

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

with

INDEPENDENT AUDITORS' REPORT

Audited Financial Statements

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Georgia State University Alumni Association, Inc. (“the Association”), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditors’ 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 auditors' 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 auditors consider 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, 2017 and 2016, 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.

Williams Benator + Libby, LLP

Atlanta, Georgia
October 5, 2017

STATEMENTS OF FINANCIAL POSITION

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

	June 30	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 369,028	\$ 301,613
Accounts receivable	51,384	56,750
Investments--Note B	1,456,977	1,314,681
Prepaid expenses	40,123	53,183
TOTAL CURRENT ASSETS	<u>1,917,512</u>	<u>1,726,227</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	8,960	8,960
Furniture	35,651	35,651
Equipment	874	874
	<u>45,485</u>	<u>45,485</u>
Less accumulated depreciation and amortization	23,417	15,602
	<u>22,068</u>	<u>29,883</u>
CASH VALUE OF LIFE INSURANCE POLICY		
	<u>22,859</u>	<u>22,859</u>
TOTAL ASSETS	<u>\$ 1,962,439</u>	<u>\$ 1,778,969</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 45,529	\$ 28,951
Accounts payable to related party--Note D	17,244	16,488
Deferred revenues	11,650	2,275
TOTAL CURRENT LIABILITIES	<u>74,423</u>	<u>47,714</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,437,392	1,341,128
Board designated--Note C	402,263	356,294
	<u>1,839,655</u>	<u>1,697,422</u>
Temporarily restricted--Note C	48,361	33,833
TOTAL NET ASSETS	<u>1,888,016</u>	<u>1,731,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,962,439</u>	<u>\$ 1,778,969</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Alumni and student member dues	\$ 178,112	\$ -0-	\$ 178,112
Affinity program income	264,989	18,090	283,079
Support from Georgia State University--Note D	42,980	-0-	42,980
Special programs	52,051	-0-	52,051
Contributions	20,015	30,271	50,286
Other income	17,210	-0-	17,210
Sponsorships	49,118	-0-	49,118
Dividends and interest--Note B	17,398	-0-	17,398
Net realized gains on investments--Note B	16,770	-0-	16,770
Net unrealized gains on investments--Note B	83,071	-0-	83,071
Net assets released from restrictions--Note C	33,833	(33,833)	-0-
	<u>775,547</u>	<u>14,528</u>	<u>790,075</u>
TOTAL REVENUES AND SUPPORT	775,547	14,528	790,075
Expenses:			
Program expenses:			
Scholarships--Notes C and D	33,833	-0-	33,833
University relations	30,355	-0-	30,355
	<u>64,188</u>	<u>-0-</u>	<u>64,188</u>
Supporting services:			
Management and general--Note D	250,334	-0-	250,334
Fundraising:			
Membership program	36,498	-0-	36,498
Alumni relations	141,255	-0-	141,255
Public relations	141,039	-0-	141,039
	<u>318,792</u>	<u>-0-</u>	<u>318,792</u>
	<u>633,314</u>	<u>-0-</u>	<u>633,314</u>
TOTAL EXPENSES	633,314	-0-	633,314
INCREASE IN NET ASSETS	142,233	14,528	156,761
Net assets at beginning of year	<u>1,697,422</u>	<u>33,833</u>	<u>1,731,255</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,839,655</u>	<u>\$ 48,361</u>	<u>\$ 1,888,016</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Alumni and student member dues	\$ 191,660	\$ -0-	\$ 191,660
Affinity program income	257,626	17,690	275,316
Support from Georgia State University--Note D	122,805	-0-	122,805
Special programs	38,445	-0-	38,445
Contributions	10,400	16,143	26,543
Other income	22,384	-0-	22,384
Sponsorships	20,900	-0-	20,900
Dividends and interest--Note B	17,387	-0-	17,387
Net realized gains on investments--Note B	8,935	-0-	8,935
Net unrealized gains on investments--Note B	38,863	-0-	38,863
Net assets released from restrictions--Note C	46,694	(46,694)	-0-
TOTAL REVENUES AND SUPPORT	776,099	(12,861)	763,238
Expenses:			
Program expenses:			
Scholarships--Notes C and D	46,694	-0-	46,694
University relations	53,815	-0-	53,815
	100,509	-0-	100,509
Supporting services:			
Management and general--Note D	333,766	-0-	333,766
Fundraising:			
Membership program	91,466	-0-	91,466
Alumni relations	143,563	-0-	143,563
Public relations	99,193	-0-	99,193
	334,222	-0-	334,222
TOTAL EXPENSES	768,497	-0-	768,497
INCREASE (DECREASE) IN NET ASSETS	7,602	(12,861)	(5,259)
Net assets at beginning of year	1,689,820	46,694	1,736,514
NET ASSETS AT END OF YEAR	\$ 1,697,422	\$ 33,833	\$ 1,731,255

See notes to financial statements.

