

Iowa State University Alumni Association

Financial Report
June 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Iowa State University Alumni Association

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa State University Alumni Association, which comprise the statements of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Iowa State University Alumni Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Iowa State University Alumni Association adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts With Customers (Topic 606)*, for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of Iowa State University Alumni Association, as of and for the year ended June 30, 2019, were audited by other auditors, whose report dated, October 11, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Des Moines, Iowa
December 18, 2020

Iowa State University Alumni Association

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 867,152	\$ 389,777
Accounts receivable:		
Iowa State University	8,297	8,861
Iowa State University Foundation	151,274	126,333
Other	18,265	31,548
Affinity contract receivable	2,416,533	1,721,043
Inventory	45,026	60,717
Prepaid expenses	49,980	118,130
Investments	3,682,164	3,766,020
Beneficial interest in pooled investments	7,285,208	7,405,243
Contribution receivable	389,035	548,004
Property and equipment, net	-	299
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Total assets	\$ 14,912,934	\$ 14,175,975
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Liabilities and Net Assets		
Liabilities:		
Accounts payable:		
Iowa State University	\$ 30,973	\$ 29,627
Iowa State University Foundation	22,960	25,094
Other	19,898	7,643
Accrued leave	222,566	186,599
Deposits held for others	19,314	23,994
Deferred revenue, other	552,940	127,507
Deferred revenue, affinity contracts	2,624,283	1,887,043
Deferred revenue, lifetime membership	2,104,804	2,124,000
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Total liabilities	5,597,738	4,411,507
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Net assets:		
Without donor restrictions	1,524,095	1,718,671
With donor restrictions	7,791,101	8,045,797
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Total net assets	9,315,196	9,764,468
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Total liabilities and net assets	\$ 14,912,934	\$ 14,175,975
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See notes to financial statements.

Iowa State University Alumni Association

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Contributions and support:			
Annual membership dues	\$ 456,674	\$ -	\$ 456,674
Lifetime membership dues	228,662	-	228,662
Sustaining life contributions	208,104	-	208,104
Student membership dues	89,094	-	89,094
Iowa State University support	722,581	-	722,581
Program endowment support	-	66,038	66,038
Gift support	120,162	43,585	163,747
Wall of Alumni and Friends gifts	9,493	-	9,493
Other dues and support	25,728	4,750	30,478
Net assets released from restriction	315,243	(315,243)	-
Total contributions and support	2,175,741	(200,870)	1,974,871
Other income:			
Royalties and other sales	1,045,720	-	1,045,720
Activity and event fees	623,648	-	623,648
Total other income	1,669,368	-	1,669,368
Total operating revenue	3,845,109	(200,870)	3,644,239
Operating expenses:			
Program services:			
Member services	338,211	-	338,211
Constituent engagement	846,512	-	846,512
Travel and business development	508,801	-	508,801
Communications	820,209	-	820,209
Iowa State University Alumni Center	531,963	-	531,963
Total program expenses	3,045,696	-	3,045,696
Support services:			
Administrative	536,058	-	536,058
Fundraising	412,357	-	412,357
Total operating expenses	3,994,111	-	3,994,111
Decrease in net assets from operating activities	(149,002)	(200,870)	(349,872)
Nonoperating activities:			
Investment income, net:			
Interest and dividend income, investment	1,752	-	1,752
Interest, bank	7,894	-	7,894
Net unrealized gains on investments	54,921	-	54,921
Investment expenses	(59,972)	-	(59,972)
Change in beneficial interest in pooled investments	-	(53,826)	(53,826)
Total investment income, net	4,595	(53,826)	(49,231)
Increase (decrease) in net assets from nonoperating activities	4,595	(53,826)	(49,231)
Decrease in net assets	(144,407)	(254,696)	(399,103)
Net assets, beginning of year, previously reported	1,718,671	8,045,797	9,764,468
Cumulative effect of a change in accounting principle (Note 1)	(50,169)	-	(50,169)
Net assets, beginning of year, as adjusted	1,668,502	8,045,797	9,714,299
Net assets, end of year	\$ 1,524,095	\$ 7,791,101	\$ 9,315,196

See notes to financial statements.

