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MATTHEWS, CARTER & BOYCE  
RESPECT. CONFIDENCE. TRUST.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

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**JUNE 30, 2013 AND 2012**

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MATTHEWS, CARTER & BOYCE  
RESPECT. CONFIDENCE. TRUST.

*Matthew, Carter and Boyd*

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2013 AND 2012**

**ASSETS**

|                             | <u>2013</u>                | <u>2012</u>                |
|-----------------------------|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>       |                            |                            |
| Cash and cash equivalents   | \$ 446                     | \$ 428                     |
| Accounts receivable         | 8,335                      | 26,948                     |
| Accrued interest receivable | 2,904                      | 10,551                     |
| Prepaid expenses            | <u>43,403</u>              | <u>12,931</u>              |
| Total Current Assets        | <u>\$ 55,088</u>           | <u>\$ 50,858</u>           |
| <b>OTHER ASSETS</b>         |                            |                            |
| Investments, at fair value  | \$ 5,126,801               | \$ 4,763,897               |
| Property and equipment, net | <u>333,174</u>             | <u>354,573</u>             |
| Total Other Assets          | <u>\$ 5,459,975</u>        | <u>\$ 5,118,470</u>        |
| <b>TOTAL ASSETS</b>         | <u><u>\$ 5,515,063</u></u> | <u><u>\$ 5,169,328</u></u> |

**LIABILITIES AND NET ASSETS**

|  |                            |                            |
|--|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>                       |                            |                            |
| Accounts payable                                 | \$ 968                     | \$ 30,303                  |
| Deferred royalties                               | <u>200,000</u>             | <u>200,000</u>             |
| Total Current Liabilities                        | <u>\$ 200,968</u>          | <u>\$ 230,303</u>          |
| <b>OTHER LIABILITIES</b>                         |                            |                            |
| Note payable                                     | <u>\$ 783,845</u>          | <u>\$ 783,845</u>          |
| <b>TOTAL LIABILITIES</b>                         | <u>\$ 984,813</u>          | <u>\$ 1,014,148</u>        |
| <b>NET ASSETS</b>                                |                            |                            |
| Unrestricted:                                    |                            |                            |
| Available for operations                         | \$ 4,154,211               | \$ 4,050,974               |
| Board designated - Alumni Serving Alumni Program | 271,978                    | -                          |
| Board designated - Strategic Initiative Reserve  | <u>98,187</u>              | <u>98,332</u>              |
| Total Unrestricted Net Assets                    | <u>\$ 4,524,376</u>        | <u>\$ 4,149,306</u>        |
| Permanently restricted                           | <u>5,874</u>               | <u>5,874</u>               |
| Total Net Assets                                 | <u>\$ 4,530,250</u>        | <u>\$ 4,155,180</u>        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <u><u>\$ 5,515,063</u></u> | <u><u>\$ 5,169,328</u></u> |

See independent auditors' report and notes to financial statements.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