STATEMENTS OF CASH FLOWS

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

	Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 156,761	\$ (5,259)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used in) by operating activities:		
Depreciation and amortization	7,815	7,815
Net realized and unrealized gains on investments	(99,841)	(47,798)
Increase in cash value of life insurance policy	-0-	(737)
Decrease (increase) in accounts receivable	5,366	(18,389)
Decrease in prepaid expenses	13,060	4,981
Increase (decrease) in accounts payable	17,334	(7,441)
Increase in deferred revenues	9,375	825
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>109,870</u>	<u>(66,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of investments	(511,692)	(459,675)
Proceeds from sale of investments	469,237	473,444
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(42,455)</u>	<u>13,769</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	67,415	(52,234)
Cash and cash equivalents at beginning of year	<u>301,613</u>	<u>353,847</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 369,028</u>	<u>\$ 301,613</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

June 30, 2017

NOTE A--DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following accounting policies are presented to assist the reader in understanding the Association's financial statements:

Accounting Standards Codification: The Association has adopted the Financial Accounting Standards Board Accounting Standards Codification as its sole source of authoritative guidance.

Revenue Recognition: Alumni member dues revenues are recognized upon receipt. Student member dues revenues are recognized in the period in which services are performed. Contributions and pledges are recognized in the period in which they are made by the donors.

The Association enters into various licensing agreements in the normal course of business. Affinity program income is recognized when earned in accordance with the licensing agreements. 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 using the mailing lists and trademarks. Total affinity program income included 90% and 89% derived from two organizations for the years ended June 30, 2017 and 2016, respectively.

Financial Statement Presentation: The Association reports 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. The Association had no permanently restricted net assets at June 30, 2017 and 2016.

Recognition of Donor Restrictions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE A--DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 the allowance for doubtful accounts. At June 30, 2017 and 2016, management expected full collection on outstanding accounts receivable. Therefore, there was no allowance for doubtful accounts. During the years ended June 30, 2017 and 2016, the Association recognized no bad debt expense.

Investments: Investments are stated at fair value. The fair value of investments in securities that are traded on national securities exchanges is determined based on the closing price on the last business day of the year. Securities traded on the over-the-counter market are valued at the last reported bid price. Sales and purchases are recognized on a trade-date basis. The fair value of investments in common trust and hedge funds is based on per unit net asset values provided by the funds, and these investments are redeemable immediately or within a period up to 30 days. Investments in common trust funds include private equity funds that employ a fund of funds approach and invest, both domestically and internationally, in common stock, mutual funds, venture capital, buyouts, and other areas of private equity. The hedge funds in which the Association is invested have investments in various domestic and international derivative instruments, including forward foreign currency contracts, futures, written and purchased options and swaps, as well as asset backed securities and fixed income markets. The Association's investments are subject to various market and other risks and are not covered by insurance. Adverse market conditions could materially affect the investment balances reported in the statements of financial position.

In valuing investments at fair value, the Association uses current accounting guidance, which provides for the use of Level 1 inputs, which are quoted prices in active markets for identical assets, Level 2 inputs, which are quoted market prices for similar instruments traded in active markets, quoted prices of identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market, and Level 3 inputs, which are unobservable inputs for the assets that rely on management's own estimates of assumptions that market participants would use in pricing the assets. At June 30, 2017 and 2016, the Association's investments were valued using a combination of Level 1, Level 2, and Level 3 inputs.

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE A--DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives of ten years for equipment and fifteen years for leasehold improvements.

Life Insurance Policy: The recorded cash value of life insurance policy approximates fair value as the instrument bears interest at market rates. The face value of the insurance policy is \$25,000.

Advertising: Advertising costs are expensed as incurred. Advertising costs totaled \$46,679 and \$28,239 during the years ended June 30, 2017 and 2016, respectively.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Association considers demand deposits and all highly liquid investments with an original maturity of three months or less which can be readily converted to cash on demand, without penalty, to be cash equivalents. At times, bank balances may exceed federally insured limits.

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.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers", which will supersede most of the existing revenue recognition guidance. The core principle of the new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for years beginning after December 15, 2018, with early adoption permitted, with certain restrictions, for years beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Association is currently evaluating which transition approach to use and the impact, if any, of implementation of this new standard on its financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14 ("ASU 2016-14"), "Presentation of Financial Statements of Not-for-Profit Entities", that will change how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources, which includes qualitative and quantitative requirements related to net asset classes, investment return, expenses, liquidity and availability of resources,

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE A--DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

and presentation of operating cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early application permitted. The Association is currently evaluating the impact of the adoption of this accounting standard update on its financial reporting.

Subsequent Events: Subsequent events have been evaluated through October 5, 2017, which is the date the financial statements were available to be issued.

