

**THE UNIVERSITY OF MISSISSIPPI
ALUMNI ASSOCIATION**

**AUDITED
FINANCIAL STATEMENTS**

JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

Independent Auditors' Report	1
<hr/>	
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6



GranthamPoole

Certified Public Accountants

We See You Through.®

INDEPENDENT AUDITORS' REPORT

The University of Mississippi Alumni Association
University, Mississippi

We have audited the accompanying statement of financial position of The University of Mississippi Alumni Association (Alumni Association), as of June 30, 2015 and 2014, 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 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, 2015 and 2014, 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, Poole, Runcell, Reitano, Arrington & Cunniff PLLC

Ridgeland, Mississippi
October 5, 2015

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statements of Financial Position
June 30, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 1,441,707	\$ 830,441
Other receivables	49,257	51,337
Prepaid expenses	-	4,000
Total Current Assets	1,490,964	885,778
Investments	5,716,008	5,564,530
Property and Equipment, net	3,583	25,408
Total Assets	\$ 7,210,555	\$ 6,475,716

<u>LIABILITIES AND NET ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts payable	\$ 26,961	\$ 23,410
Deposits	332,872	209,291
Total Current Liabilities	359,833	232,701
Net Assets		
Unrestricted		
Undesignated	1,224,509	1,392,727
Designated - Life memberships	5,520,680	5,322,026
Temporarily restricted	105,533	(471,738)
Total Net Assets	6,850,722	6,243,015
Total Liabilities and Net Assets	\$ 7,210,555	\$ 6,475,716

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2015 and 2014

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>2015 Total</u>	<u>2014</u>
Revenues				
Dues	\$ 968,185	\$ 32,950	\$ 1,001,135	\$ 930,217
Contributions and gifts	45,991	315,853	361,844	369,387
Investment income	319,418	19,543	338,961	92,429
Net unrealized gain on investments	(257,890)	-	(257,890)	669,070
University of Mississippi Funding	1,061,015	-	1,061,015	1,065,992
University of Mississippi Foundation Event Funding	222,367	-	222,367	149,610
Other revenue	643,539	317,256	960,795	812,479
Total revenues, gains and other support	<u>3,002,625</u>	<u>685,602</u>	<u>3,688,227</u>	<u>4,089,184</u>
Net assets released from restrictions	107,037	(107,037)	-	-
Expenses				
Program services:				
Alumni activities:				
Alumni events and programs	1,296,822	-	1,296,822	1,062,154
University funding:				
Personnel and benefits	991,979	-	991,979	995,199
Other	69,036	-	69,036	70,793
The Inn at Ole Miss and Alumni Offices	14,673	1,294	15,967	971,808
UMAA Foundation Campaigns	115,600	-	115,600	5,000
Support services				
General and administrative	591,116	-	591,116	570,668
Total Expenses	<u>3,079,226</u>	<u>1,294</u>	<u>3,080,520</u>	<u>3,675,622</u>
Changes in Net Assets	30,436	577,271	607,707	413,562
Net Assets at Beginning of Year	<u>6,714,753</u>	<u>(471,738)</u>	<u>6,243,015</u>	<u>5,829,453</u>
Net Assets at End of Year	<u>\$ 6,745,189</u>	<u>\$ 105,533</u>	<u>\$ 6,850,722</u>	<u>\$ 6,243,015</u>

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Increase in net assets	\$ 607,707	\$ 413,562
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities		
Depreciation	11,227	14,637
Unrealized loss (gain) on investments	257,890	(669,070)
Loss on sale of equipment	10,599	-
(Increase) decrease in other receivables	2,080	(1,335)
(Increase) decrease in prepaid expenses	4,000	(4,000)
Increase in accounts payable and deposits	127,132	136,560
Net cash provided by (used in) operating activities	1,020,635	(109,646)
 Cash Flows From Investing Activities		
Purchases of investments	(582,524)	(296,541)
Sales of investments	173,155	169,079
Net cash used in investing activities	(409,369)	(127,462)
 Net Increase (Decrease) in Cash Equivalents	611,266	(237,108)
 Cash and Cash Equivalents at Beginning of Year	830,441	1,067,549
 Cash and Cash Equivalents at End of Year	\$ 1,441,707	\$ 830,441
 Supplemental disclosures of cash flow information:		
Cash Paid for Income Taxes	\$ 10,425	\$ -

See accompanying notes to financial statements.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2015 and 2014

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 Association operates under an affiliation agreement with The University of Mississippi. The financial statements do not include those of The Inn at Ole Miss 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.

