



# Texas State Alumni Association

Financial Statements  
Years Ended December 31, 2020 and 2019

# **Texas State Alumni Association**

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Financial Statements  
Years Ended December 31, 2020 and 2019

# Texas State Alumni Association

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of Texas State Alumni Association (the Association), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statement of activities and changes in net assets for the year ended December 31, 2020 (with summarized financial information for the year ended December 31, 2019), the statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2020 and 2019, and the changes in its net assets for December 31, 2020 and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

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is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

#### **Report on Summarized Comparative Information**

We have previously audited the Association's 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it was derived.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, LLP*

November 3, 2021

## Financial Statements

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# Texas State Alumni Association

## Statements of Financial Position

<i>December 31,</i>	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 327,730	\$ 278,985
Accounts receivable	42,600	44,733
Investments	2,381,209	2,188,127
Investments held in perpetuity	100,000	100,000
<b>Total Assets</b>	<b>\$ 2,851,539</b>	<b>\$ 2,611,845</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 9,669	\$ 9,892
Scholarships payable	26,000	44,750
<b>Total Liabilities</b>	<b>35,669</b>	<b>54,642</b>
<b>Net Assets</b>		
Without donor restrictions	2,715,870	2,457,203
With donor restrictions	100,000	100,000
<b>Total Net Assets</b>	<b>2,815,870</b>	<b>2,557,203</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,851,539</b>	<b>\$ 2,611,845</b>

*See accompanying notes to financial statements.*

# Texas State Alumni Association

## Statements of Activities and Changes in Net Assets

*Year ended December 31,*

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>Support and Revenue</b>				
Memberships and donations	\$ 606,852	\$ -	\$ 606,852	\$ 897,692
Royalties	167,808	-	167,808	151,283
Chapter events/fundraising, net	7,165	-	7,165	131,063
Dividends and interest, net	33,303	451	33,754	45,314
Realized and unrealized gain on investments	156,413	-	156,413	276,146
Net assets released from restriction	451	(451)	-	-
<b>Total Support and Revenue</b>	<b>971,992</b>	<b>-</b>	<b>971,992</b>	<b>1,501,498</b>
<b>Expenses</b>				
Program services:				
Alumni support	273,976	-	273,976	469,657
University support	121,471	-	121,471	907,832
Student support	117,659	-	117,659	176,350
Support services:				
Administrative	154,087	-	154,087	113,236
Fundraising	46,132	-	46,132	75,582
<b>Total Expenses</b>	<b>713,325</b>	<b>-</b>	<b>713,325</b>	<b>1,742,657</b>
<b>Change in Net Assets</b>	<b>258,667</b>	<b>-</b>	<b>258,667</b>	<b>(241,159)</b>
<b>Net Assets, beginning of year</b>	<b>2,457,203</b>	<b>100,000</b>	<b>2,557,203</b>	<b>2,798,362</b>
<b>Net Assets, end of year</b>	<b>\$ 2,715,870</b>	<b>\$ 100,000</b>	<b>\$ 2,815,870</b>	<b>\$ 2,557,203</b>

*See accompanying notes to financial statements.*

# Texas State Alumni Association

## Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 258,667	\$ (241,159)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated assets	-	520,000
Realized and unrealized gain on investments	(156,413)	(276,134)
Change in operating assets and liabilities:		
Accounts receivable	2,133	(1,168)
Accounts payable	(223)	(9,143)
Scholarships payable	(18,750)	(152,958)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>85,414</b>	<b>(160,562)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,957,848	259,206
Purchase of investments	(1,994,517)	(334,839)
<b>Net Cash Used in Investing Activities</b>	<b>(36,669)</b>	<b>(75,633)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>48,745</b>	<b>(236,195)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>278,985</b>	<b>515,180</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 327,730</b>	<b>\$ 278,985</b>

### Supplemental Disclosure of Non-Cash Transactions

In 2019, the Association received donations in-kind amounting to \$274,057, which is included in the membership and donations account on the statement of activities and changes in net assets. This same amount was donated to the University which is included in the University support expenses account on the statement of activities and changes in net assets. The Association did not have any similar transactions in 2020.