|  | Unrestricted<br>Net<br>Assets | Permanently<br>Restricted<br>Net<br>Assets | Total             |
|--|-------------------------------|--|-------------------|
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>OPERATING REVENUE AND SUPPORT</b>                 |                               |  |                   |
| In-kind operating support from Georgetown University | \$ 1,820,735                  | \$ -                                       | \$ 1,820,735      |
| Royalties  | 542,744                       | -  | 542,744           |
| Interest and dividends                               | 73,686                        | -  | 73,686            |
| Other  | 15,422                        | -  | 15,422            |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Total Operating Revenue and Support                  | \$ 2,452,587                  | \$ -                                       | \$ 2,452,587      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>EXPENSES</b>                                      |                               |  |                   |
| Program Services:                                    |                               |  |                   |
| Athletics  | \$ 42,543                     | \$ -                                       | \$ 42,543         |
| Law alumni   | 173,180                       | -  | 173,180           |
| Main campus alumni                                   | 922,305                       | -  | 922,305           |
| Medical alumni                                       | 150,457                       | -  | 150,457           |
| Networking   | 69,812                        | -  | 69,812            |
| Regional programs                                    | 399,288                       | -  | 399,288           |
| Other alumni events and services                     | 192,629                       | -  | 192,629           |
| Contributions to the University                      | 54,973                        | -  | 54,973            |
| Total Program Services                               | \$ 2,005,187                  | \$ -                                       | \$ 2,005,187      |
| Supporting Services:                                 |                               |  |                   |
| Board and leadership events                          | \$ 39,271                     | \$ -                                       | \$ 39,271         |
| Other general and administrative                     | 191,196                       | -  | 191,196           |
| Total Supporting Services                            | \$ 230,467                    | \$ -                                       | \$ 230,467        |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Total Operating Expenses                             | \$ 2,235,654                  | \$ -                                       | \$ 2,235,654      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>          | \$ 216,933                    | \$ -                                       | \$ 216,933        |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>OTHER GAINS AND EXPENSES</b>                      |                               |  |                   |
| Realized gains on investments                        | \$ 292,588                    | \$ -                                       | \$ 292,588        |
| Unrealized losses on investments                     | (117,018)                     | -  | (117,018)         |
| Investment management fees                           | (17,433)                      | -  | (17,433)          |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Net Other Gains and Expenses                         | \$ 158,137                    | \$ -                                       | \$ 158,137        |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>CHANGE IN NET ASSETS</b>                          | \$ 375,070                    | \$ -                                       | \$ 375,070        |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                 | 4,149,306                     | 5,874                                      | 4,155,180         |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>NET ASSETS, END OF YEAR</b>                       | \$ 4,524,376                  | \$ 5,874                                   | \$ 4,530,250      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |

See independent auditors' report and notes to financial statements.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2012**

|  | Unrestricted<br>Net<br>Assets | Permanently<br>Restricted<br>Net<br>Assets | Total             |
|--|-------------------------------|--|-------------------|
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>OPERATING REVENUE AND SUPPORT</b>                 |                               |  |                   |
| In-kind operating support from Georgetown University | \$ 2,109,636                  | \$ -                                       | \$ 2,109,636      |
| Royalties  | 509,000                       | -  | 509,000           |
| Interest and dividends                               | 75,393                        | -  | 75,393            |
| Other  | 770                           | -  | 770               |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Total Operating Revenue and Support                  | \$ 2,694,799                  | \$ -                                       | \$ 2,694,799      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>EXPENSES</b>                                      |                               |  |                   |
| Program Services:                                    |                               |  |                   |
| Athletics  | \$ 31,682                     | \$ -                                       | \$ 31,682         |
| Law alumni   | 167,150                       | -  | 167,150           |
| Main campus alumni                                   | 802,943                       | -  | 802,943           |
| Medical alumni                                       | 159,380                       | -  | 159,380           |
| Networking   | 64,970                        | -  | 64,970            |
| Regional programs                                    | 568,385                       | -  | 568,385           |
| Other alumni events and services                     | 90,585                        | -  | 90,585            |
| Contributions to the University                      | 155,222                       | -  | 155,222           |
| Total Program Services                               | \$ 2,040,317                  | \$ -                                       | \$ 2,040,317      |
| Supporting Services:                                 |                               |  |                   |
| Board and leadership events                          | \$ 308,603                    | \$ -                                       | \$ 308,603        |
| Other general and administrative                     | 269,458                       | -  | 269,458           |
| Total Supporting Services                            | \$ 578,061                    | \$ -                                       | \$ 578,061        |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Total Operating Expenses                             | \$ 2,618,378                  | \$ -                                       | \$ 2,618,378      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>          | \$ 76,421                     | \$ -                                       | \$ 76,421         |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>OTHER GAINS AND EXPENSES</b>                      |                               |  |                   |
| Realized loss on investments                         | \$ (15,457)                   | \$ -                                       | \$ (15,457)       |
| Unrealized loss on investments                       | (83,202)                      | -  | (83,202)          |
| Investment management fees                           | (14,791)                      | -  | (14,791)          |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| Net Other Gains and Expenses                         | \$ (113,450)                  | \$ -                                       | \$ (113,450)      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>CHANGE IN NET ASSETS</b>                          | \$ (37,029)                   | \$ -                                       | \$ (37,029)       |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                 | 4,186,335                     | 5,874                                      | 4,192,209         |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |
| <b>NET ASSETS, END OF YEAR</b>                       | \$ 4,149,306                  | \$ 5,874                                   | \$ 4,155,180      |
|  | <u>          </u>             | <u>          </u>                          | <u>          </u> |

See independent auditors' report and notes to financial statements.

GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

|   | Program Services |                   |                    |                   |                  |                   |                                | Supporting Services             |                        |                           |                                  | Total             |                           |
|---|------------------|-------------------|--------------------|-------------------|------------------|-------------------|--------------------------------|---------------------------------|------------------------|---------------------------|----------------------------------|-------------------|---------------------------|
|   | Athletics        | Law Alumni        | Main Campus Alumni | Medical Alumni    | Networking       | Regional Programs | Other Alumni Events & Services | Contributions to the University | Total Program Services | Board & Leadership Events | Other General and Administrative |                   | Total Supporting Services |
| Accounting  | \$ -             | \$ -              | \$ -               | \$ -              | \$ -             | \$ -              | \$ -                           | \$ -                            | \$ -                   | \$ -                      | \$ 2,250                         | \$ 2,250          | \$ 2,250                  |
| Alumni elections                                    | -                | -                 | -                  | -                 | 491              | -                 | 14,844                         | -                               | 15,335                 | -                         | -                                | -                 | 15,335                    |
| Conferences and workshops                           | -                | -                 | -                  | -                 | -                | -                 | 10,154                         | -                               | 10,154                 | -                         | -                                | -                 | 10,154                    |
| Contributions                                       | -                | -                 | -                  | -                 | -                | -                 | 108,903                        | 41,473                          | 150,376                | -                         | -                                | -                 | 150,376                   |
| Depreciation  | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 30,535                           | 30,535            | 30,535                    |
| Dues and subscriptions                              | -                | -                 | -                  | -                 | -                | -                 | 1,500                          | -                               | 1,500                  | -                         | -                                | -                 | 1,500                     |
| General services                                    | 2,830            | 25,308            | 45,371             | 3,444             | 6,103            | 11,356            | 2,850                          | -                               | 97,262                 | 8,137                     | 4,935                            | 13,072            | 110,334                   |
| Insurance   | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 16,108                           | 16,108            | 16,108                    |
| Maintenance and repairs                             | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 11,512                           | 11,512            | 11,512                    |
| Marketing   | -                | -                 | 8,525              | -                 | -                | -                 | 18,050                         | 12,500                          | 39,075                 | -                         | -                                | -                 | 39,075                    |
| Miscellaneous                                       | 821              | (1,181)           | 8,679              | 902               | 3,188            | 11,150            | 36                             | -                               | 23,595                 | 2,057                     | 3,091                            | 5,148             | 28,743                    |
| Professional services                               | -                | -                 | 144                | -                 | -                | -                 | 4,030                          | -                               | 4,174                  | 20,044                    | 80,787                           | 100,831           | 105,005                   |
| Rentals and leases                                  | -                | 8,636             | 170,511            | 7,746             | 5,513            | 3,111             | 125                            | -                               | 195,642                | (378)                     | 2,377                            | 1,999             | 197,641                   |
| Retreat and board meetings                          | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | -                                | -                 | -                         |
| Strategic plan (Discretionary)                      | -                | -                 | 25,000             | -                 | 4,575            | -                 | 3,172                          | 1,000                           | 33,747                 | -                         | -                                | -                 | 33,747                    |
| Supplies, printing and postage                      | 28,237           | 42,232            | 56,665             | 27,315            | 14,938           | 88,915            | 893                            | -                               | 259,195                | 14,375                    | 11,999                           | 26,374            | 285,569                   |
| Telecommunications                                  | 72               | 2,230             | -                  | -                 | 232              | 6,230             | -                              | -                               | 8,764                  | -                         | 485                              | 485               | 9,249                     |
| Travel, entertainment, reimbursements and transfers | 10,583           | 95,955            | 607,410            | 111,050           | 34,772           | 278,526           | 28,072                         | -                               | 1,166,368              | (8,104)                   | (732)                            | (8,836)           | 1,157,532                 |
| Utilities   | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | 3,140                     | 27,849                           | 30,989            | 30,989                    |
| <b>TOTAL</b>  | <b>\$ 42,543</b> | <b>\$ 173,180</b> | <b>\$ 922,305</b>  | <b>\$ 150,457</b> | <b>\$ 69,812</b> | <b>\$ 399,288</b> | <b>\$ 192,629</b>              | <b>\$ 54,973</b>                | <b>\$ 2,005,187</b>    | <b>\$ 39,271</b>          | <b>\$ 191,196</b>                | <b>\$ 230,467</b> | <b>\$ 2,235,654</b>       |

