

Georgia State University Alumni  
Association, Inc.

Financial Report

June 30, 2013 and 2012

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## Independent Auditor's Report

To the Officers and Directors of  
Georgia State University Alumni Association, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Georgia State University Alumni Association, Inc. (the "Association") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 auditor considers 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 that 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 financial position of Georgia State University Alumni Association, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 12 to the financial statements, in January 2014, the Association contributed all the assets of its scholarship quasi-endowment fund to Georgia State University Foundation, Inc. to fund a permanent endowment for scholarships.

Moore Stephens Jiller LLC

Atlanta, Georgia  
March 12, 2014

## FINANCIAL STATEMENTS

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 537,020	\$ 454,203
Restricted cash	-	17,678
Accounts receivable	20,159	18,126
Prepaid expenses	59,673	58,898
Investments	1,708,180	1,530,789
Cash value of life insurance policy	<u>19,868</u>	<u>19,868</u>
Total assets	<u>\$ 2,344,900</u>	<u>\$ 2,099,562</u>
Liabilities and Net Assets		
Accounts payable	\$ 31,457	\$ 32,774
Related-party accounts payable	<u>16,568</u>	<u>14,533</u>
Total liabilities	<u>48,025</u>	<u>47,307</u>
Net Assets		
Unrestricted	2,260,245	1,997,907
Temporarily restricted	<u>36,630</u>	<u>54,348</u>
Total net assets	<u>2,296,875</u>	<u>2,052,255</u>
Total liabilities and net assets	<u>\$ 2,344,900</u>	<u>\$ 2,099,562</u>

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

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>			
Affinity program income	\$ 244,953	\$ 16,820	\$ 261,773
Alumni dues	201,416	-	201,416
Net realized gains on investments	139,848	-	139,848
Allocation from Georgia State University Foundation, Inc.	110,000	-	110,000
CASE ASAP	85,067	-	85,067
Special programs	26,012	13,127	39,139
Other Income	17,924	-	17,924
Advertising	12,350	-	12,350
Dividends and interest	9,582	-	9,582
Support from Georgia State University	8,732	-	8,732
Net unrealized gains on investments	2,627	-	2,627
Net assets released from restrictions	<u>47,665</u>	<u>(47,665)</u>	<u>-</u>
 Total income	 <u>906,176</u>	 <u>(17,718)</u>	 <u>888,458</u>
<b>Expenses</b>			
Administrative expenses	181,035	-	181,035
Program expenses			
Alumni relations	178,503	-	178,503
CASE ASAP	84,083	-	84,083
Membership program	73,437	-	73,437
Public relations	52,340	-	52,340
University relations	47,940	-	47,940
Grants	<u>26,500</u>	<u>-</u>	<u>26,500</u>
 Total expenses	 <u>643,838</u>	 <u>-</u>	 <u>643,838</u>
 Change in net assets	 262,338	 (17,718)	 244,620
 Net assets, beginning of year	 <u>1,997,907</u>	 <u>54,348</u>	 <u>2,052,255</u>
 Net assets, end of year	 <u>\$ 2,260,245</u>	 <u>\$ 36,630</u>	 <u>\$ 2,296,875</u>

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

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Affinity program income	\$ 289,653	\$ 36,670	\$ 326,323
Alumni dues	201,058	-	201,058
Allocation from Georgia State University Foundation, Inc.	110,000	-	110,000
Net realized gain on investments	45,423	-	45,423
Special programs	24,850	29,666	54,516
Dividends and interest	13,154	-	13,154
Advertising	7,600	-	7,600
Support from Georgia State University	7,027	-	7,027
Net unrealized losses on investments	(24,951)	-	(24,951)
Net assets released from restrictions	<u>46,078</u>	<u>(46,078)</u>	<u>-</u>
Total income	<u>719,892</u>	<u>20,258</u>	<u>740,150</u>
Expenses			
Administrative expenses	158,565	-	158,565
Program expenses			
Grants	21,500	-	21,500
Alumni relations	151,604	-	151,604
Membership program	49,523	-	49,523
University relations	46,961	-	46,961
Public relations	<u>28,708</u>	<u>-</u>	<u>28,708</u>
Total expenses	<u>456,861</u>	<u>-</u>	<u>456,861</u>
Change in net assets	263,031	20,258	283,289
Net assets, beginning of year	<u>1,734,876</u>	<u>34,090</u>	<u>1,768,966</u>
Net assets, end of year	<u>\$ 1,997,907</u>	<u>\$ 54,348</u>	<u>\$ 2,052,255</u>

