

**GENERAL ALUMNI ASSOCIATION OF THE UNIVERSITY OF MAINE, INC.**

**REPORT ON FINANCIAL STATEMENTS**

For the Year Ended June 30, 2016  
(With comparative totals for 2015)

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of General Alumni Association of the University of Maine, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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'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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

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 accordance with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

### **Summarized Comparative Information**

We previously reviewed General Alumni Association of the University of Maine, Inc. 2015 financial statements and in our conclusion dated June 20, 2016, stated that based on our review, we were not aware of any material modifications that should be made to the 2015 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2015, for it to be consistent with the reviewed financial statements from which it has been derived.

*Brantner Thibodeau & Associates*

Bangor, Maine  
March 30, 2017

**General Alumni Association of the University of Maine, Inc.**  
**Statement of Financial Position**  
**June 30, 2016**  
**(With comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 120,310	\$ 209,001
Certificates of deposit	248,867	245,149
Accounts receivable	159,467	206,827
Promises to give	6,300	2,570
Prepaid expenses and deposits	2,224	3,161
Equipment and software, net of accumulated depreciation and amortization of \$190,316 and \$212,018, respectively	23,784	29,473
Long-term investments - board designated endowment	176,436	197,053
Beneficial interest in endowments	1,088,332	763,463
Cash surrender value of life insurance	215,016	209,948
Restricted cash and certificates of deposit	-	373,318
Equity in Buchanan Alumni House	2,625,658	2,657,103
	<u>2,625,658</u>	<u>2,657,103</u>
Total assets	<u>\$ 4,666,394</u>	<u>\$ 4,897,066</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 30,117	\$ 29,881
Accrued expenses	26,183	24,989
Deferred revenues	26,645	38,863
	<u>26,645</u>	<u>38,863</u>
Total liabilities	<u>82,945</u>	<u>93,733</u>
<b>NET ASSETS</b>		
Unrestricted net assets	2,809,820	2,925,383
Temporarily restricted net assets	470,281	531,221
Permanently restricted net assets	1,303,348	1,346,729
	<u>1,303,348</u>	<u>1,346,729</u>
Total net assets	<u>4,583,449</u>	<u>4,803,333</u>
Total liabilities and net assets	<u>\$ 4,666,394</u>	<u>\$ 4,897,066</u>

**General Alumni Association of the University of Maine, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**  
**(With comparative totals for 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
<b>REVENUE, GAINS, (LOSSES) AND RECLASSIFICATION</b>					
Contributions	\$ 239,991	\$ 65,377	\$ -	\$ 305,368	\$ 357,742
Program sponsorship income	97,288	-	-	97,288	108,375
University support	378,947	-	-	378,947	417,540
Alumni events	-	96,467	-	96,467	115,349
Advertising and sales	4,540	-	-	4,540	1,650
Commissions and royalties	96,047	-	-	96,047	93,750
Realized and unrealized loss on endowment assets	(20,727)	-	(48,449)	(69,176)	(61,921)
Investment Income	37,010	2,723	-	39,733	30,069
Interest income	5,951	-	-	5,951	6,918
Tuition raffle	29,337	-	-	29,337	24,410
Reimbursements and Other	50,852	-	-	50,852	49,519
Alumni House/Reception Center joint venture loss	(85,445)	-	-	(85,445)	(55,606)
Increase in cash surrender value of life insurance	-	-	5,068	5,068	4,844
Net assets released from restrictions	225,507	(225,507)	-	-	-
Total revenue, gains, (losses) and reclassification	1,059,298	(60,940)	(43,381)	954,977	1,092,639
<b>EXPENSES AND LOSSES</b>					
Program services	878,659	-	-	878,659	647,895
Management and general	296,202	-	-	296,202	266,572
Other	-	-	-	-	142,834
Total expenses	1,174,861	-	-	1,174,861	1,057,301
Change in net assets	(115,563)	(60,940)	(43,381)	(219,884)	35,338
<b>NET ASSETS , BEGINNING OF YEAR</b>	2,925,383	531,221	1,346,729	4,803,333	4,767,995
<b>NET ASSETS, END OF YEAR</b>	\$ 2,809,820	\$ 470,281	\$ 1,303,348	\$4,583,449	\$4,803,333