*See accompanying notes to financial statements.*

# Texas State Alumni Association

## Notes to Financial Statements

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### 1. Organization

Texas State Alumni Association (the Association) is a non-profit corporation established in May 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 recognize and honor those individuals who have made significant contributions to the Association or the University.

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

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The financial statements of the Association are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Net Assets*

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

*Net Assets Without Donor Restrictions* - These include net assets available for the use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment.

*Net Assets with Donor Restrictions* - These include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### *Revenue Recognition*

The Association follows Accounting Standards Update (ASU) 2018-08, *Not for profit entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, issued by Financial Accounting Standards Board (FASB) to improve the scope and accounting guidance for contributions received and contributions made. This ASU provided guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance. This standard establishes that contributions received and made by the Association are nonreciprocal transactions, therefore, properly accounted for as a contribution and as such, there was no impact upon adoption of this standard.

# Texas State Alumni Association

## Notes to Financial Statements

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Gifts of securities are recorded at their fair value when received. Memberships and donations revenue is recognized as received, as the Association considers this as a donation.

The Association recognized promises to give in the financial statements when there is sufficient evidence that a promise was made. Unconditional promises to give are recognized in the period in which the promise is made, and according to any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

The Association reports all contributions as without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as with donor restrictions. Contributions are recorded as revenue upon receipt of the gift or receipt of unconditional promise to give, whichever comes first.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are classified to without donor restrictions net assets and are reported on the statement of activities and changes in net assets as net assets released from restrictions.

Effective January 1, 2019, the Association adopted Accounting Standards Codification (ASC) *Revenue from Contracts with Customers (ASC 606)*, using the modified retrospective method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as contributions, leases, insurance, collaborative arrangements and financial instruments. Under ASC 606, an entity recognized revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance. There was no impact upon adoption of ASC 606, no disclosure of the impact is applicable.

The Association's revenue arrangements consist of a single performance obligation to transfer promised goods or services. Based on the Association's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Royalties' revenue is recognized over time as the performance obligation is met.

Chapter events/fundraising revenue is recognized at a point in time, net of direct cost of benefits to attendees.

### ***In-Kind Contributions and Contributed Services***

In-kind contributions, which are included as part of the memberships and donations account on the statements of activities and changes in net assets, are reflected as contributions at their estimated fair value at the date of donation and are reported as revenue without donor restrictions (see Note 7).

# Texas State Alumni Association

## Notes to Financial Statements

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### ***Investments and Fair Value of Financial Instruments***

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, 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.

*Level 1* - This level consists of inputs that utilize quoted prices (unadjusted) in active markets for identical assets.

*Level 2* - This level consists of 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* - This level consists of 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.

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. The following methods and assumptions were used by the Association in estimating the fair value disclosures for financial assets:

Investments in money market funds, equities, bond funds, equity funds, and other funds held by the Association at fiscal year-end are considered Level 1 as the fair value of the shares are at quoted market prices.

### ***Certificate of Deposit***

Certificate of deposit is recorded at cost plus accrued interest, which approximates its fair value (see Note 10).

### ***Cash and Cash Equivalents***

For purposes of the statements 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.

### ***Accounts Receivable***

Accounts receivable represent amounts owed to the Association for royalties and unconditional promises to give. The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision in bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. The allowance for doubtful accounts is evaluated on a regular basis by management. Management considers accounts receivable at December 31, 2020 and 2019, to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. There was no bad debt expense recognized in 2020 and 2019.

# Texas State Alumni Association

## Notes to Financial Statements

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### ***Donated Assets***

Included in the University-support expenses for the year ended December 31, 2019 is a donation amounting to \$794,057 that the Association made to the University. The donation was made in accordance with the terms of a Letter of Intent signed between the Association and the University on April 17, 2017. In terms of the Letter of Intent, the Association committed to donate to the University funds to be used for renovation of the LBJ Student Centre. No such transaction occurred during 2020.

### ***Federal Income Taxes***

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, requires recognition and disclosure of uncertain tax positions in the financial statements. Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Association's management believes that it has appropriate support for any tax positions taken and that it has no material uncertain tax positions. Accordingly, it will not recognize any related liability for uncertain tax positions.