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

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 244,620	\$ 283,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized (gains) losses on investments	(139,848)	(45,423)
Net unrealized (gains) losses on investments	(2,627)	24,951
Change in:		
Restricted cash	17,678	16,412
Accounts receivable	(2,033)	(17,470)
Prepaid expenses	(775)	(58,360)
Cash value of life insurance policy	-	(909)
Accounts payable	<u>718</u>	<u>35,124</u>
Net cash provided by operating activities	<u>117,733</u>	<u>237,614</u>
Cash flows from investing activities		
Purchases of investments	(683,851)	(429,996)
Proceeds from sales of investments	<u>648,935</u>	<u>163,790</u>
Net cash used in investing activities	<u>(34,916)</u>	<u>(266,206)</u>
Net increase in cash	82,817	(28,592)
Cash, beginning of year	<u>454,203</u>	<u>482,795</u>
Cash, end of year	<u>\$ 537,020</u>	<u>\$ 454,203</u>

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

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012

1. Organization

Georgia State University Alumni Association, Inc. (the “Association”) is a not-for-profit organization which offers programs to inform its Alumni about the life and vitality of Georgia State University (the “University”) and to promote and advance the interest of the university. The Association depends on Georgia State University to provide the staff and facilities for its operations.

Revenue is generated principally from contributions, membership fees, investment income, and royalties.

2. Summary of Significant Accounting Policies

A. Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

B. Basis of Presentation

The Association presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the Association reports information regarding its financial position and activities as follows:

Unrestricted net assets

Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations which require they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes. The Association had no permanently restricted net assets during 2013 or 2012.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with an original maturity of three months or less.

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on their assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. At June 30, 2013 and 2012, management is expecting full collection on outstanding accounts receivable. Therefore, there is no allowance for doubtful accounts.

F. Restricted Cash

Restricted cash represents cash restricted for specific expenditures by various alumni clubs. As of October 31, 2012, the Association ceased the practice of holding club funds and returned the funds to the clubs.

G. Investments

In accordance with FASB ASC 958-320, *Accounting for Certain Investments held by Not-For-Profit Organizations*, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values with all gains and losses reported in the statements of activities.

Investments consist principally of money market funds, equity mutual funds, bond mutual funds, hedge funds, commodities futures funds, and real estate investment trusts. Unrealized gains and losses are calculated based on the investments' fair values as provided by quoted market prices and valuations provided by the investment trustee as of June 30, 2013 and 2012.

H. Fair Values of Financial Instruments

The Association's financial instruments are cash, accounts receivable, investments, cash value of donated life insurance policies, and accounts payable. The recorded values of cash, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded value of the cash value of life insurance policy approximates fair value as the instrument bears interest at market rates. The recorded values of investments also approximate their fair values as they were determined using quoted market prices and valuations provided by the investment trustees.

I. Reclassifications

Certain amounts have been reclassified on the 2012 financial statements for consistency with 2013 classifications. There is no effect on net assets by these reclassifications.

Georgia State University Alumni Association, Inc.  
Notes to Financial Statements

J. Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$7,646 for 2013 and \$1,644 for 2012.

K. New Accounting Pronouncement

In April 2013, the FASB issued Accounting Standards Update (“ASU”) 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management is currently assessing the effect this new pronouncement may have on the Association’s financial statements.

L. Subsequent Events

The Association has evaluated the need for disclosures or adjustments resulting from subsequent events through March 12, 2014, the date the financial statements were available for issuance. With the exception of matter described in Note 12, there were no subsequent events identified which require recognition or disclosure in these financial statements.

3. Investments

Investments are presented in the financial statements at fair value. The securities are held in investment trust accounts administered by the Foundation. A summary of the fair values of all investments held at June 30, 2013 and 2012 is presented below:

	<u>2013</u>	<u>2012</u>
Endowment funds	\$ 820,089	\$ 718,534
Equity mutual funds	547,601	425,152
Bond mutual funds	193,963	193,364
Hedge funds	74,306	93,065
Real estate investment trust	45,497	76,061
Commodities futures fund	26,100	22,831
Money market fund	624	1,782
	<u>\$ 1,708,180</u>	<u>\$ 1,530,789</u>

The custodian and the administrator charge fees for administering the investments. Additionally, certain funds in which the Association is invested charge fees. The fees totaled approximately \$11,000 and \$10,000 for the years ended June 30, 2013 and 2012, respectively, and are classified as administrative expenses on the statements of activities.

See further disclosures regarding the endowment fund in Note 5.

#### 4. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under ASC 820 are described as follows:

Basis of Fair Value Measurement:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

The following discussion describes the valuation methodologies used for assets measured at fair value on a recurring basis. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used. Care should be exercised in deriving conclusions based on the fair value information of financial instruments presented.