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 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 market value, and realized and unrealized gains and losses are reported in the statement 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:

Office 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, 2015 and 2014

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, 2015 or 2014.

Deferred Gifts and Revenue Recognition

All pledges relating to deferred giving are made by alumni and friends through The University of Mississippi 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 of Mississippi. 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.

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.

The Alumni Association has adopted the provisions of FASB ASC Topic 740-10, Income Taxes. Management believes it has no material uncertain tax positions or any related penalties and interest to accrue for the year ended June 30, 2015 and accordingly, there is no liability for unrecognized tax benefits.

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2015 and 2014

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 year 2012 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through October 5, 2015, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

At June 30, 2015 and 2014 investments carried at fair value consisted of the following:

	<u>2015</u>	<u>2014</u>
Certificate of Deposit	\$ 251,880	\$ 250,000
Life Member Reserve Fund held by University of Mississippi Foundation	<u>5,464,128</u>	<u>5,314,530</u>
	<u>\$ 5,716,008</u>	<u>\$ 5,564,530</u>
Aggregate cost	\$ 3,989,934	\$ 3,900,094
Unrealized holding gains	<u>1,726,074</u>	<u>1,664,436</u>
Aggregate fair value	<u>\$ 5,716,008</u>	<u>\$ 5,564,530</u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 338,961	\$ 92,429
Realized and unrealized gains (losses)	<u>(257,890)</u>	<u>669,070</u>
Total investment income (loss)	<u>\$ 81,071</u>	<u>\$ 761,499</u>

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 3 FAIR VALUE MEASUREMENTS

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

Companies 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, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments, at June 30, 2015	<u>\$ 5,716,008</u>	<u>\$ 5,716,008</u>	<u>\$ -</u>	<u>\$ -</u>
Investments, at June 30, 2014	<u>\$ 5,564,530</u>	<u>\$ 5,564,530</u>	<u>\$ -</u>	<u>\$ -</u>

THE UNIVERSITY OF MISSISSIPPI ALUMNI ASSOCIATION
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 4 CONCENTRATION OF CREDIT RISKS

Cash and Cash Equivalents and Certificates of Deposit - As of June 30, 2015, 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 \$1,167,993.

Marketable Securities Funds - As of June 30, 2015 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:

	2015	2014
Furniture and equipment	\$ 256,288	\$ 256,288
Vehicles	34,986	129,360
	291,274	385,648
Less accumulated depreciation	(287,691)	(360,240)
Property and equipment, net	\$ 3,583	\$ 25,408

Depreciation expense for the years ended June 30, 2015 and 2014 totaled approximately \$11,227 and \$14,637, 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, 2015 and 2014

NOTE 7 AFFINITY GROUP BANKCARD AGREEMENT

The Alumni Association previously entered into an Affinity Group Bankcard Agreement with Capital One in September, 2011 for an initial seven year term. During 2014 Capital One terminated the 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 University and the Foundation.

The Alumni Association provides services to The Inn at Ole Miss (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 \$15,967 and \$574,937 for the years ended June 30, 2015 and 2014, respectively. During 2014 the Alumni Association also paid off \$396,871 of The Inn's variable bonds.

During the years ended June 30, 2015 and 2014, the University provided funding to the Alumni Association to cover certain salaries and benefits and other office related costs in the amount of \$1,061,015 and \$1,065,992, respectively.

Included on the statement of financial position were receivables from related entities totaling \$5,678 and \$46,838 at June 30, 2015 and 2014, respectively. Payables to related entities totaled \$650 and \$9,716 at June 30, 2015 and 2014, respectively.