Iowa State University Alumni Association

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Contributions and support:			
Annual membership dues	\$ 496,496	\$ -	\$ 496,496
Lifetime membership dues	231,385	-	231,385
Sustaining life contributions	277,910	-	277,910
Student membership dues	93,712	-	93,712
Iowa State University support	722,581	-	722,581
Iowa State University Foundation support	69,955	-	69,955
Program endowment support	-	63,306	63,306
Gift support	102,531	269,494	372,025
Wall of Alumni and Friends gifts	27,911	-	27,911
Other dues and support	19,890	13,366	33,256
Net assets released from restriction	232,078	(232,078)	-
Total contributions and support	2,274,449	114,088	2,388,537
Other income:			
Royalties and other sales	1,157,825	-	1,157,825
Activity and event fees	728,807	-	728,807
Total other income	1,886,632	-	1,886,632
Total operating revenue	4,161,081	114,088	4,275,169
Operating expenses:			
Program services:			
Member services	421,405	-	421,405
Constituent engagement	897,075	-	897,075
Travel and business development	581,876	-	581,876
Communications	837,319	-	837,319
Iowa State University Alumni Center	583,705	-	583,705
Total program expenses	3,321,380	-	3,321,380
Support services:			
Administrative	442,878	-	442,878
Fundraising	497,396	-	497,396
Total operating expenses	4,261,654	-	4,261,654
Increase (decrease) in net assets from operating activities	(100,573)	114,088	13,515
Nonoperating activities:			
Investment income, net:			
Interest and dividend income, investments	3,424	-	3,424
Interest, bank	8,688	-	8,688
Net unrealized gains on investments	214,868	-	214,868
Investment expenses	(65,226)	-	(65,226)
Change in beneficial interest in pooled investments	-	228,010	228,010
Total investment income, net	161,754	228,010	389,764
Increase in net assets from nonoperating activities	161,754	228,010	389,764
Increase in net assets	61,181	342,098	403,279
Net assets, beginning of year	1,657,490	7,703,699	9,361,189
Net assets, end of year	\$ 1,718,671	\$ 8,045,797	\$ 9,764,468

See notes to financial statements.

Iowa State University Alumni Association

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services					Total	Administrative	Fundraising	Total
	Member Services	Constituent Engagement	Travel and Business Development	Communications	Iowa State University Alumni Center				
Salaries and benefits	\$ 164,528	\$ 382,348	\$ 343,433	\$ 404,127	\$ 239,215	\$ 1,533,651	\$ 445,903	\$ 307,952	\$ 2,287,506
Travel	3,441	19,814	18,162	11,105	4,356	56,878	9,994	527	67,399
Events	14,690	220,577	23,257	7,885	29,214	295,623	7,079	74,800	377,502
Professional services	26,194	29,178	7,421	82,074	7,026	151,893	35,346	4,675	191,914
Marketing	73,448	21,186	62,993	194,097	7,550	359,274	1,132	5,700	366,106
Information technology	24,647	54,981	24,647	74,735	33,726	212,736	11,374	2,950	227,060
Office	7,478	17,281	7,501	12,762	9,602	54,624	3,383	14	58,021
Insurance and taxes	3,457	8,777	3,457	5,849	4,520	26,060	1,594	-	27,654
ISU administrative fee	11,032	24,609	11,032	18,669	14,426	79,768	5,091	-	84,859
Miscellaneous	696	19,758	206	206	206	21,072	5,676	11,497	38,245
Facility	8,600	4,691	6,692	8,700	182,122	210,805	9,486	4,242	224,533
Scholarships and awards	-	43,312	-	-	-	43,312	-	-	43,312
Total expenses	\$ 338,211	\$ 846,512	\$ 508,801	\$ 820,209	\$ 531,963	\$ 3,045,696	\$ 536,058	\$ 412,357	\$ 3,994,111

See notes to financial statements.

Iowa State University Alumni Association

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services					Total	Administrative	Fundraising	Total
	Member Services	Constituent Engagement	Travel and Business Development	Communications	Iowa State University Alumni Center				
Salaries and benefits	\$ 223,480	\$ 362,548	\$ 358,771	\$ 397,524	\$ 248,531	\$ 1,590,854	\$ 392,000	\$ 305,728	\$ 2,288,582
Travel	3,917	25,395	24,468	12,846	5,091	71,717	1,798	7,884	81,399
Events	12,321	265,281	56,549	6,739	40,228	381,118	4,264	131,537	516,919
Professional services	14,241	37,210	11,387	87,556	11,119	161,513	12,397	3,002	176,912
Marketing	120,442	47,956	80,719	225,188	8,339	482,644	26	26,263	508,933
Information technology	22,332	53,401	22,332	69,512	32,221	199,798	7,216	3,092	210,106
Office	7,109	16,518	8,013	12,539	9,687	53,866	2,268	972	57,106
Insurance and taxes	3,110	7,544	3,112	5,263	7,054	26,083	1,435	-	27,518
ISU administrative fee	5,518	12,310	5,518	9,340	7,216	39,902	2,548	-	42,450
Miscellaneous	521	19,996	69	-	25	20,611	9,068	13,989	43,668
Facility	8,414	5,898	10,938	10,812	214,194	250,256	9,858	4,929	265,043
Scholarships and awards	-	43,018	-	-	-	43,018	-	-	43,018
Total expenses	\$ 421,405	\$ 897,075	\$ 581,876	\$ 837,319	\$ 583,705	\$ 3,321,380	\$ 442,878	\$ 497,396	\$ 4,261,654

See notes to financial statements.