Fair value estimates are made as of a specific point in time, based on available market information and judgments about the financial instrument. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial instrument. No significant changes were made to the valuation process during 2013.

Mutual funds are held as individual assets. The mutual funds have publicly available prices that are quoted daily in active markets.

Common trust funds (other than the real estate investment trust, described below) include private equity funds that employ a fund of funds approach that invests both domestically and internationally in venture capital, buyouts, mezzanine, secondary markets and other areas within private equity. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Instead, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2013, it is probable that all of the investments in this category will be sold at an amount different from the net asset value of the Foundation's ownership interest in partners' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments.

The real estate investment trust invests primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated. Therefore, the fair values of the

Georgia State University Alumni Association, Inc.  
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investments in this category have been estimated using recent observable transaction information for similar investments.

Hedge funds consist of multiple strategy hedge funds to add diversification and reduce volatility of the portfolio. The funds of fund managers allocate across a broad range of hedge fund categories including long/short, event driven and arbitrage strategies that provide low correlation to other asset classes in the portfolio. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

Interest-bearing cash consists of investments in money market mutual funds. These funds keep the fund share price and invest in short-term debt paper to earn interest for the fund shareholders.

The endowment fund is a quasi-endowment account held with the Foundation. The funds are pooled with other funds managed by the Foundation and earnings of the pooled funds are allocated based on percentage ownership. Investment strategies of the endowment fund are described in Note 5. The Association may withdraw the investment upon request to the Foundation. The Association has no unfunded commitments to the Foundation or the quasi-endowment account.

The following tables present by level within the fair value hierarchy, the Association's investment assets at fair value as of June 30, 2013 and 2012, respectively. Investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
As of June 30, 2013				
Endowment Funds	\$ 820,089	\$ -	\$ 820,089	\$ -
Mutual Funds:				
Large Blend	98,376	98,376	-	-
Bonds	97,371	97,371	-	-
Common Trust Funds:				
Equities	383,950	-	383,950	-
Bonds	96,592	-	96,592	-
Small Growth	65,275	-	65,275	-
Real Estate Investment Trust	45,497	-	45,497	-
Commodities	26,100	-	26,100	-
Hedge Fund	74,306	-	-	74,306
Money Market Fund	624	624	-	-
Total	<u>\$ 1,708,180</u>	<u>\$ 196,371</u>	<u>\$ 1,437,503</u>	<u>\$ 74,306</u>

Georgia State University Alumni Association, Inc.  
Notes to Financial Statements

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
As of June 30, 2012				
Endowment Funds	\$ 718,534	\$ -	\$ 718,534	\$ -
Mutual Funds:				
Large Blend	92,410	92,410	-	-
Bonds	36,152	36,152	-	-
Common Trust Funds:				
Large Blend	181,840	-	181,840	-
Bonds	157,212	-	157,212	-
Mid Blend	86,721	-	86,721	-
Equities	-	-	-	-
Real Estate Investment Trust	76,061	-	76,061	-
Small Blend	40,927	-	40,927	-
Small Growth	23,254	-	23,254	-
Commodities	22,831	-	22,831	-
Hedge Fund	93,065	-	-	93,065
Money Market Fund	1,782	-	1,782	-
Total	<u>\$ 1,530,789</u>	<u>\$ 128,562</u>	<u>\$ 1,309,162</u>	<u>\$ 93,065</u>

The table below sets forth a summary of changes in the fair value of the Association's Level 3 investment assets for the years ended June 30, 2013 and 2012.

Description	Level 3 Hedge Fund
Beginning balance, July 1, 2011	\$ 94,240
Purchases	4,768
Realized gain	38,395
Net unrealized loss	<u>(44,338)</u>
Ending balance, June 30, 2012	93,065
Sales	(28,500)
Purchases	4,277
Realized loss	(1,432)
Net unrealized gain	<u>6,896</u>
Ending balance, June 30, 2013	<u>\$ 74,306</u>

#### 5. Endowment Funds

The Association's endowment funds consist of a pool of assets comprised of donor restricted gifts and board-designated funds and accumulated earnings thereon. These assets are invested to provide additional income and cash flow to aid the Association in fulfilling its mission and meeting donor stipulations.

Georgia State University Alumni Association, Inc.  
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The Association’s investment objective for the endowment funds is to provide long-term capital appreciation. The Association’s Board of Directors (“the Board”) has the responsibility to oversee the management of the assets in the endowment funds including reviewing investment policies, recommending investment managers, and recommending asset allocation.

