

**THE UNIVERSITY OF MISSISSIPPI
ALUMNI ASSOCIATION**

**AUDITED
FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

The University of Mississippi Alumni Association
University, Mississippi

We have audited the accompanying statements of financial position of The University of Mississippi Alumni Association (Alumni Association), as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets 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 audits 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 Alumni Association'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 Alumni Association'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 The University of Mississippi Alumni Association as of June 30, 2018 and 2017, 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.

Grantham Wade Puc

Ridgeland, Mississippi
October 1, 2018

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statements of Financial Position
June 30, 2018 and 2017

<u>ASSETS</u>		
	2018	2017
Current Assets		
Cash	\$ 1,417,789	\$ 1,622,991
Other receivables	176,421	119,312
Prepaid expenses	133,903	-
Total Current Assets	1,728,113	1,742,303
Investments	6,920,214	6,211,940
Property and Equipment, net	24,975	32,111
Total Assets	\$ 8,673,302	\$ 7,986,354

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 73,433	\$ 71,671
Deposits	82,861	51,054
Total Current Liabilities	156,294	122,725
Net Assets		
Unrestricted:		
Unrestricted - Undesignated	1,164,667	1,398,236
Unrestricted - Designated - Life Memberships	6,663,246	5,956,891
Temporarily restricted	689,095	508,502
Total Net Assets	8,517,008	7,863,629
Total Liabilities and Net Assets	\$ 8,673,302	\$ 7,986,354

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Revenues			
Dues	\$ 1,027,948	\$ 29,870	\$ 1,057,818
Contributions and gifts	73,733	273,917	347,650
Investment income	339,409	28,499	367,908
Net realized and unrealized gain on investments	213,253	-	213,253
University of Mississippi funding	1,070,705	-	1,070,705
University of Mississippi Foundation event funding	-	489,430	489,430
Other revenue	248,504	333,785	582,289
Net assets released from restrictions	974,908	(974,908)	-
Total Revenues, Gains and Other Support	<u>3,948,460</u>	<u>180,593</u>	<u>4,129,053</u>
Expenses			
Program services:			
Alumni activities:			
Alumni events and programs	1,398,064	-	1,398,064
University funding:			
Personnel and benefits	1,023,957	-	1,023,957
Other	46,748	-	46,748
The Inn at Ole Miss & alumni office	69,350	-	69,350
UMAA foundation campaigns	214,809	-	214,809
Support services:			
General and administrative	722,746	-	722,746
Total Expenses	<u>3,475,674</u>	<u>-</u>	<u>3,475,674</u>
Changes in Net Assets	472,786	180,593	653,379
Net Assets at Beginning of Year	<u>7,355,127</u>	<u>508,502</u>	<u>7,863,629</u>
Net Assets at End of Year	<u>\$ 7,827,913</u>	<u>\$ 689,095</u>	<u>\$ 8,517,008</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Revenues			
Dues	\$ 992,154	\$ 40,380	\$ 1,032,534
Contributions and gifts	69,623	131,590	201,213
Investment income	166,547	28,475	195,022
Net realized and unrealized gain on investments	516,683	-	516,683
University of Mississippi funding	1,161,141	-	1,161,141
University of Mississippi Foundation event funding	-	469,395	469,395
Other revenue	250,821	253,439	504,260
Net assets released from restrictions	868,058	(868,058)	-
Total Revenues, Gains and Other Support	<u>4,025,027</u>	<u>55,221</u>	<u>4,080,248</u>
Expenses			
Program services:			
Alumni activities:			
Alumni events and programs	1,345,265	-	1,345,265
University funding:			
Personnel and benefits	1,060,745	-	1,060,745
Other	100,396	-	100,396
UMAA foundation campaigns	200,000	-	200,000
Support services:			
General and administrative	772,250	-	772,250
Total Expenses	<u>3,478,656</u>	<u>-</u>	<u>3,478,656</u>
Changes in Net Assets	546,371	55,221	601,592
Net Assets at Beginning of Year	<u>6,808,756</u>	<u>453,281</u>	<u>7,262,037</u>
Net Assets at End of Year	<u>\$ 7,355,127</u>	<u>\$ 508,502</u>	<u>\$ 7,863,629</u>