See independent auditors' report and notes to financial statements.



**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2012**

|   | Program Services |                   |                    |                   |                  |                   |                                | Supporting Services             |                        |                           |                                  | Total             |                           |
|---|------------------|-------------------|--------------------|-------------------|------------------|-------------------|--------------------------------|---------------------------------|------------------------|---------------------------|----------------------------------|-------------------|---------------------------|
|   | Athletics        | Law Alumni        | Main Campus Alumni | Medical Alumni    | Networking       | Regional Programs | Other Alumni Events & Services | Contributions to the University | Total Program Services | Board & Leadership Events | Other General and Administrative |                   | Total Supporting Services |
| Accounting  | \$ -             | \$ -              | \$ -               | \$ -              | \$ -             | \$ -              | \$ -                           | \$ -                            | \$ -                   | \$ -                      | \$ 2,935                         | \$ 2,935          | \$ 2,935                  |
| Alumni elections                                    | -                | -                 | -                  | -                 | -                | -                 | 11,060                         | -                               | 11,060                 | -                         | -                                | -                 | 11,060                    |
| Conferences and workshops                           | -                | -                 | -                  | -                 | 936              | -                 | 7,748                          | -                               | 8,684                  | -                         | -                                | -                 | 8,684                     |
| Contributions                                       | -                | 1,323             | 4,791              | 500               | -                | 2,750             | 3,700                          | 49,087                          | 62,151                 | -                         | -                                | -                 | 62,151                    |
| Depreciation  | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 29,310                           | 29,310            | 29,310                    |
| Dues and subscriptions                              | -                | -                 | -                  | -                 | -                | -                 | 1,000                          | -                               | 1,000                  | -                         | 1,862                            | 1,862             | 2,862                     |
| General services                                    | 138              | 4,101             | 69,021             | 10,311            | 7,030            | 11,125            | 4,548                          | -                               | 106,274                | 15,014                    | 17,100                           | 32,114            | 138,388                   |
| Insurance   | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 14,826                           | 14,826            | 14,826                    |
| Maintenance and repairs                             | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 14,595                           | 14,595            | 14,595                    |
| Marketing   | -                | 10,000            | -                  | -                 | -                | -                 | 22,200                         | -                               | 32,200                 | -                         | -                                | -                 | 32,200                    |
| Miscellaneous                                       | 20               | 12                | 83,050             | 289               | 211              | 16,821            | 12                             | -                               | 100,415                | 35                        | 193                              | 228               | 100,643                   |
| Professional services                               | -                | -                 | -                  | -                 | -                | 350               | -                              | -                               | 350                    | 19,201                    | 120,836                          | 140,037           | 140,387                   |
| Rentals and leases                                  | 500              | 8,257             | 74,792             | 2,854             | 651              | 13,223            | 500                            | -                               | 100,777                | (2,433)                   | 1,864                            | (569)             | 100,208                   |
| Retreat and board meetings                          | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | 41,472                    | -                                | 41,472            | 41,472                    |
| Strategic plan                                      | -                | -                 | 6,039              | -                 | -                | 16,305            | 6,340                          | 106,135                         | 134,819                | -                         | -                                | -                 | 134,819                   |
| Supplies, printing and postage                      | 14,410           | 19,708            | 55,314             | 18,706            | 8,705            | 166,976           | 1,575                          | -                               | 285,394                | 13,654                    | 30,043                           | 43,697            | 329,091                   |
| Telecommunications                                  | 836              | 2,496             | -                  | 305               | 1,457            | 15,793            | -                              | -                               | 20,887                 | 4,886                     | 2,692                            | 7,578             | 28,465                    |
| Travel, entertainment, reimbursements and transfers | 15,778           | 121,253           | 509,936            | 126,415           | 45,980           | 325,042           | 31,902                         | -                               | 1,176,306              | 216,774                   | 2,317                            | 219,091           | 1,395,397                 |
| Utilities   | -                | -                 | -                  | -                 | -                | -                 | -                              | -                               | -                      | -                         | 30,885                           | 30,885            | 30,885                    |
| <b>TOTAL</b>  | <b>\$ 31,682</b> | <b>\$ 167,150</b> | <b>\$ 802,943</b>  | <b>\$ 159,380</b> | <b>\$ 64,970</b> | <b>\$ 568,385</b> | <b>\$ 90,585</b>               | <b>\$ 155,222</b>               | <b>\$ 2,040,317</b>    | <b>\$ 308,603</b>         | <b>\$ 269,458</b>                | <b>\$ 578,061</b> | <b>\$ 2,618,378</b>       |