Tax years 2017 and later remain open to examination by the taxing jurisdictions to which the Association is subject, and these periods have not been extended beyond the applicable statute of limitations.

### ***Accounting Pronouncements Issued but Not Yet Adopted or Currently in Effect***

#### ***Leases (Topic 842)***

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Association's fiscal years beginning after December 15, 2021, with early adoption permitted. The Association is currently evaluating the impact of this ASU on its financial statements.

### ***Reclassifications***

Certain prior-year balances have been reclassified to conform to the current-year presentation. The reclassification had no impact on previously reported net assets.

### ***Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# Texas State Alumni Association

## Notes to Financial Statements

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### *Summarized Financial Information*

The financial statements include certain prior-year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized financial information was derived.

### **3. Liquidity and Available Resources**

Financial assets, without donor or other restrictions limiting their use, and available for general expenditure within one year of the statements of financial position date are comprised of the following:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 327,730	\$ 278,985
Accounts receivable	42,600	44,733
Investments, held for operations	2,381,209	2,188,127
Less: Board-designated reserves, endowed funds	(1,621,036)	(1,432,781)
Less: Board-designated reserves, lifetime memberships	(766,679)	(740,630)
<b>Total Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year</b>	<b>\$ 363,824</b>	<b>\$ 338,434</b>

The Association manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these objectives, the Association forecasts its future cash flows, monitors its liquidity, and manages reserve funding on a monthly basis. During the years ended December 31, 2020 and 2019, the level of liquidity and reserve balances were managed within these guiding principles.

The Association's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Association does not intend to spend its Board-designated endowment of \$1,621,036, which is included in the net assets without donor restrictions account on the statements of financial position, other than amounts appropriated for general expenditure as part of its Board's annual budget approval and appropriation. However, these amounts could be made available if necessary.

### **4. Concentrations of Credit Risk**

The Association maintains two bank accounts at an insured depository institution. All accounts, including all non-interest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount of \$250,000 for each deposit insurance ownership category. At certain times during 2020, the bank balances may have

# Texas State Alumni Association

## Notes to Financial Statements

exceeded the federally insured limits. The Association has not experienced any losses in such accounts.

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

### 5. Investments

The cost and fair value of investments in marketable securities (mutual funds) were as follows:

*December 31*

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Certificate of deposit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Equity funds:				
Real estate	70,849	72,672	104,135	112,113
Large blend	236,270	408,199	358,875	533,706
Foreign large growth	218,722	243,627	69,359	85,671
Mid-cap value	33,515	41,441	86,843	94,827
Mid-cap growth	38,069	49,739	80,780	93,881
Small growth	291,950	312,858	98,956	110,328
Diversified emerging markets	63,488	69,565	92,634	115,796
Foreign small/mid growth	20,963	29,713	63,831	71,314
<b>Subtotal</b>	<b>973,826</b>	<b>1,227,814</b>	<b>955,413</b>	<b>1,217,636</b>
Fixed-income funds:				
High-yield bond	65,939	72,802	21,260	21,400
World bond	140,370	146,230		
Short-term bond	234,227	231,584	126,472	126,739
Intermediate-term bond	468,416	470,053	726,052	716,764
Multisector bond	236,158	232,726	42,995	42,326
Bank loans	-	-	63,902	63,262
<b>Subtotal</b>	<b>1,145,110</b>	<b>1,153,395</b>	<b>980,681</b>	<b>970,491</b>
<b>Total</b>	<b>\$ 2,218,936</b>	<b>\$ 2,481,209</b>	<b>\$ 2,036,094</b>	<b>\$ 2,288,127</b>

The Association believes that the recorded values of all the other financial instruments approximate their current fair values because of their nature and relatively short maturity dates or durations. All of the Association's investments at December 31, 2020 and 2019, which include the endowed investments, are classified as Level 1 investments.

Dividends and interest in the statements of activities and changes in net assets are reported net of associated investment management fees of \$15,510 and \$13,279 for the years December 31, 2020 and 2019, respectively.