Iowa State University Alumni Association

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (399,103)	\$ 403,279
Adjustments to reconcile to decrease in net assets to cash provided by (used by) operating activities:		
Depreciation	299	1,026
Net unrealized gains on investments	(54,921)	(214,869)
Increase (decrease) in beneficial interest in pooled investments	53,826	(228,010)
Distributions from beneficial interest in pooled investments	283,393	249,374
Contributions to beneficial interest in pooled investments	(217,185)	(958,337)
Changes in assets and liabilities:		
Accounts receivable	(11,094)	(382)
Contribution receivable	158,969	688,608
Inventory	15,691	26,403
Prepaid expenses	68,150	2,775
Accounts payable and accrued liabilities	47,434	(48,068)
Deferred revenue, other	375,264	35,345
Deferred revenue, net of affinity contract receivable	41,750	(25,215)
Deferred revenue, life memberships	(19,196)	2,000
Deposits held for others	(4,680)	(1,450)
Net cash provided by (used in) operating activities	338,597	(67,521)
Cash flows from investing activities:		
Investment interest income reinvested	(1,752)	(3,424)
Purchases of investments	(46,853)	-
Redemption of investments for management fees	59,972	65,226
Redemption of investments	127,411	75,035
Net cash provided by investing activities	138,778	136,837
Net increase in cash	477,375	69,316
Cash:		
Beginning	389,777	320,461
Ending	\$ 867,152	\$ 389,777
Schedule of noncash investing activities:		
Contributions received by the Foundation used to purchase investments	\$ (217,185)	\$ (958,337)

See notes to financial statements.

Iowa State University Alumni Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Iowa State University Alumni Association (the Association) (ISUAA) is an independent, self-governing membership organization charged with the mission of facilitating the lifetime connection of alumni, students and friends with Iowa State University (the University) and each other.

Basis of presentation: As required by the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification* (ASC), the Association reports information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions are those assets that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Association is limited by donor-imposed restrictions, or time restrictions. As donor-imposed stipulations or time expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments: Investments consist of board designated endowment assets, and include the Life Membership Investment Fund, Long-Term Reserve Fund and Alumni Center Maintenance Fund which were established in accordance with the Association's Articles of Incorporation. The Life Membership and Long-Term Reserve Funds are not donor-restricted, and the Board of Directors may authorize expenditures from the Investment Fund for payment of current expenses of the Association or in furtherance of its objectives and purposes, provided that the Life Membership balance shall not be allowed to fall below an amount that would provide basic benefits to current life members of the Association for a period not to exceed the average life expectancy of the Association's current life members.

The Alumni Center Maintenance Fund endowment is not donor-restricted and expenditures from the fund are to be used for payment of Iowa State University Alumni Center (Alumni Center) repairs and maintenance.

The investments held in the Life Membership Investment Fund, Long-Term Reserve Fund and Alumni Center Maintenance Fund are managed under an agreement between the Association and the Iowa State University Foundation (Foundation) that provides for the Association's funds to be invested in the Foundation's unitized investment pool and are to receive their prorated share of the pool's total return.

The balances recorded in the statements of financial position at June 30, 2020 and 2019, represent the Association's proportionate share of the fair market value of the aforementioned pool's assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements and changes in investments for the years ended June 30, 2020 and 2019.

Beneficial interest in pooled investments: The Association has a beneficial interest in pooled investments held by the Iowa State University Foundation. These agreements consist of various funds and endowments in which the Association has the irrevocable right to receive the income generated in perpetuity, but never the corpus of the trust.

Iowa State University Alumni Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Inventory: Inventory is stated at the lower of cost or net realizable value.

Deferred revenue: Deferred revenue, other consists of contributions received for the Wall of Alumni and Friends, which will be recognized as revenue when the respective plaques are affixed to the wall, payments received on royalty agreements which are recognized evenly over the term of the agreement, and deposits received for Alumni Center building rentals, which will be recognized as revenue as events occur or in accordance with the Association's event cancellation policy. In addition, during the year ended June 30, 2020, the Association received \$384,283 in payroll protection program funding that is deferred until recognition criteria are met for forgiveness (see Note 11).

Deferred revenue and receivables, affinity contracts consist of long-term affinity agreements established that commit both parties to certain ongoing rights and obligations. Revenue is recognized as goods and services are provided as outlined in the agreements.

Deferred revenue, lifetime membership is related to the portion of the lifetime membership containing a series of distinct goods that meet the definition of a separate performance obligation that is deferred and recognized over time. The deferred revenue portion is estimated by management using certain demographical membership information and anticipated revenues of providing future tangible benefits over the lifetime of those Association members.

Revenue recognition: The Association generates substantial amounts of revenues from providing membership services to its members through collection of membership dues and offering various activity programs to its program participants through the year through collection of activity and event fees. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, the Association allocates the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on the Association's overall pricing objectives, taking into consideration market conditions and other factors.

Revenue is recognized when control of the goods and services provided are transferred to the Association's members or program participants in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods and services using the following steps (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (4) allocate the transaction price to the respective performance obligations in the contract and (5) recognize revenue as the performance obligations are satisfied.

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Association recognizes the portion of membership dues over the membership period, and the contribution portion immediately.

Revenue from royalties is recognized in the period earned. The Association records sales revenue upon the delivery of products or the performance of services. Revenue from certain royalty agreements is earned over the term of the agreements and is recognized using the straight-line method over the term of the agreements.