See independent auditors' report and notes to financial statements.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

|   | 2013         | 2012         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |              |
| Change in net assets  | \$ 375,070   | \$ (37,029)  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |              |              |
| Depreciation  | 30,535       | 29,310       |
| Realized (gain) loss on investments   | (292,588)    | 15,457       |
| Unrealized loss on investments  | 117,018      | 83,202       |
| (Increase) decrease in accounts receivable  | 18,613       | 1,365        |
| (Increase) decrease in accrued interest receivable  | 7,647        | (452)        |
| Increase in prepaid expenses  | (30,472)     | 18,085       |
| Increase (decrease) in accounts payable   | (29,335)     | 28,434       |
| Increase in deferred royalties  | -            | (27,500)     |
| Net Cash Provided by Operating Activities   | \$ 196,488   | \$ 110,872   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |              |
| Purchases of equipment  | \$ (9,136)   | \$ (3,992)   |
| Proceeds from sale of investments   | 1,836,567    | 344,074      |
| Purchases of investments  | (2,023,901)  | (520,304)    |
| Net Cash Provided (Used) by Investing Activities  | \$ (196,470) | \$ (180,222) |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | \$ 18        | \$ (69,350)  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | 428          | 69,778       |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | \$ 446       | \$ 428       |

There were no non-cash investing or financing activities for the years ended June 30, 2013 or 2012.

See independent auditors' report and notes to financial statements.

# GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

### Note 1. Organization and Significant Accounting Policies

#### Organization

Georgetown University Alumni Association, Inc. (the "Association") was incorporated in 1947 under the laws of the State of Delaware to serve Georgetown University (the "University") and its alumni. The Association has headquarters in Washington, D.C., with regional Alumni clubs throughout the United States and worldwide. The Association's Board of Governors has primary responsibility for planning and oversight of all alumni activities.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America whereby revenue is recognized when earned and expenses are recognized when incurred.

#### Basis of Presentation

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein, are classified and reported as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations. The Association's unrestricted net assets include Board designated net assets (Strategic Initiative Reserve and Alumni Serving Alumni Program (ASAP) grants) which are maintained primarily to provide a source of revenue to the Association to be used for expenditures pursuant to directives by the Board of Governors.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Association and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2013 or 2012.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The Association's permanently restricted net assets represent resources that have been donated by members requiring that the principal be invested and the income be used for operating purposes. This amount was \$5,874 as of June 30, 2013 and 2012.

#### Cash and Cash Equivalents

The Association considers money market funds and highly liquid investments with original maturities of less than three months to be cash equivalents. The cash and cash equivalents held in accounts professionally managed by investment advisors is included in investments in the statement of financial position.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 1. Organization and Significant Accounting Policies (Continued)**

Contributions, accounts receivable and allowance for doubtful accounts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions receivable are recognized as revenues in the period the pledge is received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

In the ordinary course of business the Association grants credit to contributors and others. The accounts receivable are recorded at the lower of cost or fair value. The risk of loss on the accounts receivable is the balance due at the time of default. The Association uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based upon prior years' experience and management's analysis of specific promises made. There was no allowance for doubtful accounts as of June 30, 2013 or 2012. The Association does not accrue interest on its accounts receivable.