# Texas State Alumni Association

## Notes to Financial Statements

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### 6. Board-Designated Net Assets

Net assets without donor restrictions include Board-designated funds for both the Frost Investment Trust (Trust) and Lifetime Memberships. The Trust was funded by the Board and initially included a donation from Marvin O. Teague. The Trust has grown from royalty revenue received. Additional funds have been designated by the Board from lifetime memberships. Allocations for expenditures from lifetime memberships are limited to 5% of the designated amount. All Board-designated funds are held in investments that are managed by Frost Bank.

As of December 31, 2020 and 2019, Board-designated funds for the Trust and Lifetime Memberships amounted to \$1,621,036 and \$1,432,781, and \$766,679 and \$740,630, respectively.

### 7. Donations In-Kind

In 2020, the Association received donated services totaling \$463,167, representing the University's in-kind support, which have been reported as part of the memberships and donations account on the statements of activities and changes in net assets. This support has been allocated \$383,615 to program services and \$79,552 to support services on the statement of activities and changes in net assets for the year ended December 31, 2020. In 2019, the Association received donated services totaling \$404,474, representing the University's in-kind support, which have been reported as part of the memberships and donations account on the statements of activities and changes in net assets. This support has been allocated \$325,342 to program support and \$79,132 to support services on the statement of activities and changes in net assets for the year ended December 31, 2019.

In 2020 and 2019, the Association received donations in-kind amounting to \$0 and \$274,057, respectively, which are included in the memberships and donations account on the statements of activities and changes in net assets. This same amount was donated to the University and is included in the University-support account on the statement of activities and changes in net assets for the year ended December 31, 2019.

### 8. Lifetime Memberships

In 2020, the Association recognized alumni who gave \$1,000 or more in cumulative support as Forever Bobcats, which was previously the Lifetime Membership category. For new alumni who have graduated with an undergraduate degree in the last five years, this cumulative amount is reduced to \$500. All alumni donations received in 2020 will accumulate towards this recognition of the members who gave the donation.

In 2019, the Association offered lifetime membership for a donation of \$2,000, with the option of a payment plan. For the year ended December 31, 2019, there were cash collections of approximately \$41,000, for lifetime memberships, which are included in the contributions account on the statements of activities and changes in net assets.

# Texas State Alumni Association

## Notes to Financial Statements

### 9. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include rent expense, which is allocated on a square-footage basis, as well as salaries, postage and shipping, copier services, and hosting, which are all allocated on the basis of estimates of time and effort. All other allocated costs are based on actual figures. These expenses consist of the following balances:

***December 31, 2020***

	Program Services			Supporting Services		Total
	Alumni Support	University Support	Student Support	Administrative	Fundraising	
Salaries	\$ 195,616	\$ 109,708	\$ 55,174	\$ 54,220	\$ 17,628	\$ 432,346
Alumni events	34,476	-	-	-	-	34,476
Student scholarship and engagement	-	-	58,074	-	-	58,074
Membership development	-	-	-	-	5,827	5,827
Advertising	19,091	-	-	-	-	19,091
Postage and shipping	3,493	-	-	-	-	3,493
Professional fees	-	-	-	18,250	-	18,250
Rent expense	20,975	11,763	4,411	5,814	1,890	44,853
Travel and transportation	-	-	-	-	2,637	2,637
Sponsorship commission	-	-	-	-	18,150	18,150
Other	325	-	-	75,803	-	76,128
<b>Total Expenses</b>	<b>\$ 273,976</b>	<b>\$ 121,471</b>	<b>\$ 117,659</b>	<b>\$ 154,087</b>	<b>\$ 46,132</b>	<b>\$ 713,325</b>