The University provides funds to the Association for services provided to the University to further its mission. Revenue is recognized when the services provided are transferred to the University as specified in the Memorandum of Agreement between the University and the Association, first entered into on July 1, 2008. These reimbursements are recognized as Iowa State University support revenue on the statements of activities.

Iowa State University Alumni Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Association recognizes contributions received, including unconditional promises to give, at fair value in the period in which the pledges are made. The Foundation charges a 5% gift fee on outright gifts and contributions received through the Foundation. Contributions received are distinguished between those that increase net assets with donor restrictions and without donor restrictions, based on donor intent.

Contract Assets and Liabilities

The payment terms and conditions in contracts vary and contain no financing component. Payments in general are required to be made in advance prior to the beginning of the membership program or as stated per the agreement. Differences between the timing of billings and the recognition of revenue are recognized as either receivables or deferred revenues in the statement of financial position.

Services performed that the Association is not yet entitled to bill because certain events, such as the full satisfaction of the Association's performance under its contract with customers must occur, are reported as affinity contract receivable. The Association's affinity contract receivable balance as of June 30, 2020 and 2019, was \$2,416,533 and \$1,721,043, respectively.

Prepayments for membership dues, affinity agreements and other fees are classified as deferred revenue and recognized over future periods when the member is receiving the benefit and control is transferred in accordance with the applicable contract and the Association's revenue recognition policy. The Association's deferred revenue balance as of June 30, 2020 and 2019, was \$5,311,443 and \$4,138,550, respectively.

Risks and uncertainties: The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 securities will occur in the near term and, that such changes could materially affect the investment values reported in the statements of financial position.

The COVID-19 pandemic is currently impacting communities, including associations, in addition to global financial markets. This pandemic has resulted in social distancing, travel bans, governmental stay-at-home orders, and quarantines, and these factors may create disruption to the Associations members, suppliers and employees. At this time it is not possible to fully assess the impact of the COVID-19 pandemic on the Association's operations, but the aforementioned factors and depending on the severity and longevity of the pandemic, may impact the Association's operations, financial condition and demand for and delivery of certain program services, as well as the Association's overall ability to react timely and mitigate the impact of this event.

Income taxes: The Association is exempt from federal income taxes under provisions of section 501(c)(3) of the Internal Revenue Code. The Association may be subject to federal and state income taxes to the extent it has unrelated business income, however, no provision for income taxes are included within the financial statements as management has determined that unused loss carryforwards are available and may be applied against future taxable income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Association is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

Iowa State University Alumni Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Credit risk: The Association has amounts on deposit with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits at various times throughout the year. The Association has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk due to the fact that all deposits are maintained with high quality financial institutions.

Functional allocation of expenses: The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Joint administrative expenses are allocated to programs based on that program's direct expenses as a percent of total direct program services expenses.

Recently issued accounting standards: The Association adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue with Contracts from Customers (ASC 606)*, effective July 1, 2019 on a modified retrospective basis to all open contracts, as modified as of that date. The Association elected the practical expedient in ASC 606-10-65-1(f)(4) in applying the modified retrospective transition method. The Association recognizes revenue by following the five-step model under ASC 606 to achieve the core principle that the Association recognizes revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services. Some of the Association's revenue streams, contributions and investment income including realized and unrealized gain (loss) on investments, are scoped out of ASC 606.

Adoption of the new standard resulted in changes to the Association's accounting policy for revenue recognition whereby revenue is recognized over time. Adopting ASC 606 on a modified retrospective basis had no impact on financial statements in the prior periods presented.

The impact of the cumulative effect adjustment on statement of financial position upon adoption was as follows:

	As of June 30, 2019	Cumulative Effect Adjustment	As of July 1, 2019
Assets and Liabilities			
Deferred revenue, other	\$ 127,507	\$ 50,169	\$ 177,676
Net Assets			
Without donor restrictions	\$ 1,718,671	\$ (50,169)	\$ 1,668,502

Iowa State University Alumni Association

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The impact of adoption on the Association's statement of financial position and statement of activities as of and for the year ended June 30, 2020, was as follows:

Statement of Financial Position

	As of June 30, 2020		
	As Reported Under ASC 606	Effect of Adoption Increase (Decrease)	As Computed Under ASC 605
Assets and Liabilities			
Deferred revenue, other	\$ 552,940	\$ (38,018)	\$ 514,922
Net Assets			
Without donor restrictions	\$ 1,524,095	\$ 38,018	\$ 1,562,113

Statement of Activities

	For the Year Ended June 30, 2020		
	As Reported Under ASC 606	Effect of Adoption Decrease	As Computed Under ASC 605
Revenue			
Annual membership dues	\$ 456,674	\$ (34,297)	\$ 422,377
Student membership dues	89,094	(1,486)	87,608
Other dues and support	25,728	(2,235)	23,493

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by nonprofit organizations. The updated standard is effective for annual periods beginning after December 15, 2018. The Association adopted the ASU, with no significant impact on the financial statements.