The Association receives donated materials, supplies, telecommunications and utilities from the University as pledged by the President of the University on June 26, 1992. The amount of the support determined each year is measured by actual expenditures by the University on the Association's behalf. The donated materials, supplies, telecommunications and utilities are used in nearly every program of the Association as well as for general and administrative expenses. Contributed materials, supplies, telecommunications and utilities are recognized as revenues and expenses in the statement of activities. For the years ended June 30, 2013 and 2012, the contributions totaled \$1,820,735 and \$2,109,636, respectively.

Donated services were also provided by the University as pledged by the President of the University on June 26, 1992. The value of such donations is not reflected in the accompanying financial statements, as it does not meet the requirements for recording contributions as defined in FASB ASC 958. The amount of contributed services as valued by the University was \$3,235,473 and \$3,060,952, for the years ended June 30, 2013 and 2012, respectively.

Investments

Investments in equity securities, money funds, mutual funds and bonds are recorded at fair value based on quoted market rates. Fair value of certificate of deposits are estimated by the investment managers using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits. Money market accounts are recorded at fair value which equals cost. Realized and unrealized gains and losses are included in investment income in the statements of activities. Interest and dividends are recorded as earned. Net appreciation or depreciation in the fair value of the investments is considered non-operating and is presented separately in the statements of activities.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 1. Organization and Significant Accounting Policies (Concluded)**

Property and Equipment

Property and equipment are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets. The useful lives used for the purpose of computing depreciation are 40 years for building and leasehold improvements, 5 years for equipment and 15 years for furniture and fixtures. Expenditures which extend the useful life of an asset are capitalized while repairs and maintenance costs are generally expensed as they are incurred.

Deferred Revenue

Royalties from credit card and directory contracts are reported as income when earned over the terms of the royalty agreement. Royalty fees collected in advance are reported as deferred royalties.

Use of 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 of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Functional allocation of expenses:

The costs of providing various programs and other activities of the Association have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program or function. Other allocable costs have been allocated to program services and to management and general based upon management's best estimates.

Prior Year Information

Certain changes have been made to the presentation of the information for 2012 to conform to the current year presentation.

**Note 2. Income Taxes**

The Association is a 501(c)(3) organization and is exempt from federal and state income tax under Section 501(a) of the Internal Revenue Code (the "Code"). Under the provisions of the Code, the Association is, however, subject to tax on business income unrelated to the Association's exempt purpose. For the years ended June 30, 2013 and 2012, the Association had no liability for tax on unrelated business income. The Association files information returns as required. Currently, returns for the years subsequent to 2009 are open and subject to examination. The Association is not currently under audit by any income tax jurisdiction.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 2. Income Taxes (concluded)**

The Association recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The Association does not believe its income tax returns include any uncertain tax positions.

**Note 3. Property and Equipment**

Property and equipment consisted of the following:

|                                | <u>2013</u>       | <u>2012</u>       |
|--------------------------------|-------------------|-------------------|
| Building and equipment         | \$ 879,342        | \$ 870,206        |
| Furniture and fixtures         | <u>187,773</u>    | <u>187,773</u>    |
|                                | \$ 1,067,115      | \$ 1,057,979      |
| Less: accumulated depreciation | <u>(733,941)</u>  | <u>(703,406)</u>  |
| Net Property and Equipment     | <u>\$ 333,174</u> | <u>\$ 354,573</u> |

Depreciation expense for the years ended June 30, 2013 and 2012 was \$30,535 and \$29,310, respectively.