# Texas State Alumni Association

## Notes to Financial Statements

*December 31, 2019*

	Program Services			Supporting Services		Total
	Alumni Support	University Support	Student Support	Administrative	Fundraising	
Salaries	\$ 160,999	\$ 100,374	\$ 41,643	\$ 55,150	\$ 14,662	\$ 372,828
Alumni events	131,674	-	-	-	-	131,674
University events	149,726	-	-	-	-	149,726
Student scholarship and engagement	-	-	131,283	-	-	131,283
Membership development	-	-	-	-	51,231	51,231
Advertising	108	-	-	-	-	108
Postage and shipping	5,257	-	-	-	-	5,257
Professional fees	-	-	-	17,300	-	17,300
Rent expense	21,495	13,401	3,424	7,363	1,957	47,640
Donation expense	-	794,057	-	-	-	794,057
Travel and transportation	-	-	-	-	7,179	7,179
Other	398	-	-	33,423	553	34,374
<b>Total Expenses</b>	<b>\$ 469,657</b>	<b>\$ 907,832</b>	<b>\$ 176,350</b>	<b>\$ 113,236</b>	<b>\$ 75,582</b>	<b>\$ 1,742,657</b>

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# Texas State Alumni Association

## Notes to Financial Statements

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### 10. Endowment

#### *Interpretation of Relevant Law*

The Board 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 net assets with donor restrictions as endowment held in perpetuity (1) the original value of gifts donated to the endowment held in perpetuity, (2) the original value of the subsequent gifts to the endowment held in perpetuity, and (3) accumulations to the endowment held in perpetuity 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 endowment fund that is not classified as held in perpetuity is classified as net assets without donor restrictions, 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 net assets held in perpetuity 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:

- The duration and preservation of the fund.
- The purposes of the Association and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Association.
- The investment policies of the Association.

#### *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, 2020 and 2019, there were no 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, as well as Board-designated endowment funds. Under this policy, as approved by the Board, 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

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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 that 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, and one Board-designated endowment. The investment policy of the 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-designated endowment earnings are not spent. The investment policy of the Board-designated funds is set out in the bylaws and policies and procedures. This investment policy will be used to help grow the Board-designated endowment to the goal of \$1 million. 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*

*December 31, 2020*

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	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment funds	1,621,036	-	1,621,036
<b>Total Funds</b>	<b>\$ 1,621,036</b>	<b>\$ 100,000</b>	<b>\$ 1,721,036</b>

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*December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment funds	1,432,781	-	1,432,781
<b>Total Funds</b>	<b>\$ 1,432,781</b>	<b>\$ 100,000</b>	<b>\$ 1,532,781</b>

### *Changes in Endowment Net Assets*

*December 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets, beginning of year</b>	<b>\$ 1,432,781</b>	<b>\$ 100,000</b>	<b>\$ 1,532,781</b>
Investment (loss) return:			
Dividends and interest	49,569	451	50,020
Net appreciation	154,196	-	154,196
Investment fees	(15,510)	-	(15,510)
<b>Total Investment (Loss) Return</b>	<b>188,255</b>	<b>451</b>	<b>188,706</b>
Appropriations of endowment net assets for expenditure	-	(451)	(451)
<b>Endowment Net Assets, end of year</b>	<b>\$ 1,621,036</b>	<b>\$ 100,000</b>	<b>\$ 1,721,036</b>

*December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets, beginning of year</b>	<b>\$ 1,114,570</b>	<b>\$ 100,000</b>	<b>\$ 1,214,570</b>
Investment (loss) return:			
Dividends and interest	55,426	400	55,826
Net appreciation	276,064	-	276,064
Investment fees	(13,279)	-	(13,279)
<b>Total Investment (Loss) Return</b>	<b>318,211</b>	<b>400</b>	<b>318,611</b>
Appropriations of endowment net assets for expenditure	-	(400)	(400)
<b>Endowment Net Assets, end of year</b>	<b>\$ 1,432,781</b>	<b>\$ 100,000</b>	<b>\$ 1,532,781</b>

# Texas State Alumni Association

## Notes to Financial Statements

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### 11. Risk and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Association has had to cancel some fundraising events and programs on its calendar due to the pandemic. The financial effects of the events cancellation cannot be reliably determined. Future potential impacts may include suspension of activities and disruptions or restrictions on employees' ability to work. Members' ability to support the Association through donations may decrease due to reduced disposable incomes, which will negatively affect the Association's fundraising efforts.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the impact that the pandemic will have on the Association's financial condition, liquidity, and future results of operations.

### 12. Subsequent Events

The Association's management has evaluated events subsequent to December 31, 2020 and through November 3, 2021, which is the date the financial statements were available to be issued.