$4,800,000. This estimate represents annual awards between \$587 and \$3,000 to approximately 618 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. An additional 597 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

At June 30, 2013, based on the actuarial study completed as of December 2010, the estimated value of the potential future scholarship costs through the year 2026 is estimated to range from \$1,100,000 to \$4,600,000. This estimate represents annual awards between \$600 and \$3,000 to approximately 599 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. An additional 578 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014 and 2013

**NOTE 11 – OPERATING LEASE COMMITMENTS**

On September 1, 2012, the Crusade extended its lease for office space under a five year non-cancellable operating lease. Rent expense of \$118,094 and \$114,465, respectively, for the fiscal years ended June 30, 2014 and 2013 is included in occupancy costs.

The total future minimum lease payments as of June 30, 2014 are as follows:

<u>Fiscal Year Ending June 30,</u>	
2015	\$ 118,557
2016	122,115
2017	125,784
2018	<u>31,677</u>
Total Future Minimum Lease Payments	<u>\$ 398,133</u>

**NOTE 12 – LINE OF CREDIT**

The Crusade has a \$1,200,000 line of credit agreement with a financial institution. The line of credit provides the Crusade with cash flow for the GEAR UP program until such time as the Crusade is reimbursed. Interest is payable monthly at the 1-month LIBOR daily floating rate plus 3.0% for the fiscal years ended June 30, 2014 and 2013. Interest rates were 3.15% and 3.19% at June 30, 2014 and 2013, respectively. Balances outstanding on June 30, 2014 and 2013 were \$405,000 and \$380,000, respectively. The outstanding balance is secured by the Crusade's accounts receivable and equipment. Total interest expense for the fiscal years ended June 30, 2014 and 2013 was \$7,836 and \$15,149, respectively.

**NOTE 13 – UNRESTRICTED NET ASSETS**

The Board of Directors has voted to provide for the use of certain unrestricted net assets in accordance with board-designated purposes. The majority of these funds are reserved for scholarships, consistent with the projections of an independent actuarial analysis. During 2014, the Board authorized the creation of the Believe Fund with the Rhode Island Foundation from undesignated net assets to provide additional operating and/or scholarship income to the Crusade. The following is a summary of unrestricted net assets as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Undesignated	\$ 86,067	\$ 203,950
Board - Designated		
Scholarship reserve	3,879,843	3,479,379
Investments - Believe Fund	<u>100,000</u>	<u>-</u>
	3,979,843	3,479,379
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<u><b>\$ 4,065,910</b></u>	<u><b>\$ 3,683,329</b></u>



**NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS**

The Crusade received funding from a GEAR UP (Gaining Early Awareness & Readiness for Undergraduate Programs) grant during the fiscal years ended June 30, 2014 and 2013. GEAR UP Grant funds were mainly received by the Crusade on a reimbursement basis; however, funding in the amount of \$250,000 and \$345,000 was received during the fiscal years ended June 30, 2014 and 2013, respectively, to pay for current and future scholarship costs. During the fiscal year ended June 30, 2014, the Crusade paid \$507,580 in eligible GEAR UP scholarships, all of which was provided from the GEAR UP Grant. During the fiscal year ended June 30, 2013, the Crusade paid \$382,660 in eligible GEAR UP scholarships, all of which was provided from the GEAR UP Grant.

For fiscal years ended June 30, 2014 and 2013, the total amount of the investment portfolio temporarily restricted for GEAR UP Scholarship Grants was \$3,230,583 and \$2,917,869, respectively.

**NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are endowment funds restricted in perpetuity, the income from which is expendable. During 2014, the Crusade transferred undesignated net assets to establish the Legacy Fund with the Rhode Island Foundation. The Legacy Fund is board-designated to fund future scholarship costs. Total amount of permanently restricted net assets were \$25,000 at June 30, 2014.

**NOTE 16 – BOARD-DESIGNATED AND PERMANENT NET ASSETS**

During 2014, the Board of Directors of the Crusade voted to establish two funds to diversify its revenue stream and better position the organization to receive bequests and planned gifts. The Crusade's funds include a board-designated fund for future scholarship costs and operating income for the Crusade (Believe Fund) and an endowment fund where potential future donors can preserve their donations in perpetuity (Legacy Fund). As required by GAAP, net assets associated with endowment funds, including funds designated or restricted by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions. These funds are held in trust by The Rhode Island Foundation.

***Interpretation of Relevant Law***

The Board of Directors has interpreted State of Rhode Island Uniform Prudent Management of Institutional Funds Act (R.I. UPMIFA) to mean that the Board of Directors is to exercise prudence when appropriating for expenditure or accumulation of endowment funds and consider the uses, benefits, purposes and duration for which the endowment funds are established. As a result of this interpretation, the Crusade classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified according to the wishes of the donor or as established by the Board of Directors. When the donor has directed a specified use for investment earnings, the remaining portion of the endowment fund is classified as temporarily restricted net assets until funds are appropriated for expenditure by a manner consistent with the standard of prudence prescribed by R.I. UPMIFA. In accordance with R.I. UPMIFA, the Crusade, in making a determination to appropriate or accumulate, shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances and consider, if relevant, the following factors:

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June 30, 2014 and 2013

1. The duration and preservation of the endowment fund;
2. The purposes of the Crusade and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Crusade; and
7. The investment policy of the Crusade.

