

GENERAL ALUMNI ASSOCIATION OF THE UNIVERSITY OF MAINE, INC.

REPORT ON FINANCIAL STATEMENTS

For the Year Ended June 30, 2018
(With comparative totals for 2017)

CONTENTS

	Exhibit	Page
Independent Accountant's Review Report		3
Financial Statements		
Statement of financial position	A	4
Statement of activities	B	5
Statement of cash flows	C	6
Notes to financial statements		7-11
Schedule		
Schedule of functional expenses	1	12



674 Mt Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

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, 2018, 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.'s 2017 financial statements and in our conclusion dated February 20, 2018 stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

Brantner Thibodeau & Associates

Bangor, Maine
July 19, 2019

General Alumni Association of the University of Maine, Inc.
Statement of Financial Position
June 30, 2018
(With comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 137,498	\$ 83,647
Certificates of deposit	258,174	265,896
Accounts receivable	76,032	139,024
Promises to give	5,250	6,000
Prepaid expenses and deposits	2,248	1,861
Equipment and software, net of accumulated depreciation and amortization of \$200,935 and \$195,408, respectively	17,857	18,692
Long-term investments - board designated endowment	167,671	157,658
Beneficial interest in endowments	1,269,731	1,212,927
Cash surrender value of life insurance	218,979	218,303
Equity in Buchanan Alumni House	2,684,492	2,681,724
	<u>2,684,492</u>	<u>2,681,724</u>
Total assets	<u>\$ 4,837,932</u>	<u>\$ 4,785,732</u>
LIABILITIES		
Accounts payable	\$ 40,746	\$ 23,900
Accrued expenses	36,768	22,638
Deferred revenues	21,075	22,300
	<u>21,075</u>	<u>22,300</u>
Total liabilities	<u>98,589</u>	<u>68,838</u>
NET ASSETS		
Unrestricted net assets	2,785,139	2,816,878
Temporarily restricted net assets	465,494	468,786
Permanently restricted net assets	1,488,710	1,431,230
	<u>1,488,710</u>	<u>1,431,230</u>
Total net assets	<u>4,739,343</u>	<u>4,716,894</u>
Total liabilities and net assets	<u>\$ 4,837,932</u>	<u>\$ 4,785,732</u>

General Alumni Association of the University of Maine, Inc.
Statement of Activities
For the Year Ended June 30, 2018
(With comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
REVENUE, GAINS AND RECLASSIFICATION					
Contributions	\$ 150,051	\$ 64,243	\$ -	\$ 214,294	\$ 237,954
Program sponsorship income	155,125	-	-	155,125	105,000
University support	468,438	-	-	468,438	459,024
Alumni events	113,282	21,179	-	134,461	121,103
Advertising and sales	-	-	-	-	3,780
Commissions and royalties	100,225	-	-	100,225	96,542
Realized and unrealized gain on endowment assets	10,013	-	56,804	66,817	143,817
Investment income	31,519	5,894	-	37,413	26,621
Interest income	5,252	-	-	5,252	5,258
Tuition raffle	31,031	-	-	31,031	32,211
Reimbursements and other	58,791	-	-	58,791	67,989
Alumni House/Reception Center joint venture gain (loss)	(46,732)	-	-	(46,732)	2,067
Increase in cash surrender value of life insurance	-	-	676	676	3,287
Net assets released from restrictions	94,608	(94,608)	-	-	-
Total revenue, gains and reclassification	<u>1,171,603</u>	<u>(3,292)</u>	<u>57,480</u>	<u>1,225,791</u>	<u>1,304,653</u>
EXPENSES AND LOSSES					
Program	917,338	-	-	917,338	886,138
Management and general	286,004	-	-	286,004	285,070
Total expenses	<u>1,203,342</u>	<u>-</u>	<u>-</u>	<u>1,203,342</u>	<u>1,171,208</u>
Change in net assets	(31,739)	(3,292)	57,480	22,449	133,445
NET ASSETS , BEGINNING OF YEAR	<u>2,816,878</u>	<u>468,786</u>	<u>1,431,230</u>	<u>4,716,894</u>	<u>4,583,449</u>
NET ASSETS, END OF YEAR	<u>\$ 2,785,139</u>	<u>\$ 465,494</u>	<u>\$ 1,488,710</u>	<u>\$4,739,343</u>	<u>\$4,716,894</u>

General Alumni Association of the University of Maine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018
(With comparative totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,449	\$ 133,445
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,527	5,092
Loss on equity method investment	46,732	(2,066)
Increase in cash surrender value of life insurance policies	(676)	(3,287)
Net realized and unrealized gain on endowment assets	(66,817)	(105,817)
Contributions to Alumni House joint venture	(49,500)	(54,000)
(Increase) decrease in operating assets		
Accounts receivables	62,992	20,443
Promises to give	750	300
Prepaid expenses and deposits	(387)	363
Increase (decrease) in operating liabilities		
Accounts payable	16,846	(6,217)
Accrued expenses	14,130	(3,545)
Deferred revenues	(1,225)	(4,345)
Total adjustments	28,372	(153,079)
Net cash provided (used) by operating activities	50,821	(19,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,692)	-
Redemption (purchase) of certificates of deposit	7,722	(17,029)
Net cash provided (used) by investing activities	3,030	(17,029)
Net increase (decrease) in cash and equivalents	53,851	(36,663)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	83,647	120,310
CASH AND EQUIVALENTS, END OF YEAR	\$ 137,498	\$ 83,647

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2018

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 also 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 and interest group 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, 2018

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 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 (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. The Association receives a distribution based on the general spending policy of the Foundation.