The Association elected to use the Foundation as the investment manager for the Association’s endowment funds. The money placed with the Foundation is merged with the general investment assets of the Foundation for investment purposes.

The Foundation’s primary long-term objective of the endowment pool is to earn an average annual total return net of fees and expenses (including advisor and Foundation fees), through appreciation and income, equal to or greater than the spending allocation rate, plus the rate of inflation as measured by the Consumer Price Index for all Urban Consumers, over long time periods (rolling ten or fifteen-year periods).

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) has been adopted by the State of Georgia. UPMIFA defines a prudence standard for management and investment of institutional funds. The Association believes UPMIFA applies to its endowment fund and that the Association’s policies and practices as they exist are in compliance with UPMIFA.

The Association’s endowment fund spending policy is to limit spending in any one fiscal year to no more than 4% of the market value of the endowment fund at the close of the previous fiscal year end. Applicable laws and regulations do not explicitly define what spending rate or what circumstances constitute imprudent spending and as a result these matters are subject to interpretation. The Association’s Board believes that spending in excess of 5% of the market value of the endowment funds in any one year would be considered imprudent and that spending from endowment funds whose market value has dropped below the historical dollar value of the original endowment gift should not occur except under extreme distressful circumstances.

The following is a summary of the endowment activity for the years ended June 30, 2013 and 2012:

	Temporarily Restricted	Unrestricted	Total
Donor Imposed			
Balance June 30, 2011	\$ -	\$ -	\$ -
Realized/unrealized losses	(209)	-	(209)
Contributions collected	19,810	-	19,810
Donor imposed balance June 30, 2012	<u>19,601</u>	<u>-</u>	<u>19,601</u>
Board Designated			
Balance June 30, 2011	-	428,466	428,466
Realized/unrealized gains	-	26,217	26,217
Contributions collected	-	258,250	258,250
Expenditures	-	(14,000)	(14,000)
Board designated balance June 30, 2012	<u>-</u>	<u>698,933</u>	<u>698,933</u>
Total Endowment June 30, 2012	<u>\$ 19,601</u>	<u>\$ 698,933</u>	<u>\$ 718,534</u>

Georgia State University Alumni Association, Inc.  
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	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Donor Imposed			
Balance June 30, 2012	\$ 19,601	\$ -	\$ 19,601
Realized/unrealized losses	1,812	-	1,812
Contributions collected	16,860	-	16,860
Expenditures	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Donor imposed balance June 30, 2013	<u>14,273</u>	<u>-</u>	<u>14,273</u>
Board Designated			
Balance June 30, 2012	-	698,933	698,933
Realized/unrealized gains	-	62,128	62,128
Contributions collected	<u>-</u>	<u>44,754</u>	<u>44,754</u>
Board designated balance June 30, 2013	<u>-</u>	<u>805,815</u>	<u>805,815</u>
Total Endowment June 30, 2013	<u>\$ 14,273</u>	<u>\$ 805,815</u>	<u>\$ 820,088</u>

6. Concentrations

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts were guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2013 and 2012, the Association had \$315,251 and \$49,408, respectively, in excess of FDIC insured limits. The Association has not experienced any losses in such accounts. Approximately 67% and 75% of total revenue for the years ended June 30, 2013 and 2012, respectively, was derived from three organizations. At June 30, 2013 and 2012, 83% and 93%, respectively, of accounts receivable was due from one other organization.

7. Cash Value of Donated Life Insurance Policy

The cash surrender value of the insurance policy is summarized as follows:

	<u>2013</u>	<u>2012</u>
Face Amount	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Cash Value	<u>\$ 19,868</u>	<u>\$ 19,868</u>

8. Affinity Program Income

The Association enters into various licensing agreements in the normal course of business. The agreements provide nonexclusive rights and licenses to market products to University alumni and to use mailing lists and certain trademarks owned by the University. In return, the Association receives royalties based on specific criteria regarding certain sales and revenues generated from marketing

Georgia State University Alumni Association, Inc.  
Notes to Financial Statements

using the mailing lists and trademarks. These agreements expire on varying dates through July 30, 2016. The revenue received under these agreements is recorded as affinity program income on the statements of activities.

9. Income Taxes

The Association has been classified as an exempt organization under the Internal Revenue Code Section 501(c)(3) and is generally exempt from federal and state income taxes. The Association may incur federal and state tax liabilities on non-exempt income. Such non-exempt income would include the net income from advertising. No income was subject to income taxes in 2013 and 2012.

Accounting principles generally accepted in the United States of America require the Association's management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that, more likely than not, would not be sustained upon examination by the IRS. The Association's management has analyzed the tax positions taken by the Association, and has concluded that, as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association's management believes the Association is no longer subject to income tax examinations for tax years ending prior to June 30, 2010.

