

GENERAL ALUMNI ASSOCIATION OF THE UNIVERSITY OF MAINE, INC.

REPORT ON FINANCIAL STATEMENTS

For the Year Ended June 30, 2015
(With comparative totals for 2014)

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Independent Accountant's Review Report

Board of Directors
General Alumni Association of the University of Maine, Inc.

We have reviewed the accompanying statements of financial position of the General Alumni Association of the University of Maine, Inc. (a nonprofit organization) as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The supplementary information included in the accompanying Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the financial statements, and we did not become aware of any material modifications that should be made to such information.

Brantner Thibodeau & Associates

June 20, 2016
Bangor, Maine

General Alumni Association of the University of Maine, Inc.
Statement of Financial Position
June 30, 2015
(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and equivalents	\$ 209,001	\$ 206,524
Certificates of deposit	245,149	261,957
Accounts receivable	206,827	181,253
Promises to give	2,570	6,245
Prepaid expenses and deposits	3,161	17,035
Equipment and software, net of accumulated depreciation and amortization of \$212,018 and \$198,628, respectively	29,473	31,426
Long-term investments - board designated endowment	197,053	212,826
Beneficial interest in endowments	763,463	694,841
Cash surrender value of life insurance	209,948	262,836
Restricted cash and certificates of deposit	373,318	373,318
Equity in Buchanan Alumni House	2,657,103	2,658,709
	<u>2,657,103</u>	<u>2,658,709</u>
Total assets	<u>\$ 4,897,066</u>	<u>\$ 4,906,970</u>
LIABILITIES		
Accounts payable	\$ 29,881	\$ 60,549
Accrued expenses	24,989	42,285
Deferred revenues	38,863	36,141
	<u>38,863</u>	<u>36,141</u>
Total liabilities	<u>93,733</u>	<u>138,975</u>
NET ASSETS		
Unrestricted net assets	2,925,383	2,866,752
Temporarily restricted net assets	531,221	570,248
Permanently restricted net assets	1,346,729	1,330,995
	<u>1,346,729</u>	<u>1,330,995</u>
Total net assets	<u>4,803,333</u>	<u>4,767,995</u>
Total liabilities and net assets	<u>\$ 4,897,066</u>	<u>\$ 4,906,970</u>

General Alumni Association of the University of Maine, Inc.
Statement of Activities
For the Year Ended June 30, 2015
(With comparative totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2015	2014
REVENUE, GAINS AND RECLASSIFICATION					
Contributions	\$ 211,959	\$ 88,764	\$ 57,019	\$ 357,742	\$ 452,856
Program sponsorship income	108,375	-	-	108,375	103,939
University support	417,540	-	-	417,540	403,752
Alumni events	-	115,349	-	115,349	98,202
Advertising and sales	1,650	-	-	1,650	1,000
Commissions and royalties	93,750	-	-	93,750	85,624
Realized and unrealized (loss) gain on endowment assets	(15,792)	-	(46,129)	(61,921)	63,204
Investment Income - endowment	30,069	-	-	30,069	25,587
Interest income	6,918	-	-	6,918	10,653
Tuition raffle	24,410	-	-	24,410	17,115
Reimbursements and other	49,519	-	-	49,519	47,879
Alumni House/Reception Center joint venture loss	(55,606)	-	-	(55,606)	(73,779)
Increase in cash surrender value of life insurance	-	-	4,844	4,844	5,316
Net assets released from restrictions	243,140	(243,140)	-	-	-
Total revenue, gains and reclassification	1,115,932	(39,027)	15,734	1,092,639	1,241,348
EXPENSES AND LOSSES					
Program services	647,895	-	-	647,895	702,790
Management and general	266,572	-	-	266,572	280,604
Other	142,834	-	-	142,834	124,587
Total expenses	1,057,301	-	-	1,057,301	1,107,981
Change in net assets	58,631	(39,027)	15,734	35,338	133,367
NET ASSETS , BEGINNING OF YEAR	2,866,752	570,248	1,330,995	4,767,995	4,634,628
NET ASSETS, END OF YEAR	<u>\$ 2,925,383</u>	<u>\$ 531,221</u>	<u>\$ 1,346,729</u>	<u>\$4,803,333</u>	<u>\$4,767,995</u>