Reclassification: Certain items on the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, were reclassified with no effect on net assets to be consistent with the classification used on the June 30, 2020 financial statements.

Note 2. Investments

At June 30, 2020 and 2019, investments in pooled funds were allocated approximately as follows:

	2020	2019
Cash and equivalents	4%	3%
Domestic equity	18%	17%
Foreign equity	25%	26%
Private equity	13%	12%
Domestic fixed income	19%	19%
Hedge funds	16%	19%
Other	5%	4%

Iowa State University Alumni Association

Notes to Financial Statements

Note 3. Fair Value Measurements

Investments are held by the Foundation under a designated agency agreement and consist of pooled funds invested at the Foundation. The Association holds a share of the pooled funds and not direct ownership of the underlying investments. The funds are subject to the policies and governing documents of the Foundation, including control over investment and asset management. Although the pooled funds include equity, cash and equivalents, hedge funds, fixed income, and other marketable securities, the pool itself is not a publicly traded instrument. Management estimates the fair value of its funds held at the Foundation at the statement of financial position date based on the activity of the endowment funds reported through June 30 of each fiscal year. Investments in the pooled funds can be redeemed each quarter if notice is provided before the end of the quarter. Investments will be redeemed at the current net asset value per share based on the fair value of the underlying assets as of the applicable quarterly redemption date. The Foundation charges an annual 1.25% administrative fee for managing investments. The Association will incur no expenses for redemption of investments.

The Association's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its 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. As required by generally accepted accounting principles, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

The three-level valuation hierarchy for disclosure of fair value is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Association has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the reporting entity's own assumptions that market participants would use in pricing an asset or liability.

All funds held at the Foundation are considered Level 3 investments since there is not direct ownership of the underlying investments.

Investments held by the Foundation are measured at fair value, on a recurring basis, and as of June 30, 2020 and 2019, are as follows:

	June 30, 2020			
	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Pooled funds, foundation	\$ 3,682,164	\$ -	\$ -	\$ 3,682,164
Beneficial interest in pooled investments	7,285,208	-	-	7,285,208
Total	<u>\$ 10,967,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,967,372</u>

Iowa State University Alumni Association

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

	June 30, 2019			
	Total	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Pooled funds, foundation	\$ 3,766,020	\$ -	\$ -	\$ 3,766,020
Beneficial interest in pooled investments	7,405,243	-	-	7,405,243
Total	<u>\$ 11,171,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,171,263</u>

The following table presents changes in investments with significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

	2020	
	Pooled Funds, Foundation	Beneficial Interest in Pooled Investments
Beginning balance	\$ 3,766,020	\$ 7,405,243
Contributions	46,852	217,185
Distributions from beneficial interest in pooled investments	-	(283,393)
Total gains or losses (realized/unrealized) included in change in net assets	56,674	71,902
Redemptions	(127,410)	-
Investment management fees	(59,972)	(125,729)
Ending balance	<u>\$ 3,682,164</u>	<u>\$ 7,285,208</u>

	2019	
	Pooled Funds, Foundation	Beneficial Interest in Pooled Investments
Beginning balance	\$ 3,738,892	\$ 6,417,365
Contributions	-	958,337
Distributions from beneficial interest in pooled investments	-	(249,374)
Total gains or losses (realized/unrealized) included in change in net assets	218,292	410,074
Redemptions	(125,938)	-
Investment management fees	(65,226)	(131,159)
Ending balance	<u>\$ 3,766,020</u>	<u>\$ 7,405,243</u>

Total gains or losses included in change in net assets attributable to change in beneficial interest in pooled investments.

Iowa State University Alumni Association

Notes to Financial Statements

Note 4. Contributions Receivable

The contributions receivable balance at June 30, 2020 and 2019, consists of unconditional promises to give to the Foundation to fund various endowments that have been established to benefit the operations and programs of the Association. The amounts outstanding at June 30, 2020 and 2019, totaled \$389,035 and \$548,004, respectively, and are presented net of present value discount and the 5% gift discount charged by the Foundation, and are expected to be substantially collected over the next five fiscal years. Management has determined that an allowance for uncollectible amounts was not necessary at June 30, 2020 or 2019.

Contributions receivable are summarized as follows at June 30, 2020 and 2019.

	2020	2019
Within one year	\$ 23,200	\$ 122,367
Two to five years	418,237	489,471
	441,437	611,838
Less 5% gift discount	30,452	30,470
Less discount	21,950	33,364
	<u>\$ 389,035</u>	<u>\$ 548,004</u>

Note 5. Employee Retirement Plans

Eligible employees of the Association are allowed to participate in one of the following retirement plans offered through the University:

The Iowa Public Employees Retirement System (IPERS) plan is mandatory to Association employees unless the employee elects to enroll in the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Under IPERS, the employee and employer are required to contribute a specified percentage of covered payroll, as established by State statute. During the years ended June 30, 2020 and 2019, the Association contributed \$22,889 and \$13,544, respectively, to IPERS.

