

GENERAL ALUMNI ASSOCIATION OF THE UNIVERSITY OF MAINE, INC.

REPORT ON FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(With comparative totals for 2020)

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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, 2021, the related statements of activities, statement of functional expenses 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.

Summarized Comparative Information

We previously reviewed General Alumni Association of the University of Maine, Inc.'s 2020 financial statements and in our conclusion dated January 24, 2022 stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Brantner Thibodeau & Associates

Bangor, Maine
November 14, 2022

General Alumni Association of the University of Maine, Inc.
Statement of Financial Position
June 30, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and equivalents	\$ 206,580	\$ 97,760
Certificates of deposit	295,397	294,512
Accounts receivable	43,246	27,587
Gifts and donations in process receivable	73,381	89,502
Prepaid expenses and deposits	12,897	1,335
Property and equipment:		
Leasehold improvements	15,103	15,103
Equipment	32,909	73,372
Furniture	10,671	13,999
Total property and equipment	<u>58,683</u>	<u>102,474</u>
Less accumulated depreciation	<u>(48,053)</u>	<u>(88,943)</u>
Net property and equipment	10,630	13,531
Long-term investments - board designated endowment	224,560	170,745
Beneficial interest in endowments	1,634,816	1,272,023
Cash surrender value of life insurance	211,604	209,263
Equity in Buchanan Alumni House	<u>2,662,346</u>	<u>2,679,331</u>
 Total assets	 <u><u>\$ 5,375,457</u></u>	 <u><u>\$ 4,855,589</u></u>
LIABILITIES		
Accounts payable	\$ 9,369	\$ 6,889
Accrued expenses	49,154	46,018
Deferred revenues	<u>40,570</u>	<u>15,120</u>
 Total liabilities	 <u>99,093</u>	 <u>68,027</u>
NET ASSETS		
Without restrictions	2,965,268	2,899,370
With restrictions	<u>2,311,096</u>	<u>1,888,192</u>
 Total net assets	 <u>5,276,364</u>	 <u>4,787,562</u>
 Total liabilities and net assets	 <u><u>\$ 5,375,457</u></u>	 <u><u>\$ 4,855,589</u></u>

General Alumni Association of the University of Maine, Inc
Statement of Activities
For the Year Ended June 30, 2021
(With comparative totals for 2020)

	Without	With	Totals	
	Restrictions	Restrictions	2021	2020
REVENUE, GAINS AND RECLASSIFICATION				
Contributions	\$ 402,586	\$ 84,690	\$ 487,276	\$ 455,241
Program sponsorship income	226,455	-	226,455	158,412
University support	220,000	-	220,000	220,000
Alumni events	75	-	75	69,711
Advertising and sales	6,400	466	6,866	15,800
Commissions and royalties	72,873	-	72,873	73,400
Realized and unrealized gain (loss) on endowment assets	53,840	394,789	448,629	(958)
Investment income (loss) net of fees	(25)	(158)	(183)	(1,232)
Interest income	-	4,342	4,342	5,564
Tuition raffle	13,047	-	13,047	21,998
Reimbursements and other	61,463	-	61,463	59,266
Alumni House/Reception Center joint venture gain (loss)	(66,485)	-	(66,485)	(41,985)
Change in cash surrender value of life insurance	-	2,341	2,341	(9,716)
Governmental grant contribution - PPP loan funds	-	-	-	123,000
Net assets released from restrictions	63,566	(63,566)	-	-
Total revenue, gains and reclassification	1,053,795	422,904	1,476,699	1,148,501
EXPENSES AND LOSSES				
Program services	689,699	-	689,699	842,038
Management and general	298,198	-	298,198	266,143
Total expenses and losses	987,897	-	987,897	1,108,181
Change in net assets	65,898	422,904	488,802	40,320
NET ASSETS, BEGINNING OF YEAR	2,899,370	1,888,192	4,787,562	4,747,242
NET ASSETS, END OF YEAR	\$ 2,965,268	\$ 2,311,096	\$5,276,364	\$4,787,562

General Alumni Association of the University of Maine, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With comparative totals for 2020)

	Program Services	Management and General	Total Expenses	
			2021	2020
Salaries, benefits and payroll taxes	\$ 497,905	\$ 157,233	\$ 655,138	\$ 654,532
University support	16,957	-	16,957	59,927
Alumni events	-	-	-	84,495
Printing, postage and related services	118,411	-	118,411	122,082
Travel and related expenses	-	3,284	3,284	10,721
Rent	37,620	11,880	49,500	49,500
Telephone and internet	-	2,456	2,456	3,400
Depreciation	-	2,901	2,901	5,880
Awards and recognition	17,302	-	17,302	19,200
Administration costs	-	21,871	21,871	30,154
Supplies and merchandise	-	-	-	8,580
Professional services and consulting	-	97,536	97,536	52,998
Public relations and promotions	1,504	-	1,504	2,954
Service contracts and maintenance	-	1,037	1,037	2,528
Memberships and conferences	-	-	-	1,230
Total functional expenses (Exhibit B)	<u>\$ 689,699</u>	<u>\$ 298,198</u>	<u>\$ 987,897</u>	<u>\$ 1,108,181</u>

See accompanying notes and
independent accountant's review report.