General Alumni Association of the University of Maine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2015
(With comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 35,338	\$ 133,367
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	13,390	12,731
Loss on equity method investment	55,606	73,778
Increase in cash surrender value of life insurance policies	(4,844)	(5,316)
Net realized and unrealized gain on endowment assets	(52,849)	(206,905)
Contributions to Alumni House joint venture	(54,000)	(54,000)
(Increase) decrease in operating assets		
Accounts receivables	(25,574)	(76,668)
Promises to give	3,675	2,675
Prepaid expenses and deposits	13,874	(12,270)
Increase (decrease) in operating liabilities		
Accounts payable	(30,668)	1,806
Accrued expenses	(17,296)	11,680
Deferred revenues	2,722	31,101
Total adjustments	<u>(95,964)</u>	<u>(221,388)</u>
Net cash used by operating activities	<u>(60,626)</u>	<u>(88,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from life insurance policy	57,732	-
Purchases of property and equipment	(11,437)	(3,361)
Redemption of certificates of deposit	16,808	83,270
Net cash provided by investing activities	<u>63,103</u>	<u>79,909</u>
Net increase (decrease) in cash and equivalents	2,477	(8,112)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>206,524</u>	<u>214,636</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 209,001</u>	<u>\$ 206,524</u>

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

General Alumni Association of the University of Maine, Inc. (the Association) (a nonprofit corporation) is an alumni relations partner for the University of Maine (the University). The Association represents the interests of all alumni who share the common bond of having attended the University. The Association represents the alumni's thinking and their expectations to the University's leadership, to the student community, and to the residents and elected officials of Maine. The Association is the independent voice of the alumni. Additionally, the Association represents the interests of the University to the alumni. The Association provides alumni with relevant programs, events, networking, information and incentives to encourage them to engage in an enriching lifelong connection with the University that benefits both the University and the alumni.

Net Assets

Net assets are classified as follows:

Unrestricted net assets are available for support of the Association's programs or any other purpose deemed appropriate by the Association's Board of Directors.

Temporarily restricted net assets represent class funds the Association holds to be expended in the name of graduating classes, and other contributions restricted to specific purposes.

Permanently restricted net assets consist of a life insurance endowment program in which the Association is the owner and beneficiary of the policies and funds and contributions received from donors, whereby the income is restricted to the annual "Golden M" award and the general operations of the Association. All permanently restricted net assets are required to be invested in perpetuity.

Estimates

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

Basis of Accounting

The Association prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Association maintains its cash and certificates of deposit balances in a single credit union located in Orono, Maine. These balances at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant risk on cash and certificates of deposit

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Beneficial Interest in Endowments

The Association is beneficiary of income from certain donor established, endowed funds held at the University of Maine Foundation. Under the terms of the funds, the Association has the irrevocable right to receive the earnings as determined by the spending policy established by the Foundation's board of directors. The fair value of the beneficial interest is recognized as an asset and as a permanently restricted contribution at the date of the gift. The Association's estimate of fair value at each reporting date is based on market value information received from the Foundation. Distributions of income from the funds are reported as investment income by the Association. Gains and losses, which are not distributed, are reflected as the change in value of beneficial interest in endowments.

Long-term Investments – Board Designated Endowment

The Association has invested unrestricted gifts in the General Endowment Pool at the University of Maine Foundation (Foundation). The investment is valued based on current market values of the underlying assets as provided by the Foundation. The investment may be withdrawn at any time. The Association manages the investment as an endowment receiving a distribution based on the general spending policy of the Foundation of 4.25% of the average market value of the General Endowment Pool for the previous five years ending December 31.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Promises to give, less an allowance for uncollectible pledges when applicable, are recorded at the amount pledged, which does not differ materially from their present value.

Equipment and Software

Equipment with a useful life of more than one year is capitalized and recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. Software is amortized using the straight-line method over its useful life. Depreciation expense for the years ended June 30, 2015 and 2014 was \$10,256 and \$9,418 and amortization expense was \$3,134 and \$3,313 respectively.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues

Deferred revenues represent amounts received for future services and events.

Income Taxes

The Association is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue code. However, income from certain activities not directly related to the Associations' tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Association's Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they are filed.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information only in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Functional Allocation of Expenses

The cost of providing the Association's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and management and general activities.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. CASH SURRENDER VALUE OF LIFE INSURANCE

The Association is owner and beneficiary of certain life insurance policies on Association members. The cash surrender value as of June 30, 2015 was \$209,948. This represents the value of the policies if they were cancelled as of the statement of financial position date. The total death benefit due to the Association upon the deaths of those insured for 2015 was \$609,391.

3. DEFINED CONTRIBUTION PLAN

The Association sponsors a defined contribution plan covering all employees meeting age and service requirements. The Association matches each employee's contribution to the plan, up to 6% of their salary. The Association made contributions of \$19,560 and \$26,579 for the years ended June 30, 2015 and 2014, respectively.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

4. BUCHANAN ALUMNI HOUSE

On October 19, 1999, the Association and University of Maine entered into an agreement as co-owners of the Buchanan Alumni House. The owners did not create a partnership and each owns an undivided 50% interest in the building and land lease.