**Note 4. Investments and Fair Value Measurement**

Investments consisted of the following:

|                         | <u>June 30, 2013</u> |                     | <u>June 30, 2012</u> |                     |
|-------------------------|----------------------|---------------------|----------------------|---------------------|
|                         | <u>Cost</u>          | <u>Fair Value</u>   | <u>Cost</u>          | <u>Fair Value</u>   |
| Money market funds      | \$ 459,548           | \$ 459,548          | \$ 592,061           | \$ 592,061          |
| Mutual funds            | 593,475              | 660,732             | 409,706              | 412,516             |
| Certificates of deposit | 2,150,000            | 2,145,083           | 1,850,000            | 1,854,888           |
| Common stocks           | 1,777,267            | 1,861,438           | 927,919              | 1,008,964           |
| U.S. Government bonds   | <u>-</u>             | <u>-</u>            | <u>815,065</u>       | <u>895,468</u>      |
|                         | <u>\$ 4,980,290</u>  | <u>\$ 5,126,801</u> | <u>\$ 4,594,751</u>  | <u>\$ 4,763,897</u> |

The Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework includes 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 the fair value hierarchy under FASB ASC 820 are described as follows:

GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

**Note 4. Investments and Fair Value Measurement (Continued)**

*Level 1* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

*Level 2* Inputs to the valuation methodology include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If an asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset of liability.

*Level 3* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 or 2012.

*Money market funds:* Valued at the quoted market prices at year end.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Association at year end.

*Common stocks:* Valued at quoted market prices at year end.

*Certificate of deposits:* Valued at discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

*U.S. Government Bonds:* Valued at quoted market prices at year end.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 4. Investments and Fair Value Measurement (Concluded)**

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of:

|                         | June 30, 2013       |           |           |                     |
|-------------------------|---------------------|-----------|-----------|---------------------|
|                         | Level 1             | Level 2   | Level 3   | Total               |
| Money market funds      | \$ 459,548          | \$        | \$        | \$ 459,548          |
| Mutual funds            | 660,732             |           |           | 660,732             |
| Certificates of deposit | 2,145,083           |           |           | 2,145,083           |
| Common stocks           | 1,861,438           |           |           | 1,861,438           |
| U.S. Government Bonds   | -                   |           |           | -                   |
|                         | <u>\$ 5,126,801</u> | <u>\$</u> | <u>\$</u> | <u>\$ 5,126,801</u> |

  

|                         | June 30, 2012       |             |             |                     |
|-------------------------|---------------------|-------------|-------------|---------------------|
|                         | Level 1             | Level 2     | Level 3     | Total               |
| Money market funds      | \$ 592,061          | \$ -        | \$ -        | \$ 592,061          |
| Mutual funds            | 412,516             | -           | -           | 412,516             |
| Certificates of deposit | 1,854,888           | -           | -           | 1,854,888           |
| Common stocks           | 1,008,964           | -           | -           | 1,008,964           |
| U.S. Government Bonds   | 895,468             | -           | -           | 895,468             |
|                         | <u>\$ 4,763,897</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,763,897</u> |

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Marketable securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment will occur in the year term and those changes could materially affect the amounts reported in the statements of financial position.

**Note 5. Note Payable**

The Association is indebted to the University in the amount of \$783,845. The note is secured by a building and bears interest at a rate of 5% per annum. In accordance with the terms of the settlement agreement pertaining to litigation against the Association that was dismissed in August 1992, the University has waived the Association's obligation to make monthly debt service payments of \$3,533 of principal and interest as long as no litigation is commenced respecting the structure or governance of the Association or its relationship with the University. The final payment due in February 2037 has also been waived with the same stipulations as the waiver of the monthly debt service payments.



**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 6. Lease Commitment**

The Association has entered into a lease agreement with the University for the property on which the Reed Alumni residence is located. The lease provides for annual rent in the amount of \$13,950, adjusted annually for increases in the Consumer Price Index. The term of the lease is fifty years, expiring in September 2036, at which time the ownership of the building will be transferred to the University.

In accordance with the terms of the settlement agreement pertaining to litigation against the Association that was dismissed in August 1992, the University has waived the Association's obligation to make monthly rent payments as long as no litigation is commenced respecting the structure or governance of the Association or its relationship with the University.

**Note 7. Board Designated Net Assets**

The Board of Directors has designated a portion of the Association's unrestricted net assets for the Strategic Initiative Reserve to help with the five-year Strategic Plan Initiative that commenced at the beginning of the 2007 fiscal year. The amount designated by the Board for the Strategic Initiative Reserve totaled \$98,187 and \$98,332 as of June 30, 2013 and 2012, respectively.