General Alumni Association of the University of Maine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2021
(With comparative totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 488,802	\$ 40,320
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,901	5,880
Loss on equity method investment	66,485	41,985
(Increase) decrease in cash surrender value of life insurance policies	(2,341)	9,716
Net realized and unrealized (gain) loss on endowment assets	(448,446)	2,190
Contributions to Alumni House joint venture	(49,500)	(49,500)
(Increase) decrease in operating assets		
Accounts receivable	(15,659)	8,595
Gifts and donations in process receivable	16,121	(89,502)
Prepaid expenses and deposits	(11,562)	1,306
Increase (decrease) in operating liabilities		
Accounts payable	2,480	(8,926)
Accrued expenses	3,136	5,633
Deferred revenues	25,450	(14,982)
Total adjustments	(410,935)	(87,605)
Net cash provided by operating activities	77,867	(47,285)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(1,199)
Net redemption (purchase) of investments	31,838	33,994
Redemption (purchase) of certificates of deposit	(885)	(31,167)
Net cash provided by investing activities	30,953	1,628
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt- PPP loan	-	123,000
CASH FLOWS FROM NON-CASH FINANCING ACTIVITIES		
Forgiveness of debt - PPP loan	-	(123,000)
Net change in cash and equivalents	108,820	(45,657)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	97,760	143,417
CASH AND EQUIVALENTS, END OF YEAR	\$ 206,580	\$ 97,760

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2021

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.

Financial Statement Presentation – Net Assets

The Association reports information regarding its financial position and activities according to two classes, net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets with donor restrictions are those subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2021

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 can be exposed to risk on cash and certificates of deposits. At June 30, 2021 the Association's certificate of deposit exceeded federally insured limits by \$45,397.

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 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. 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, 2021, the Foundation's spending policy has 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 September 30 of the previous year based on trailing twelve quarter average market value of the endowment pool.

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 with restrictions or without restrictions, 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, 2021

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. Depreciation expense for the years ended June 30, 2021 and 2020 was \$2,901 and \$5,880, respectively.

Revenue Recognition - 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, 2019, 2020 and 2021 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, 2020, 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. These expenses are allocated on the basis of estimates of time and effort.

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, 2021 was \$211,604. 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 2021 was \$1,042,852.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2021

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 \$25,502 and \$25,614 for the years ended June 30, 2021 and 2020, respectively.

4. LIQUIDITY AND AVAILABILITY

The Association's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash, cash equivalents and CDs	\$ 501,977	\$ 392,272
Accounts receivable	43,246	27,587
Gifts and donations in process receivable	<u>73,381</u>	<u>89,502</u>
	<u>\$ 618,604</u>	<u>\$ 509,361</u>

5. 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 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Cash and investments	\$ 201,635	\$ 260,535
Land, buildings and equipment	4,884,336	4,891,328
Land held under long-term lease	250,000	250,000
Accounts payable	<u>(11,280)</u>	<u>(43,201)</u>
Unrestricted net assets	<u>\$ 5,324,691</u>	<u>\$ 5,358,662</u>
Revenue	\$ 514,020	\$ 526,920
Expenses	<u>(547,991)</u>	<u>(511,892)</u>
Increase/(decrease) in net assets	<u>\$ (33,971)</u>	<u>\$ 15,028</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, 2021 and \$99,000 for the year ended June 30, 2020 for operating expenses. This amount is included in revenue of the joint venture. Of this amount, \$49,500 and \$49,500, 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.

General Alumni Association of the University of Maine, Inc.
Notes to Financial Statements
June 30, 2021

6. 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, 2021:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2020	\$170,745	\$1,272,023	\$1,442,768
Investment earnings and income	53,815	394,631	448,446
Withdrawals	-	(40,049)	(40,049)
Contributions and additions	-	8,211	8,211
Endowment net assets at June 30, 2021	<u>\$224,560</u>	<u>\$1,634,816</u>	<u>\$1,859,376</u>

The following summarizes the activity in the endowment assets held at the University of Maine Foundation for the year ended June 30, 2020:

	Board Designated	Beneficial Interest	Total
Beginning net assets at June 30, 2019	\$170,734	\$1,308,218	\$1,478,952
Investment earnings and income (losses)	11	(2,201)	(2,190)
Withdrawals	-	(37,294)	(37,294)
Contributions and additions	-	3,300	3,300
Endowment net assets at June 30, 2020	<u>\$170,745</u>	<u>\$1,272,023</u>	<u>\$1,442,768</u>

7. 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 up to \$620,000 annually. Accounts receivable includes \$9,036 due from the Foundation under this agreement at June 30, 2021.

8. FORGIVABLE LOAN

On April 17, 2020, the Association was granted a loan under the Paycheck Protection Program in the amount of \$123,000 through the Federal Small Business Association, facilitated by an approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Association initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Association has recognized \$123,000 as grant revenue for the year ended June 30, 2020.

9. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 14, 2022 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.