**General Alumni Association of the University of Maine, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**  
**(With comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (219,884)	\$ 35,338
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,497	13,390
Loss on equity method investment	85,445	55,606
Increase in cash surrender value of life insurance policies	(5,068)	(4,844)
Net realized and unrealized gain on endowment assets	69,066	(52,849)
Contributions to Alumni House joint venture	(54,000)	(54,000)
(Increase) decrease in operating assets		
Accounts receivables	47,360	(25,574)
Promises to give	(3,730)	3,675
Prepaid expenses and deposits	937	13,874
Increase (decrease) in operating liabilities		
Accounts payable	236	(30,668)
Accrued expenses	1,194	(17,296)
Deferred revenues	(12,218)	2,722
Total adjustments	<u>135,719</u>	<u>(95,964)</u>
Net cash used by operating activities	<u>(84,165)</u>	<u>(60,626)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from life Insurance policy	-	57,732
Purchases of property and equipment	(808)	(11,437)
Redemption (additions) of certificates of deposit	<u>(3,718)</u>	<u>16,808</u>
Net cash provided (used) by investing activities	<u>(4,526)</u>	<u>63,103</u>
Net increase (decrease) in cash and equivalents	(88,691)	2,477
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>209,001</u>	<u>206,524</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 120,310</u>	<u>\$ 209,001</u>

**General Alumni Association of the University of Maine, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016**

**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, 2016 and 2015 was \$6,241 and \$10,256 and amortization expense was \$256 and \$3,134 respectively.



**General Alumni Association of the University of Maine, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2013, 2014 and 2015 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, 2015, 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.

**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, 2016 was \$215,016. 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 2016 was \$769,876.

**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 \$11,619 and \$19,560 for the years ended June 30, 2016 and 2015, respectively.

**General Alumni Association of the University of Maine, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**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 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Investments	\$ 280,856	\$ 347,966
Land, buildings and equipment	5,288,156	5,342,331
Other assets	1,259	1,260
Accounts payable	(12,449)	(15,006)
Accrued expenses	(1,913)	(1,291)
Notes payable	<u>(304,594)</u>	<u>(361,054)</u>
Unrestricted net assets	<u>\$ 5,251,315</u>	<u>\$ 5,314,206</u>
Revenue	\$ 463,057	\$ 490,266
Expenses	<u>(525,948)</u>	<u>(493,476)</u>
Decrease in net assets	<u>\$ (62,891)</u>	<u>\$ (3,210)</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, 2016 and 2015 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.

**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, 2016:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2015	\$197,053	\$ 763,463	\$ 960,516
Investment earnings and income (losses)	(20,617)	(48,559)	(69,176)
Contributions and additions	-	373,428	373,428
Endowment net assets at June 30, 2016	<u>\$176,436</u>	<u>\$1,088,332</u>	<u>\$1,264,768</u>

**General Alumni Association of the University of Maine, Inc.**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2015:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2014	\$212,826	\$694,841	\$907,667
Investment earnings and income (losses)	(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>

**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, 2016. Accounts receivable includes \$158,947 due from the University under this agreement at June 30, 2016.

**7. SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 30, 2017 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, 2016**  
**(With comparative totals for 2015)**

	Program Services	Program Class/ Interest Groups	Total	Management and General	Total Expenses	
					2016	2015
Salaries, benefits and payroll taxes	\$ 399,830	\$ -	\$ 399,830	\$ 128,219	\$ 528,049	\$ 529,484
University support	12,299	-	12,299	-	12,299	14,030
Reunion class project	-	24,129	24,129	-	24,129	64,345
Scholarships and other expenses	-	140,861	140,861	-	140,861	78,489
Alumni events	48,903	-	48,903	-	48,903	48,841
Printing and postage	112,822	-	112,822	36,180	149,002	122,509
Advertising and news clip services	2,131	-	2,131	-	2,131	1,370
Travel and related expenses	49,009	-	49,009	-	49,009	22,080
Rent	40,888	-	40,888	13,112	54,000	54,000
Telephone and internet	2,207	-	2,207	708	2,915	4,138
Depreciation and amortization	4,919	-	4,919	1,578	6,497	13,390
Awards and recognition	4,241	-	4,241	-	4,241	6,852
Administration costs	-	-	-	20,106	20,106	16,462
Supplies	7,582	-	7,582	2,432	10,014	10,873
Professional services and consulting	-	-	-	75,728	75,728	38,745
Public relations	19,626	-	19,626	-	19,626	-
Service contracts and maintenance	2,376	-	2,376	762	3,138	10,471
Income taxes	-	-	-	15,185	15,185	11,466
Memberships and conferences	6,836	-	6,836	2,192	9,028	9,756
<b>Total functional expenses (Exhibit B)</b>	<b>\$ 713,669</b>	<b>\$ 164,990</b>	<b>\$ 878,659</b>	<b>\$ 296,202</b>	<b>\$ 1,174,861</b>	<b>\$ 1,057,301</b>