Employees holding budgeted positions, over one-half time, for nine months or longer and earning \$7,800 or more per year are eligible to participate in the TIAA-CREF plan. Under this plan, the employer is required to contribute 6.67% of the first \$4,800 of budgeted salary, and 10% of salary above that amount during the first five years of continuous employment. Beginning with the sixth year of employment and beyond, the employer is required to contribute 10% of budgeted salary. During the years ended June 30, 2020 and 2019, the Association contributed \$135,505 and \$146,258, respectively, to TIAA-CREF.

Iowa State University Alumni Association

Notes to Financial Statements

Note 6. Related-Party Transactions

The operations of the Association are subject to the influence of the University and Foundation. The following is a summary of transactions and balances with related parties:

	2020		2019	
	University	Foundation	University	Foundation
Statements of financial position:				
Accounts receivable	\$ 8,297	\$ 151,274	\$ 8,861	\$ 126,333
Investments	-	3,682,164	-	3,766,020
Beneficial interest in pooled investments	-	7,285,208	-	7,405,243
Contributions receivable	-	389,035	-	548,004
Total assets	<u>\$ 8,297</u>	<u>\$ 11,507,681</u>	<u>\$ 8,861</u>	<u>\$ 11,845,600</u>
Accounts payable	<u>\$ 30,973</u>	<u>\$ 22,960</u>	<u>\$ 29,627</u>	<u>\$ 25,094</u>
	2020		2019	
	University	Foundation	University	Foundation
Statements of activities:				
Revenue:				
Support	\$ 722,581	\$ -	\$ 722,581	\$ 69,955
Program endowment support	66,038	-	63,306	-
Royalties and other sales, and activity and event fees	235,593	-	160,891	2,046
Managed investments:				
Interest and dividend income	-	1,752	-	3,424
Net realized and unrealized gains on investments	-	54,921	-	214,868
Change in beneficial interest in pooled investments	-	53,826	-	410,074
Total revenue	<u>\$ 1,024,212</u>	<u>\$ 110,499</u>	<u>\$ 946,778</u>	<u>\$ 700,367</u>
	2020		2019	
	University	Foundation	University	Foundation
Expenses:				
Salaries and benefits	\$ 2,227,323	\$ -	\$ 2,288,582	\$ -
Office and other expenses	187,193	212,017	192,400	210,347
Engagement and communications expenses	132,729	-	195,190	-
ISU administrative fee	84,859	-	42,450	-
Facilities expenses	170,048	-	195,543	-
Total expenses	<u>\$ 2,802,152</u>	<u>\$ 212,017</u>	<u>\$ 2,914,165</u>	<u>\$ 210,347</u>

Note 7. Program Endowment Support

Osher Lifelong Learning Institute: The Osher Lifelong Learning Institute at Iowa State University Endowment (OLLI) was established to fund the OLLI programs administered through the Association. The initial OLLI endowment funds of approximately \$1,000,000 were granted to the University, and the Association has an agreement with the University which addresses the University's responsibility in administering the endowment and the Association's responsibility in providing applicable lifelong learning programs. The University transfers periodic earnings on the endowment funds to the Association, based upon the provisions outlined in the OLLI agreement, and these transfers totaled \$66,038 and \$63,306 during the years ended June 30, 2020 and 2019, respectively.

Iowa State University Alumni Association

Notes to Financial Statements

Note 8. Royalty Agreements, Other Sales and Concentration

The Association periodically enters into agreements with outside companies to provide certain services to these companies for revenue. These services include, but are not limited to, marketing to the Association's membership, advertising, sponsorships, travel tours, supplying certain membership information, and allowing outside entities to use the Association's logo. The Association earned revenues totaling \$1,045,720 and \$1,157,825 during the years ended June 30, 2020 and 2019, respectively, on these agreements and other sales.

During the year ended June 30, 2014, the Association entered into an affinity agreement with FIA Card Services, N.A. (FIA), which outlines the royalty arrangement, among other matters, and addresses the minimum royalty revenue guarantee of \$1,930,000 over the term of the agreement. The initial term of this agreement ended on June 30, 2019. During the year ended June 30, 2019, the Association earned \$250,000 under this agreement, which is included within the revenue noted above. During the year ended June 30, 2020, the Association entered into an affinity agreement with Bank of America, N.A. (Bank of America), former known as FIA Card Service, N.A. which outlines the royalty arrangement, amount other matters, and addresses the minimum royalty revenue guarantee of \$1,089,858 over the term of the agreement. The initial term of the agreement will end on June 30, 2026, and minimum payments over the term are expected to be collected as follows: 2021 \$244,000; 2022 \$234,000; 2023 \$229,000; 2024 \$224,000 and are reflected on the accompanying statements of financial position as affinity contract receivable, net of a present value discount. During the year ended June 30, 2020, the Association earned \$254,000 under this agreement, which is included within the revenue noted above.