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Increase in net assets	\$ 653,379	\$ 601,592
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities		
Depreciation	7,136	4,869
Realized and unrealized gain on investments	(213,253)	(516,683)
Increase in other receivables	(57,109)	(92,385)
Increase in prepaid	(133,903)	-
Increase (Decrease) in accounts payable and deposits	33,569	(181,489)
Net Cash Provided (Used by) Operating Activities	289,819	(184,096)
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(35,677)
Purchases of investments	(720,485)	(219,538)
Sale of investments	225,464	213,439
Net Cash Used by Investing Activities	(495,021)	(41,776)
Net Decrease in Cash Equivalents	(205,202)	(225,872)
Cash and Cash Equivalents at Beginning of Year	1,622,991	1,848,863
Cash and cash Equivalents at End of Year	\$ 1,417,789	\$ 1,622,991
Supplemental disclosures of cash flow information:		
Cash Paid for Income Taxes	\$ -	\$ 1,474

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The University of Mississippi Alumni Association (the Alumni Association) is a not-for-profit entity established to support The University of Mississippi and its alumni and friends. The financial statements presented are those of the general alumni association and the associated chapters. The Alumni Association operates under an affiliation agreement with The University of Mississippi (the University). The financial statements do not include those of The Inn at Ole Miss (The Inn) which is an auxiliary enterprise of The University of Mississippi.

Basis of Accounting

The Alumni Association's financial statements are prepared using the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Alumni Association considers cash and interest-bearing accounts with an original maturity of 90 days or less to be cash and cash equivalents.

Investments

Investments are carried at fair value, and realized and unrealized gains and losses are reported in the statements of activities. Fair value is determined using market prices or dealer quotes as of year-end.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over estimated useful lives as follows:

Furniture and equipment	5 Years
Vehicles	5 Years

Expenditures for acquisition, renewals or betterments are capitalized, whereas maintenance and repair costs that do not improve or extend the useful lives of the assets are expensed as incurred.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Assets are accounted for as unrestricted, temporarily restricted or permanently restricted. Amounts received which are restricted for use within a particular chapter or for a particular purpose are considered temporarily restricted. When used in accordance with the intent of the donor, the funds are reclassified and reported in the statement of changes in net assets as net assets released from restriction. There were no permanently restricted funds at June 30, 2018 or 2017.

Deferred Gifts and Revenue Recognition

All pledges relating to deferred giving are made by alumni and friends through The University of Mississippi Foundation (the Foundation) and are not considered revenue of the Alumni Association until collected by the Foundation and passed through to the Alumni Association.

Contributed Services, Utilities and Facilities

All Alumni Association staff are employed by the University. The Alumni Association provides funds to the University to supplement salaries of Alumni staff. Additionally, the Alumni Association is housed on the University's grounds and is provided equipment, furniture, rent, and utilities at a nominal cost. These amounts are recorded at their fair value in the Alumni Association's statements of activities as contributions and related expense.

Advertising Costs

Advertising costs are expensed as incurred. In 2018 and 2017, advertising expense was \$60,562 and \$27,778, respectively.

Income Taxes

The Alumni Association qualifies as an organization exempt from income taxation of revenues derived as a part of its exempt function under Section 501(c)(3) of the Internal Revenue Code. The Alumni Association has been determined not to be a private foundation.

As required under Section 511 of the Internal Revenue Code, the Alumni Association files Form 990-T with the Internal Revenue Service on an annual basis to report income derived from activities unrelated to its exempt function and, as such, pays tax on its net income from these activities.

Generally accepted accounting principles require management to evaluate tax positions taken by the Alumni Association and recognize an asset or liability if any position has been taken that more likely than not would not be sustained upon examination by taxing authorities. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the years ended June 30, 2018 and 2017 and accordingly, there is no liability for unrecognized tax benefits.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Alumni Association files IRS Form 990 annually with the Federal Government and is still open to examination by taxing authorities for fiscal years 2015 and later.

Donated Support

The Alumni Association receives support from volunteers in order to accomplish its mission. The value of volunteer services for all but certain individuals or entities cannot readily be determined. In addition, other non-cash benefits to the Alumni Association cannot be readily enumerated and valued. Those goods and services for which a value is readily determinable are reported as revenue in the financial statements. A like amount is reported in the financial statements for the expense of the goods and services provided.

Subsequent Events

Management has evaluated subsequent events through October 1, 2018, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

At June 30, 2018 and 2017 investments carried at fair value consisted of the following:

	<u>2018</u>	<u>2017</u>
Certificate of deposit	\$ 256,968	\$ 255,049
Life Member Reserve Fund held by University of Mississippi Foundation	6,663,246	5,956,891
	<u>\$ 6,920,214</u>	<u>\$ 6,211,940</u>
Aggregate cost	\$ 4,624,182	\$ 4,131,080
Unrealized holding gains	2,296,032	2,080,860
Aggregate fair value	<u>\$ 6,920,214</u>	<u>\$ 6,211,940</u>

A summary of the annual investment returns for each year follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 367,908	\$ 195,022
Realized and unrealized gains (losses)	213,253	516,683
Total investment income (loss)	<u>\$ 581,161</u>	<u>\$ 711,705</u>

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 3 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value in financial statements and expanded disclosures about fair value measurements.