The Buchanan Alumni House provides office space for the Association and the Foundation to conduct their respective charitable and non-profit missions. The facility acts as the front door to the University of Maine providing a home for Maine's many alumni and friends. Buchanan Alumni House serves all campus visitors providing the University with function space to welcome and host alumni, prospective students, faculty, campus guests, and visiting dignitaries.

The Alumni House/Reception Center joint venture is accounted for by the equity method. Joint venture assets, liabilities, revenues and expenses for 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Investments	\$ 347,966	\$ 330,340
Land, buildings and equipment	5,342,331	5,412,788
Other assets	1,260	300
Accounts payable	(15,006)	(9,104)
Accrued expenses	(1,291)	(1,054)
Notes payable	<u>(361,054)</u>	<u>(415,854)</u>
Unrestricted net assets	<u>\$ 5,314,206</u>	<u>\$ 5,317,416</u>
Revenue	\$ 490,266	\$ 443,139
Expenses	<u>(493,476)</u>	<u>(482,697)</u>
Decrease in net assets	<u>\$ (3,210)</u>	<u>\$ (39,558)</u>

The Association and the Foundation each are responsible for 50% of the operating costs of the Alumni House/Reception Center. The Association paid \$108,000 to the joint venture for the years ended June 30, 2015 and 2014 for operating expenses. This amount is included in revenue of the joint venture. Of this amount, \$54,000 is included as rent expense in the Association's statement of activities, and the remainder is included in Alumni House/Reception Center joint venture loss to eliminate the effects of inter-entity transactions for purposes of the equity method.

5. ENDOWMENT NET ASSETS

The following summarizes the activity in the endowment assets held at the University of Maine Foundation for the year ended June 30, 2015:

	<u>Board Designated</u>	<u>Beneficial Interest</u>	<u>Total</u>
Beginning net assets at June 30, 2014	\$212,826	\$694,841	\$907,667
Investment earnings and income	(15,773)	(46,129)	(61,902)
Contributions and additions	-	114,751	114,751
Endowment net assets at June 30, 2015	<u>\$197,053</u>	<u>\$763,463</u>	<u>\$960,516</u>

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

5. ENDOWMENT NET ASSETS (CONTINUED)

The following summarizes the activity in the endowment assets held at the University of Maine Foundation for the year ended June 30, 2014:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2013	\$ 190,351	\$510,411	\$700,762
Investment earnings and income	17,521	45,681	63,202
Contributions and additions	4,954	138,749	143,703
Endowment net assets at June 30, 2014	\$212,826	\$694,841	\$907,667

6. UNIVERSITY AGREEMENT

On July 1, 2013 The Association entered into an agreement with the University whereby the University will support the Association for alumni relations programming. Under this agreement, the University will provide \$620,000 annually through the year ending June 30, 2015. Accounts receivable includes \$197,540 due from the University under this agreement at June 30, 2015.

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 20, 2016, which is the date the financial statements were available to be issued.

General Alumni Association of the University of Maine, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2015
(With comparative totals for 2014)

	Program Services	Management and General	Other	Total Expenses	
				2015	2014
Salaries, benefits and payroll taxes	389,224	140,260	-	529,484	635,511
University support	14,030	-	-	14,030	13,385
Reunion class project	-	-	64,345	64,345	51,292
Scholarships and other expenses	-	-	78,489	78,489	73,295
Alumni events	48,841	-	-	48,841	60,527
Printing and postage	90,056	32,453	-	122,509	85,003
Advertising and news clip services	1,370	-	-	1,370	2,522
Travel and related expenses	22,080	-	-	22,080	20,373
Rent	39,695	14,305	-	54,000	54,000
Telephone and internet	3,042	1,096	-	4,138	3,987
Depreciation and amortization	9,843	3,547	-	13,390	12,731
Awards and recognition	6,852	-	-	6,852	8,931
Administration costs	-	16,462	-	16,462	19,429
Supplies	7,993	2,880	-	10,873	16,993
Professional services and consulting	-	38,745	-	38,745	11,186
Service contracts and maintenance	7,697	2,774	-	10,471	2,436
Income taxes	-	11,466	-	11,466	13,370
Memberships and conferences	7,172	2,584	-	9,756	23,010
Total functional expenses (Exhibit B)	<u>\$ 647,895</u>	<u>\$ 266,572</u>	<u>\$ 142,834</u>	<u>\$ 1,057,301</u>	<u>\$ 1,107,981</u>