During the year ended June 30, 2018, the Association entered into an affinity agreement with Nationwide Mutual Insurance Company, Nationwide Mutual Fire Insurance Company, Nationwide Property and Casualty Insurance Company of America, Nationwide Affinity Insurance Company of America, Nationwide Assurance Company, Nationwide Life Insurance Company, Nationwide Life and Annuity Insurance Company, and Nationwide Pet Insurance Company (collectively, Nationwide) which outlines the royalty arrangement, among other matters, and addresses the minimum royalty revenue guarantee of \$2,645,000 over the term of the agreement. The initial term of this agreement will end on December 31, 2026, and minimum payments over the term are expected to be collected as follows: 2021 \$264,000; 2022 \$265,000; 2023 \$266,000; 2024 \$267,000; 2025 \$268,000; thereafter \$269,000 and are reflected on the accompanying statements of financial position as affinity contract receivable, net of a present value discount. During the year ended June 30, 2020, the Association earned \$263,500 under this agreement, which is included within the revenue noted above.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for specific programs of the Association or used in accordance with the purpose of endowments established and held by the Foundation. The Association's net assets with donor restrictions consisted of the following at June 30, 2020 and 2019:

	2020	2019
Contributions and unexpended support available for:		
Alumni programs	\$ 78,241	\$ 397,412
Student programs	587	1,122
Greek Alumni Alliance	23,083	28,191
	<u>101,911</u>	<u>426,725</u>
Contributions receivable	403,982	213,829
Beneficial interest in pooled investments	7,285,208	7,405,243
Totals	<u>\$ 7,791,101</u>	<u>\$ 8,045,797</u>

Iowa State University Alumni Association

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by satisfying the restricted purpose as follows for the years ending June 30:

	2020	2019
Alumni programs	\$ 291,225	\$ 212,586
Student programs	14,160	11,035
Greek Alumni Alliance	9,858	8,457
Total net assets released	<u>\$ 315,243</u>	<u>\$ 232,078</u>

Endowment Corpus is to be held in perpetuity at the Foundation, with the investment income generated to be used in accordance with the intended purpose of the corresponding established endowment. Also included are amounts recorded as contributions receivable which consist of promises to give to the Foundation to permanently fund certain endowments upon receipt.

In addition to the board designated endowment funds addressed in Note 1, the Association is the beneficiary on fifteen donor restricted endowment funds which have been established at the Foundation, through previous transfers of assets from the Association to the Foundation, and through the collection of funds received directly by the Foundation for the benefit of the Association. The Foundation does not have variance power over the endowment assets, which are substantially invested in the long-term investment pool held by the Foundation. The Association receives investment income from the endowments based upon an established spending policy, which allows for 4.25% of the average market value of the investment pool over the prior 12 quarters, and is made available at the end of each calendar quarter.

The Alumni Program Endowment is comprised of thirteen established funds to support the programs of the Association. As of June 30, 2020 and 2019, this endowment had an investment balance of approximately \$5,131,000 and \$5,150,000, respectively, with additional future funding commitments which are included in contributions receivable. In addition, the Foundation has received approximately \$3,120,000 in deferred commitments at June 30 2020, consisting generally of bequests from revocable wills, to be recognized when the bequest becomes irrevocable. During the years ended June 30, 2020 and 2019, the Association received from the Foundation \$197,857 and \$164,649, respectively, of support related to this endowment.

With the construction of the Alumni Center, the Association established a Building Endowment with the purpose of generating earnings to support the operation of the Alumni Center and is comprised of two established funds which include Iowa State University Alumni Center Building Endowment and McCreery Building Endowment Fund. As of June 30, 2020, this endowment had an investment balance of approximately \$2,155,000, with an additional \$20,000 in future funding commitment, which is included in contributions receivable. In addition, the Foundation had received approximately \$800,000 in deferred commitments, consisting generally of bequests from revocable wills, to be recognized when the bequest becomes irrevocable. During the years ended June 30, 2020 and 2019, the Association received from the Foundation \$85,536 and \$84,725, respectively, of support related to this endowment.

Iowa State University Alumni Association

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

The Association's endowment investments consists of the following at June 30, 2020 and 2019:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 3,682,164	\$ -	\$ 3,682,164	\$ 3,766,020	\$ -	\$ 3,766,020
Donor restricted	-	7,285,208	7,285,208	-	7,405,243	7,405,243
Total funds	<u>\$ 3,682,164</u>	<u>\$ 7,285,208</u>	<u>\$ 10,967,372</u>	<u>\$ 3,766,020</u>	<u>\$ 7,405,243</u>	<u>\$ 11,171,263</u>

The Association's investment activity for the years ended June 30, 2020 and 2019, follow:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	\$ 3,766,020	\$ 7,405,243	\$ 11,171,263	\$ 3,738,892	\$ 6,417,365	\$ 10,156,257
Interest and dividends	1,752	-	1,752	3,424	-	3,424
Realized gains	54,921	-	54,921	214,868	-	214,868
Fees	(59,972)	-	(59,972)	(65,226)	-	(65,226)
Change in value of beneficial interest in pooled investments	-	(53,826)	(53,826)	-	278,915	278,915
Net investment income	(3,299)	(53,826)	(57,125)	153,066	278,915	431,981
Contributions and gift support	46,853	217,184	264,037	-	958,337	958,337
Association support	(127,410)	(283,393)	(410,803)	(125,938)	(249,374)	(375,312)
Total funds	<u>\$ 3,682,164</u>	<u>\$ 7,285,208</u>	<u>\$ 10,967,372</u>	<u>\$ 3,766,020</u>	<u>\$ 7,405,243</u>	<u>\$ 11,171,263</u>