Reporting entities are required to group their assets and liabilities that are carried at fair value in their financial statements into three levels based on the markets in which these assets and liabilities are traded and the reliability of assumptions used to determine their fair value. These levels are as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active.

Level 3 - Valuation is based on significant valuation assumptions that are not readily observable in the market.

The Alumni Association measures its investments in marketable equity and debt securities at fair value, which is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value for all of the Alumni Association's investments in marketable securities are based upon quoted prices in active markets. Therefore, all of the Alumni Association's investments that are carried at fair value are considered Level 1 assets.

Fair values of assets, held by the University of Mississippi Foundation on the Alumni Association's behalf, measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, at June 30, 2018	\$ 6,920,214	\$ 6,920,214	\$ -	\$ -
Investments, at June 30, 2017	\$ 6,211,940	\$ 6,211,940	\$ -	\$ -

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 4 CONCENTRATION OF CREDIT RISKS

Cash and Cash Equivalents and Certificates of Deposit - As of June 30, 2018 and 2017, the Alumni Association maintained cash deposits and certificates of deposit at commercial banks that exceeded the Federal Deposit Insurance Corporation (FDIC) limit in the amount of \$1,098,649 and \$1,281,137, respectively.

Marketable Securities Funds - As of June 30, 2018 and 2017, the Alumni Association maintained some of its investments in marketable security funds held by The University of Mississippi Foundation. Although these funds reduce risk through a diversification of investment holdings and are held with reputable brokers, they are exposed to market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Alumni Association's net assets.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 256,289	\$ 256,289
Vehicles	<u>70,662</u>	<u>70,662</u>
	326,951	326,951
Less accumulated depreciation	<u>(301,976)</u>	<u>(294,840)</u>
Property and equipment, net	<u>\$ 24,975</u>	<u>\$ 32,111</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$7,136 and \$4,869, respectively.

NOTE 6 LIFE MEMBER RESERVE

The Alumni Association maintains a reserve for the purpose of providing funds to service members who have elected and paid to become life members. The reserve, held and invested by the University of Mississippi Foundation is considered an unrestricted-board designated asset of the Alumni Association. No actuarial evaluation of the reserve is required. Life member dues are deposited to the fund and annual distributions are received by the Alumni Association based on the University of Mississippi Foundation distribution policy.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 7 AFFINITY GROUP BANKCARD AGREEMENT

In July 2014, the Alumni Association entered into a Joint Marketing Agreement with First National Bank of Omaha (FNBO) for an initial five-year term. This agreement shall be renewed automatically for successive renewal terms of three years each. Either party may terminate this agreement as of the end of the Initial Term or any Renewal Term by providing written notice of its intention not to renew at least one hundred eighty (180) days prior to the end of the Initial Term or any Renewal Term. The agreement can be terminated if there is a material default by either party in the performance of the terms and conditions of the agreement.

The agreement gives FNBO the right and license to use the current and future respective name, trademarks, servicemarks, copyrights, and logo of the Alumni Association solely in connection with FNBO's marketing of credit cards to Alumni Association members. In return, the Alumni Association will be paid one-time finder's fees for accounts generated and other volume driven fees. The Alumni Association earns portions of the royalty through a combination of various account activities.

As a result of recent tax cases and proceedings involving other similar entities, Alumni Association management treats any revenues earned through this agreement as non-taxable royalty income.

NOTE 8 RELATED PARTY TRANSACTIONS

As discussed in Note 1, the Alumni Association is a party to various business transactions with related entities. The Alumni Association is provided certain administrative or management services by the Foundation.

The Alumni Association provides services to The Inn. Donations made through the Alumni Association for capital improvements at The Inn are reflected as an expense on the Alumni Association's financial statements with the asset being carried on the books of the University. The Alumni Association provided support for building and capital improvement projects at The Inn and the University which totaled \$50,000 and \$16,135 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, the University provided funding to the Alumni Association to cover certain salaries and benefits and other office related costs in the amount of \$1,070,705 and \$1,161,141, respectively.

Included in other receivables in the statement of financial position were receivables from related entities totaling \$174,448 and \$70,316 at June 30, 2018 and 2017, respectively. Payables to related entities totaled \$22,102 and \$1,790 at June 30, 2018 and 2017, respectively, and are included in accounts payable in the accompanying statements of financial position.