Funds with Deficiencies

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 R.I. UPMIFA requires the Crusade to retain as a fund of perpetual duration. As of June 30, 2014, there were no such funds with deficiencies.

Return Objectives and Risk Parameters

The Crusade 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 Crusade must hold in perpetuity or for a donor-specified period(s) 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 over time.

Strategies Employed for Objectives

To satisfy its long-term rate-of-return objectives, the Crusade 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 Crusade's investment strategy for these funds is to invest them with an independent financial trustee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Crusade has a policy of only appropriating for distribution the amount the independent financial trustee distributes to them annually. In establishing this policy, the Crusade considered the long-term expected return on its endowment. Accordingly, over the long term, the Crusade expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Crusade's objective to maintain prudence when appropriating for expenditures and to provide additional real growth through new gifts and investment return.

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2014 and 2013

Endowment net assets by type of fund as of June 30, 2014 is as follows:

	2014		
	Unrestricted	Permanently restricted	Total
Board - Restricted endowment funds	\$ -	\$ 25,000	\$ 25,000
<b>TOTAL ENDOWMENT FUNDS</b>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

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

	2014		
	Unrestricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Investment return:			
Investment income	-	-	-
Net appreciation (realized and unrealized)	-	-	-
Contribution from undesignated net assets	-	25,000	25,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**NOTE 17 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Crusade to concentration of credit risk consist principally of cash and investments. The Crusade places its cash and cash investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Crusade's cash balances may exceed the amount of the FDIC insurance coverage.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATING REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Fiscal Year Ended June 30, 2014

	ADMINISTRATIVE AND SUPPORT PROGRAMS	SCHOLARSHIP PROGRAM	TOTAL
<u>OPERATING REVENUES</u>			
Grant - Federal	\$ 2,868,137	\$ 250,000	\$ 3,118,137
Grant - State of Rhode Island	356,538	-	356,538
Grants - other	549,626	-	549,626
Contributions	34,900	1,000	35,900
Special events, net of \$5,130	20,170	-	20,170
Interest and dividends	56,829	124,733	181,562
Net realized gain on investments	112,382	246,665	359,047
Net unrealized gain in investments	284,409	624,247	908,656
In-kind support	578,553	-	578,553
<b>TOTAL OPERATING REVENUES</b>	<u>4,861,544</u>	<u>1,246,645</u>	<u>6,108,189</u>
<u>OPERATING EXPENSES</u>			
Personnel costs	2,949,365	13,056	2,962,421
Other grant program expenses	977,982	-	977,982
Cost of scholarships	-	610,910	610,910
Training	12,992	-	12,992
Consultants	173,136	-	173,136
Printing	41,427	94	41,521
Advertising	122,193	-	122,193
Occupancy costs	143,420	-	143,420
Postage	32,959	149	33,108
Office expenses	53,343	57	53,400
Travel	57,171	-	57,171
Professional fees	35,571	-	35,571
Telephone	14,483	-	14,483
Insurance	40,511	-	40,511
Dues and subscriptions	4,753	-	4,753
Trustee fees	-	42,541	42,541
Interest	7,836	-	7,836
Other	12,772	5,231	18,003
Depreciation	35,942	-	35,942
<b>TOTAL OPERATING EXPENSES</b>	<u>4,715,856</u>	<u>672,038</u>	<u>5,387,894</u>
<b>INCREASE IN NET ASSETS</b>	<u>145,688</u>	<u>574,607</u>	<u>720,295</u>
<b>NET ASSETS - July 1, 2013</b>	<u>227,546</u>	<u>6,373,652</u>	<u>6,601,198</u>
<b>NET ASSETS - June 30, 2014</b>	<u>\$ 373,234</u>	<u>\$ 6,948,259</u>	<u>\$ 7,321,493</u>

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNCTIONAL EXPENSES

Fiscal Year Ended June 30, 2014

With Comparative Totals for the Fiscal Year Ended June 30, 2013

	Program Services	Management and General	Development	2014 Total	2013 Total
Salaries	\$ 1,923,640	\$ 240,496	\$ 202,780	\$ 2,366,916	\$ 2,159,002
Payroll taxes	244,068	30,514	25,728	300,310	205,903
Employee benefits	239,911	29,994	25,290	295,195	356,382
Crusade Club expense	977,982	-	-	977,982	911,795
Cost of scholarships	610,910	-	-	610,910	444,373
Training	12,283	499	210	12,992	4,186
Consultants	163,096	9,090	950	173,136	186,324
Printing	32,429	3,370	5,722	41,521	32,779
Advertising	115,000	5,242	1,951	122,193	94,291
Occupancy	100,394	43,026	-	143,420	134,466
Postage	29,921	1,074	2,113	33,108	31,652
Office expense	37,380	16,020	-	53,400	43,100
Travel	51,874	2,531	2,766	57,171	55,935
Professional fees	14,353	20,665	553	35,571	33,456
Telephone	8,325	6,158	-	14,483	14,203
Insurance	10,128	30,383	-	40,511	26,955
Dues and subscriptions	2,670	668	1,415	4,753	5,816
Interest expense	7,836	-	-	7,836	15,149
Other expenses	12,602	5,401	-	18,003	13,223
Depreciation	25,159	10,783	-	35,942	-
Total Expenses	\$ 4,619,961	\$ 455,914	\$ 269,478	\$ 5,345,353	\$ 4,768,990