For the years ended June 30, 2013 and 2012, the Association's taxable income on unrelated business income exceeded expenses and, accordingly, operating loss carryforwards of \$4,704 and \$12,156, respectively, were used for income taxes. Because of the uncertainties surrounding the ultimate realization of the net operating loss carryforwards, the Association recorded a valuation allowance for the entire amount of the deferred tax asset arising from net operating loss carryforwards, as of June 30, 2013 and 2012.

The components of the Association's deferred tax assets are as follows:

	<u>2013</u>	<u>2012</u>
Net operating loss carryforward	\$ 77,730	\$ 80,522
Less: Valuation allowance	<u>(77,730)</u>	<u>(80,522)</u>
	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2013 the Association had approximately \$210,000 of available unused net operating loss carryforwards that may be utilized against future taxable income. If not utilized, the net operating loss carryforwards expire from 2019 through 2031.

10. Net Assets

Certain funds received are held for various alumni clubs. The clubs normally raise revenue through ticket sales and deposit the proceeds with the Association until they are needed. These funds are classified as temporarily restricted net assets.

Georgia State University Alumni Association, Inc.  
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Temporarily restricted net assets at June 30, 2013 and 2012 consisted of restricted cash, accounts receivable, and investments and were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 36,630	\$ 36,670
Club Support:		
College of Education Alumni Club	-	9,272
Real Estate Alumni Club	-	5,194
EMBA Club	-	1,364
Personal Financial Planning Club	-	1,234
PMBA Club	-	523
Hospitality Club	-	74
MBA Club	-	17
	<u>\$ 36,630</u>	<u>\$ 54,348</u>

Temporarily restricted net assets of \$47,665 and \$46,078 were released during the years ended June 30, 2013 and 2012, respectively, for the following purposes:

	<u>2013</u>	<u>2012</u>
Club Support	\$ 30,805	\$ 46,078
Scholarships	<u>16,860</u>	<u>-</u>
	<u>\$ 47,665</u>	<u>\$ 46,078</u>

## 11. Related Party Transactions

The Association is affiliated with the University as well as the Foundation and various other University associations. Listed below are the various transactions conducted between the Association and the University, the Foundation, and various other university associations.

### University

The University shares in the cost of operations of the Association by providing the services of certain University employees. Salaries and benefits paid by the University for these employees are not included in the statements of activities.

Support contributed by the University has been recorded at estimated fair value as follows: Donated supplies in the amount of \$8,732 and \$7,027 for the years ended June 30, 2013 and 2012, respectively, have been reflected in the statements of activities for office supplies, telephone service, printing, copy machine lease charges, and other miscellaneous supplies provided by the University.

Expenditures in excess of budgetary allowances were reimbursed to the University by the Association. During the years ended June 30, 2013 and 2012, \$91,455 and \$50,711, respectively, was paid to the University by the Association to supplement salaries paid for by the University. Similarly, supplies were reimbursed to the University for \$3,433 and \$9,426 during the years ended June 30, 2013 and 2012, respectively. These expenses are included in the statements of activities.

The Foundation

The Association has an agreement with the Foundation whereby the Foundation is responsible for marketing and solicitation of contributions on behalf of the Association. The terms of the agreement provide that contributions collected are the property of the Foundation and in return, the Foundation pays an annual allotment to the Association. During 2013 and 2012, the Association received \$110,000, from the Foundation under the terms of this agreement.

The Association has another agreement with the Foundation whereby royalties received from vendors of products for sales of merchandise with any trademarks of the University are initially remitted to the Foundation. The Foundation is then responsible for remitting the agreed upon percentage of the royalties to the Association. During 2013 and 2012, the Foundation remitted \$6,622 and \$4,665, respectively, to the Association under the terms of this agreement. These amounts are included in special programs revenue in the statements of activities.

The Association transferred approximately \$80,000 and \$276,000, during the years ended June 30, 2013 and 2012, respectively, to the Foundation for investment in the managed investments as described in Note 3 or the endowment fund administered by the Foundation as described in Note 5.

Other University Associations

The Association provides various scholarship awards each year. These awards are paid to other University entities such as the University and the Foundation which then distribute the funds to fulfill the scholarships.

12. Subsequent Event

On January 27, 2014, the Association amended its agreement with the Foundation for the scholarship quasi-endowment fund. The purpose of the amendment is to fulfill the intent of the Association for the funds to be a permanent endowment for student scholarships. The Association recorded a contribution to the Foundation on the date the agreement was amended.