	2020	2019
Net assest endowment funds with donor restrictions to support the Association:		
Alumni Programs:		
ISU Alumni Association Endowment	\$ 979,889	\$ 964,265
The Rich and Nancy Degner ISUAA Endowment	59,339	53,555
ISUAA VISIONS Magazine Endowment	58,125	56,125
ISUAA Alumni Clubs Endowment	114,954	99,249
ISUAA Legacy Program Endowment	201,665	127,640
ISUAA Awards Program Endowment	106,810	81,359
ISUAA Young Alumni Program Endowment	56,944	53,352
ISUAA Diversity & Inclusion Endowment	90,310	76,623
Madden Technology Endowment	255,380	254,930
ISU Alumni Center Building Endowment Fund	2,147,242	2,145,992
McCreery Fund (Alumni Center)	150,050	150,050
Talbot ISUAA Endowed President and CEO	2,500,757	2,500,757
Other:		
Eggerling Staff Development Endowment	138,143	132,643
Student Programs:		
The Student Leadership Fund	420,048	358,514
Jacobson Student Leadership Fund	20,500	16,000
Total endowment funds	<u>7,300,156</u>	<u>7,071,054</u>
Undistributed earnings	(14,948)	334,189
Total endowment funds with donor restrictions	<u>\$ 7,285,208</u>	<u>\$ 7,405,243</u>

Iowa State University Alumni Association

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

Endowment funds with donor restrictions are invested in the Foundation's endowment pool and are subject to their investment policies. The Foundation follows the guidance on the net asset classification of donor-restricted endowment funds for nonprofit entities subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the endowment in accordance with explicit and implicit donor stipulations. As a result of this interpretation, the Foundation classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment and (c) net changes (investment appreciation and depreciation less spending) to the permanent endowment is in accordance with donor gift instruments and the Foundation's investment policy. The spending distributed from the endowment in accordance with the Foundation's approved spending policy.

In accordance with UPMIFA, the Foundation considers the purpose, duration and preservation, along with the effects of inflation, deflation and expected total returns from income of investments, and its investment policy when making a determination to appropriate donor-restricted endowment funds.

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The stated investment objectives of the investment policy include: (a) the primary financial objective is to preserve and enhance the pool's inflation-adjusted purchasing power net of all investment management costs, while providing funds for current spending and (b) the primary investment objective is to attain an average annual real total return (net of all investment related fees) in excess of total expenditures (spending and overhead expenses), as measured over rolling 10-year periods.

The Foundation's investment policy includes a spending policy, annually approved by the Foundation's Board of Directors, which provides quarterly distributions from the endowment funds to be expended in accordance with the applicable donor-restricted purposes. The current spending policy provides an annual distribution of 4.25% of the average fair value of the endowment over the preceding 12-quarters.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donor or by law. At June 30, 2020, funds with original gift values of \$3,522,503, fair values of \$3,223,684, and deficiencies of \$298,819 were reported in net assets with donor restrictions. At June 30, 2019, funds with original gift values of \$3,453,019, fair values of \$3,306,534, and deficiencies of \$146,485 were reported in net assets with donor restrictions.

Note 10. Liquidity

The Association monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess cash. The Association's financial assets available within one year of the statements of financial position date for general expenses for the year ended June 30, 2020 and 2019, are as follows:

	2020	2019
Cash	\$ 867,152	\$ 389,777
Receivables	723,336	429,742
Totals	<u>\$ 1,590,488</u>	<u>\$ 819,519</u>

Iowa State University Alumni Association

Notes to Financial Statements

Note 10. Liquidity (Continued)

In addition, the Association has approximately \$3,682,000 and \$3,766,000 of investments at June 30, 2020 and 2019, respectively, which could be liquidated, upon board approval, and used for general purposes.

Note 11. Payroll Protection Program

The Association applied for and was approved for \$384,283 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee head count, and other qualifying expenses incurred following receipt of the loan. Any unforgiven portion will accrue interest at 1% beginning six months after the funding of the loan. Final payment of any unforgiven balance is due April 2022. The Association anticipated the loan will be forgiven in full and has recorded the proceeds as a conditional contribution. As the conditions for forgiveness of the loan have not been met as of June 30, 2020, the proceeds are included in deferred revenue, at June 30, 2020 on the statements of financial position.

Note 12. Subsequent Events

The Association has evaluated subsequent events through December 18, 2020, the date which the financial statements were available to be issued.

Subsequent to year end, one outside company has given notice of its intent to discontinue its affinity agreement program agreement. Final approval of a release is awaiting Board action.

Subsequent to year end, on November 23, 2020, the Association received notice of full forgiveness of all principal and interest on their PPP loan as described in Note 11.