

TEXAS STATE ALUMNI ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2009

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

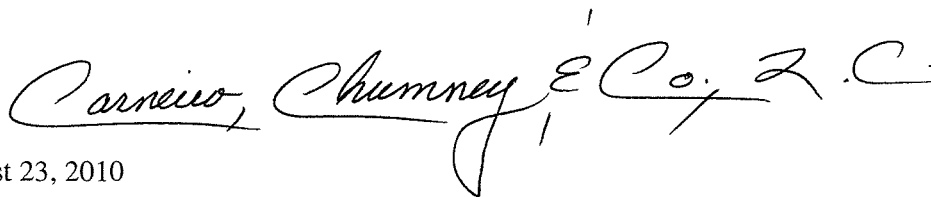
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
Texas State Alumni Association
San Marcos, Texas

We have audited the accompanying statement of financial position of the Texas State Alumni Association, (the Association) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas State Alumni Association, as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with United States generally accepted accounting principles.



August 23, 2010

-1-

TEXAS STATE ALUMNI ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

ASSETS

Assets:

Cash and Cash Equivalents:

Operating account	\$ 54,866
Frost National Bank	33,498
Frost Brokerage Services	171,228
Cash accounts managed by Texas State University-San Marcos	116,413
Total Cash and Cash Equivalents	<u>376,005</u>

Investments	<u>946,860</u>
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TOTAL ASSETS	<u>\$ 1,322,865</u>
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LIABILITIES AND NET ASSETS

Liabilities -

Accounts payable	\$ 9,915
Total Liabilities	<u>9,915</u>

Net Assets:

Unrestricted:

Undesignated	60,892
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Board Designated:

Teague Alumni Endowment	591,250
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Lifetime memberships	446,502
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Temporarily restricted	114,306
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Permanently restricted	100,000
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Total Net Assets	<u>1,312,950</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,322,865</u>
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The accompanying notes are an intergral part of these financial statements.

TEXAS STATE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Memberships and donations	\$ 320,622	45,258	--	\$ 365,880
Royalties	108,191	--	--	108,191
Special events - net of expenses of \$61,386	(14,241)	--	--	(14,241)
Chapter events/fundraising	29,894	--	--	29,894
Merchandise sales	4,476	--	--	4,476
Texas State University-San Marcos in-kind support	343,008	--	--	343,008
Other income	4,012	--	--	4,012
Dividends and interest	33,288	--	--	33,288
Other investment income	2,267	--	--	2,267
Realized and unrealized gains on marketable securities	158,352	--	--	158,352
Total Support and Revenue	<u>989,869</u>	<u>45,258</u>	<u>--</u>	<u>1,035,127</u>
Net Assets Released from Restriction	<u>30,933</u>	<u>(30,933)</u>	<u>--</u>	<u>--</u>
Total Support and Revenue	1,020,802	14,325	--	1,035,127
Expenses:				
Program Services:				
Alumni support	359,989	--	--	359,989
University support	33,150	--	--	33,150
Student support	106,740	--	--	106,740
Support Services:				
Administrative	263,740	--	--	263,740
Fundraising	111,984	--	--	111,984
Total Expenses	<u>875,603</u>	<u>--</u>	<u>--</u>	<u>875,603</u>
Increase in Net Assets	145,199	14,325	--	159,524
Net assets, beginning of year	1,053,445	99,981	--	1,153,426
Reclassification	<u>(100,000)</u>	<u>--</u>	<u>100,000</u>	<u>--</u>
NET ASSETS, END OF YEAR	<u>\$ 1,098,644</u>	<u>114,306</u>	<u>100,000</u>	<u>\$ 1,312,950</u>

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

TEXAS STATE ALUMNI ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows from Operating Activities:	
Change in net assets	\$ 159,524
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by (Used in) Operating Activities:	
Realized and unrealized gains on marketable securities	(158,352)
Decrease in accounts payable	<u>(2,228)</u>
Net Cash (Used in) Operating Activities	<u>(1,056)</u>
 Cash Flows from Investing Activities:	
Purchase of investments	(66,283)
Proceeds from maturities of bonds	<u>94,220</u>
Net Cash Provided by Investing Activities	<u>27,937</u>
 Net Increase in Cash and Cash Equivalents	 26,881
 Cash and cash equivalents at beginning of year	 <u>349,124</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 376,005</u></u>

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

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 1: Organization

Texas State Alumni Association (the Association) is a non-profit corporation established in May of 1983 and incorporated in September of 1995. The Association was established to support the educational activities of Texas State University-San Marcos (the University), perpetuate the association of former students and faculty, and to recognize and honor those individuals who have made significant contributions to the Association or the University.