The Board of Directors has also designated a portion of the Association's unrestricted net assets for the Alumni Serving Alumni Program (ASAP) that commenced during the 2013 fiscal year. The amount designated by the Board for the ASAP grants totaled \$271,978 and \$0 as of June 30, 2013 and 2012, respectively.

**Note 8. Related Party and Concentration**

The Association receives a substantial amount of support from the University. If this support were terminated the Association would potentially suffer a serious impact to its operations. However, in accordance with the terms of the settlement agreement pertaining to litigation against the Association that was dismissed in August 1992, the University receives the support, and has waived debt payment obligations as noted in Note 5 and lease payments as noted in Note 6.

**Note 9. Subsequent Events**

In preparing these financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through October 1, 2013, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**Note 10. Prior Period Adjustment**

These financial statements reflect an adjustment necessary to correct the recording of contributed services and salaries and related expenses as reported in the audited financial statements for the year ended June 30, 2012. The amounts recorded in the prior year did not meet the requirements for recording contributed services under FASB ASC 958-605-25-16. Contributions for contributed salaries and related costs had been improperly included in the statements of activities and functional expenses in the amount of \$3,060,952. The net effect of this adjustment is to decrease in-kind operating support from Georgetown University and salaries and related costs for \$3,060,952.

## **SUPPLEMENTAL INFORMATION**

**GEORGETOWN UNIVERSITY ALUMNI ASSOCIATION, INC.**

**SCHEDULES OF REVENUE AND EXPENSES**

**(EXCLUDING IN-KIND REVENUE AND EXPENSES)**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

|   | <u>2013</u>              | <u>2012</u>               |
|---|--------------------------|---------------------------|
| <b>OPERATING REVENUE AND SUPPORT</b>        |                          |                           |
| Royalties                                   | \$ 542,744               | \$ 509,000                |
| Interest and dividends                      | 73,686                   | 75,393                    |
| Other                                       | <u>15,422</u>            | <u>770</u>                |
| Total Operating Revenue and Support         | <u>\$ 631,852</u>        | <u>\$ 585,163</u>         |
| <b>OPERATING EXPENSES</b>                   |                          |                           |
| Accounting                                  | \$ 2,250                 | \$ 2,935                  |
| Alumni elections                            | 14,844                   | 11,060                    |
| Conferences and workshops                   | 10,645                   | 8,684                     |
| Contributions                               | 150,376                  | 62,151                    |
| Depreciation                                | 30,535                   | 29,310                    |
| Dues and subscriptions                      | 1,500                    | 2,862                     |
| Insurance                                   | 16,108                   | 14,826                    |
| Maintenance and repairs                     | 11,512                   | 14,595                    |
| Marketing                                   | 39,075                   | 32,200                    |
| Miscellaneous                               | 5,091                    | -                         |
| Professional services                       | 84,817                   | 131,232                   |
| Retreat and board meeting                   | -                        | 41,472                    |
| Strategic planning initiative               | 33,747                   | 134,819                   |
| Supplies, printing and postage              | -                        | 9,311                     |
| Travel and entertainment                    | 4,859                    | 5,273                     |
| Utilities                                   | <u>9,560</u>             | <u>8,012</u>              |
| Total Operating Expenses                    | <u>\$ 414,919</u>        | <u>\$ 508,742</u>         |
| <b>CHANGE IN NET ASSETS FROM OPERATIONS</b> | <u>\$ 216,933</u>        | <u>\$ 76,421</u>          |
| <b>OTHER INCOME</b>                         |                          |                           |
| Realized gains (losses) on investments      | \$ 292,588               | \$ (15,457)               |
| Unrealized (losses) gains on investments    | (117,018)                | (83,202)                  |
| Investment management fees                  | <u>(17,433)</u>          | <u>(14,791)</u>           |
| Total Other Income                          | <u>\$ 158,137</u>        | <u>\$ (113,450)</u>       |
| <b>CHANGE IN NET ASSETS</b>                 | <u><u>\$ 375,070</u></u> | <u><u>\$ (37,029)</u></u> |

See independent auditors' report and notes to financial statements.