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For the year ended June 30, 2017, the spending policy is 4.5% of the average market value for the five previous years ending December 31.

For the fiscal year beginning July 1, 2017, the Foundation Board approved a spending policy with a target spending rate of 4.5% consisting of a 3.25% distribution to the University and 1.25% administrative fee. Distributions are calculated as of December 31 of the previous year based on trailing twelve quarter average market value of the endowment pool. For subsequent fiscal years, distributions will be calculated as of September 30.

Long-term investments – Board Designated Endowment

The Association has invested unrestricted gifts in the General Endowment Pool at the 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.

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.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017 was \$5,527 and \$5,092, respectively.

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, 2015, 2016 and 2017 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, 2017, 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, 2018 was \$218,979. 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 2018 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 \$22,486 and \$22,076 for the years ended June 30, 2018 and 2017, respectively.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2018

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 University of Maine 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. Total joint venture assets, liabilities, revenues and expenses for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Investments	\$ 264,216	\$ 208,060
Land, buildings and equipment	4,858,985	4,925,816
Land held under long-term lease	250,000	250,000
Other assets	9,280	1,440
Accounts payable	<u>(13,497)</u>	<u>(21,868)</u>
Unrestricted net assets	<u>\$ 5,368,984</u>	<u>\$ 5,363,448</u>
Revenue	\$ 508,607	\$ 648,127
Expenses	<u>(503,071)</u>	<u>(535,994)</u>
Increase in net assets	<u>\$ 5,536</u>	<u>\$ 112,133</u>

The Association and the University of Maine Foundation each are responsible for 50% of the operating costs of the Alumni House/Reception Center. The Association paid \$99,000 to the joint venture for the year ended June 30, 2018 and \$108,000 for the year ended June 30, 2017 for operating expenses. This amount is included in revenue of the joint venture. Of this amount, \$49,500 and \$54,000, respectively 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, 2018:

	<u>Board Designated</u>	<u>Beneficial Interest</u>	<u>Total</u>
Beginning net assets at June 30, 2017	\$157,658	\$1,212,927	\$1,370,585
Investment earnings and income	10,013	76,418	86,431
Withdrawals		(31,519)	(31,519)
Contributions and additions	-	11,905	11,905
Endowment net assets at June 30, 2018	<u>\$167,671</u>	<u>\$1,269,731</u>	<u>\$1,437,402</u>

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2018

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, 2017:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2016	\$176,436	\$1,088,332	\$1,264,768
Investment earnings and income (losses)	19,222	121,359	140,581
Withdrawals	(38,000)	(20,885)	(58,885)
Contributions and additions	-	24,121	24,121
Endowment net assets at June 30, 2017	<u>\$157,658</u>	<u>\$1,212,927</u>	<u>\$1,370,585</u>

6. UNIVERSITY AGREEMENT

On May 11, 2017 the University of Maine Foundation entered into an agreement with the University whereby the Foundation will support the Association for alumni relations programming. Under this agreement, the Foundation will provide \$620,000 annually. Accounts receivable includes \$68,438 due from the Foundation under this agreement at June 30, 2018.

7. SUBSEQUENT EVENTS

Subsequent events were evaluated through July 19, 2019 which is the date the financial statements were available to be issued, and has determined that there were no material subsequent events requiring adjustments to or disclosure in the financial statements, other than noted above.

General Alumni Association of the University of Maine, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2018
(With comparative totals for 2017)

	Program Services	Program Class/ Interest Groups	Total Program	Management and General	Total Expenses	
					2018	2017
Salaries, benefits and payroll taxes	\$ 456,992	\$ -	\$ 456,992	\$ 144,313	\$ 601,305	\$ 554,266
University support	13,895	-	13,895	-	13,895	12,645
Reunion class project	-	25,259	25,259	-	25,259	10,595
Scholarships and other expenses	-	58,624	58,624	-	58,624	128,630
Alumni events	105,751	-	105,751	-	105,751	55,943
Printing and postage	112,855	-	112,855	35,639	148,494	150,833
Advertising and news clip services	1,737	-	1,737	-	1,737	2,219
Travel and related expenses	44,129	-	44,129	-	44,129	43,958
Rent	37,620	-	37,620	11,880	49,500	54,000
Telephone and internet	3,507	-	3,507	1,108	4,615	2,618
Depreciation and amortization	4,201	-	4,201	1,326	5,527	5,092
Awards and recognition	21,147	-	21,147	-	21,147	5,763
Administration costs	-	-	-	15,918	15,918	19,226
Supplies	9,156	-	9,156	2,892	12,048	15,217
Professional services and consulting	-	-	-	69,131	69,131	69,054
Public Relations	10,440	-	10,440	-	10,440	17,699
Service contracts and maintenance	8,938	-	8,938	2,822	11,760	17,939
Memberships and conferences	3,087	-	3,087	975	4,062	5,511
Total functional expenses (Exhibit B)	<u>\$ 833,455</u>	<u>\$ 83,883</u>	<u>\$ 917,338</u>	<u>\$ 286,004</u>	<u>\$ 1,203,342</u>	<u>\$ 1,171,208</u>