The University supports the Association with administrators, faculty and staff, and provides space, facilities, and equipment for its operations.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting, which means that revenue is reported when earned and expenditures are reported when the liability is incurred.

Net Assets

Net assets of the Association and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Resources that are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenue is reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, that are typically based on an entity's own assumptions, as there is little, if any, information related to market activity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with maturities of three months or less to be cash equivalents.

Membership Receivable

Memberships are recorded on a cash basis. The use of this method is not considered to be materially different from the accrual method as required under GAAP.

Estimates

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

Federal Income Taxes

The Association is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, in 2007*. Management of the Association believes it has no material uncertain tax positions, and accordingly, it will not recognize any liability for unrecognized tax benefits.

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 3: Concentrations of Credit Risk

At various times during the fiscal year, the Association's cash balances in banks exceeded the federally insured limits. On October 3, 2008, the federal government temporarily increased this Federal Deposit Insurance Corporation (FDIC) limit to \$250,000 per depositor through December 31, 2013. Additionally, on October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, which provided full coverage for non-interest bearing transaction deposit accounts at FDIC-insured institutions that agreed to participate in the program, and applied to all personal and business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage was temporary, and remained in effect until June 30, 2010, for institutions that had not opted out of the program. The Association's financial institutions opted out of the Transaction Account Guarantee Program effective January 1, 2010, effectively reducing their FDIC coverage to \$250,000 per depositor.

The Association maintains accounts that are managed by the University, which are subject to FDIC coverage.

The Association maintains accounts with a brokerage firm. The accounts contain cash, equities, and bonds. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). Cash and investment balances exceeded SIPC coverage at this brokerage firm at December 31, 2009.

Note 4: Investments

Marketable securities at Frost Brokerage, stated at cost and market value on December 31, 2009, were:

<u>Description</u>	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ 285,402	\$ 289,109
Equities	329,468	344,657
Fixed income	<u>301,796</u>	<u>313,094</u>
Totals	\$ <u>916,666</u>	\$ <u>946,860</u>

Note 5: Unrestricted Net Assets and Temporarily Restricted Net Assets

Unrestricted net assets include Board designated funds for both the Teague Alumni Endowment as well as lifetime memberships. The Teague Alumni Endowment was set up by the Board from an initial donation from Marvin O. Teague. The Board's intention is to grow the Teague Endowment to one million dollars, and then use only earnings after that. The endowment has grown from royalty revenue received under a contract with First USA Bank, which expired April 30, 2001, and a new royalty contract with MBNA American Bank, NA beginning on that date. Additional funds have been designated by the Board to expand lifetime memberships. Funds collected for this purpose are amortized over a twenty year period. All Board designated funds are held in investments that are managed by Frost National Bank.

Temporarily restricted net assets represent alumni donations restricted to Texas State University-San Marcos' departments, student scholarships and to local chapters of alumni associations. Temporarily restricted net assets as of December 31, 2009, totaled \$114,306.

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 6: Contributed Services

The Association received donated services totaling \$343,008, which have been reported as the University's in-kind support. This support has been allocated \$251,358 to alumni support and \$91,650 to administrative expense on the statement of activities for the year ended December 31, 2009.

Note 7: Charter Lifetime Memberships

In 2004, the Association began offering Charter Lifetime Memberships for a donation of \$1,000. After December 31, 2004, the Lifetime Membership donation was increased to \$2,000, with an initial payment of \$250 and payments of \$250 for seven consecutive months. For the year ended December 31, 2009, there were donations of \$56,000 for Lifetime Memberships.

Note 8: Functional Allocations of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 9: Fair Value of Financial Instruments

The reporting entity uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Association measures fair value, refer to Note 2: Summary of Significant Accounting Policies.

The following description of valuation methods and assumptions were used by the Association in estimating the fair value disclosures for financial assets. There have been no changes in valuation methodologies used during the year ended December 31, 2009:

Marketable Equities and Mutual Funds – Valued at quoted market prices.