NOTE B--INVESTMENTS

Unrestricted investments consisted of the following at June 30:

	2017		2016	
	Cost	Market	Cost	Market
Equity mutual funds	\$ 125,056	\$ 143,836	\$ 137,981	\$ 136,373
Bond mutual funds	157,103	158,239	147,792	139,996
Hedge funds	128,803	127,328	90,962	79,199
Common trust funds:				
Equities	445,517	633,131	447,783	604,370
Small growth	101,883	112,056	112,992	105,487
Bonds	146,225	158,971	124,373	138,860
Real estate investment trust	55,533	74,478	44,864	65,948
Commodities futures fund	54,962	43,349	48,462	38,207
Cash and cash equivalents	5,589	5,589	6,241	6,241
	\$ 1,220,671	\$ 1,456,977	\$ 1,161,450	\$ 1,314,681

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE B--INVESTMENTS--Continued

The following table summarizes the valuation of the Association's investments by input hierarchy as of June 30, 2017:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 143,836	\$ -0-	\$ -0-	\$ 143,836
Bond mutual funds	158,239	-0-	-0-	158,239
Hedge funds	-0-	-0-	127,328	127,328
Common trust funds				
Equities	-0-	633,131	-0-	633,131
Small growth	-0-	112,056	-0-	112,056
Bonds	-0-	158,971	-0-	158,971
Real estate investment trust	-0-	74,478	-0-	74,478
Commodities futures fund	-0-	43,349	-0-	43,349
Cash and cash equivalents	<u>5,589</u>	<u>-0-</u>	<u>-0-</u>	<u>5,589</u>
	<u>\$ 307,664</u>	<u>\$1,021,985</u>	<u>\$ 127,328</u>	<u>\$ 1,456,977</u>

The following table summarizes the valuation of the Association's investments by input hierarchy as of June 30, 2016:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 136,373	\$ -0-	\$ -0-	\$ 136,373
Bond mutual funds	139,996	-0-	-0-	139,996
Hedge fund	-0-	-0-	79,199	79,199
Common trust funds				
Equities	-0-	604,370	-0-	604,370
Small growth	-0-	105,487	-0-	105,487
Bonds	-0-	138,860	-0-	138,860
Real estate investment trust	-0-	65,948	-0-	65,948
Commodities futures fund	-0-	38,207	-0-	38,207
Cash and cash equivalents	<u>6,241</u>	<u>-0-</u>	<u>-0-</u>	<u>6,241</u>
	<u>\$ 282,610</u>	<u>\$ 952,872</u>	<u>\$ 79,199</u>	<u>\$ 1,314,681</u>

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE B--INVESTMENTS--Continued

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, 2017 and 2016:

<u>Description</u>	<u>Level 3 Hedge Funds</u>
Beginning balance at July 1, 2015	\$ 82,778
Purchases	4,039
Net unrealized loss	<u>(7,618)</u>
Ending balance at June 30, 2016	79,199
Purchases	115,000
Sales	(65,986)
Net realized and unrealized losses	<u>(885)</u>
Ending balance at June 30, 2017	<u>\$ 127,328</u>

Interest and net investment income from these investments consisted of the following during the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 17,201	\$ 17,218
Net realized and unrealized gains	99,841	47,798
Investment fees	<u>(21,005)</u>	<u>(19,529)</u>
	<u>\$ 96,037</u>	<u>\$ 45,487</u>

Investment fees were included in management and general expenses during the years ended June 30, 2017 and 2016.

NOTE C--DONOR RESTRICTED AND BOARD DESIGNATED NET ASSETS

At June 30, 2017 and 2016, net assets of \$48,361 and \$33,833, respectively, were temporarily restricted by donors for scholarships.

During the years ended June 30, 2017 and 2016, net assets of \$33,833 and \$46,694, respectively, were released from donor restrictions by incurring expenses to satisfy the restricted purpose by awarding scholarships or contributing the funds to the Foundation for scholarships.

NOTES TO FINANCIAL STATEMENTS--Continued

GEORGIA STATE UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTE C--DONOR RESTRICTED AND BOARD DESIGNATED NET ASSETS--Continued

At June 30, 2017 and 2016, the Board of Directors had designated unrestricted net assets of \$402,263 and \$356,294, respectively, to be used for Alumni member events and programs.

NOTE D--RELATED PARTY TRANSACTIONS

The Association is affiliated with the University as well as Georgia State University Foundation, Inc. ("the Foundation") and various other University associations. Listed below are the various transactions conducted between the Association and the University and the Foundation.

Georgia State University

The University shares in the cost of operations of the Association by providing the services of certain University employees. The University approximates the time spent by these employees on the operations of the Association and bills the Association for two fulltime employee equivalents on a monthly basis. During the years ended June 30, 2017 and 2016, the Association incurred expenses of \$119,384 and \$132,628, respectively, related to the salaries of University employees. At June 30, 2017 and 2016, the amount payable related to the salaries and investment management fees incurred by the University on the Association's behalf was \$17,244 and \$16,488, respectively.

In addition, support contributed by the University on behalf of the Association has been recorded at its estimated fair value. Contributed rent in the amount of \$39,500 and \$97,588 was recorded for the years ended June 30, 2017 and 2016, respectively. Donated supplies in the amount of \$3,480 and \$25,217 for the years ended June 30, 2017 and 2016, 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.

Georgia State University Foundation, Inc.

The Association has an 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 the years ended June 30, 2017 and 2016, the Foundation remitted \$15,267 and \$13,855, respectively, to the Association under the terms of this agreement. These amounts are included in special programs revenue in the statements of activities.

During the years ended June 30, 2017 and 2016, the Association contributed \$33,833 and \$46,694, respectively, to the Foundation for scholarships.