Money Markets and Debt Securities – Valued at quoted market prices.

The following tables set forth by level, within the fair value hierarchy, the Association's investments at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable equities	\$ 344,657	--	--	\$ 344,657
Mutual funds	289,109	--	--	289,109
Money markets	--	204,726	--	204,726
Debt securities	<u>--</u>	<u>313,094</u>	<u>--</u>	<u>313,094</u>
Total Assets at Fair Value	\$ <u>633,766</u>	<u>517,820</u>	<u>--</u>	\$ <u>1,151,586</u>

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 10: Endowment

Interpretation of Relevant Law:

The Board of Directors of the Association has interpreted the Texas Prudent Management of Institutional Funds Act (the Act) as requiring the exercise of prudence to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment fund, subject to (a) explicit donor stipulations to the contrary and (b) the application of other contrary applicable laws. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of the subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by the Act. To maintain prudence, if the value of the permanently restricted assets falls below the corpus, expenditures from the fund will be suspended until the value returns and remains stable for one year. In accordance with the Act, the Association considers the following in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original contribution. In accordance with the Act, the Association deems it prudent to allow the donor-restricted endowment funds to recover unassisted. As of December 31, 2009 there were not deficiencies in the donor-restricted endowment fund.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide the best real return on those assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated endowment funds. Under this policy, as approved by the Board of Directors, the desired rate of return for various asset classes (Pooled and Alternative) will be analyzed by the Finance Committee (the Committee) at least annually.

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 10: Endowment (Continued)

Return Objectives and Risk Parameters (Continued)

For the Association, risk is defined as the probability of not meeting the desired primary investment goal. The Committee will evaluate this probability periodically. Based on these evaluations, the Committee may make adjustments in the asset mix to maintain an acceptable level of risk to the Association's portfolio.

In its broadest sense, risk refers to the unpredictability of future asset value, and specifically, the chance that assets may decrease, as well as increase in value. Investment principles and practical experience both support the notion that expected returns are proportional to the risk taken. The Committee recognizes that the assumption of risk is necessary to meet the investment objectives; that is, there are no "risk free" assets which are sufficient to generate the return needed to support planned spending. Thus risk management does not require the elimination of risk, but the balancing of risk and expected return. Risk in itself is intrinsically neither good nor bad; it is a resource used to generate investment returns.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Currently, there is only one donor restricted endowment fund. The investment policy of that donor restricted fund is clearly defined by the donor document which clearly defines the spending policy. The donor restricted fund is to be invested in a one year certificate of deposit. The earnings from that certificate of deposit may be spent annually to promote fundraising. Currently, the board restricted endowment is not to be spent. The investment policy of the board restricted funds is set out in the bylaws and policies and procedures. This investment policy will be used to help grow the board restricted endowment to the goal of one million dollars. Once the goal is met, only the earnings from that endowment will be used to support the Association.

Endowment Net Assets Composition by Type of Fund as of December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ --	--	100,000	\$ 100,000
Board-designated endowment funds	<u>591,250</u>	--	--	<u>591,250</u>
Total Funds	<u>\$ 591,250</u>	<u>--</u>	<u>100,000</u>	<u>\$ 691,250</u>

TEXAS STATE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 10: Endowment (Continued)

Changes in Endowment Net Assets for the Year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment nets assets, beginning of year	\$ 573,433	--	--	\$ 573,433
Investment Return:				
Interest and dividends	21,052	--	--	21,052
Net appreciation (realized and unrealized)	<u>99,665</u>	<u>--</u>	<u>--</u>	<u>99,665</u>
Total Investment Return	120,717	--	--	120,717
Transfers	(100,000)	--	100,000	--
Appropriations of endowment net assets for expenditure	<u>(2,900)</u>	<u>--</u>	<u>--</u>	<u>(2,900)</u>
Endowment Net Assets, End of Year	\$ <u>591,250</u>	<u>--</u>	<u>100,000</u>	\$ <u>691,250</u>

Total Net Asset Composition for the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	\$ 591,250	--	100,000	\$ 691,250
Non-endowment funds	<u>507,394</u>	<u>114,306</u>	<u>--</u>	<u>621,700</u>
Total Funds	\$ <u>1,098,644</u>	<u>114,306</u>	<u>100,000</u>	\$ <u>1,312,950</u>

Note 11: Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available for issuance.