



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

**UCLA ALUMNI ASSOCIATION
(NOT-FOR-PROFIT ORGANIZATION
AFFILIATED WITH UCLA)**

June 30, 2018 and 2017

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Report of Independent Auditors

The Board of Directors
UCLA Alumni Association (Not-for-Profit Organization Affiliated with UCLA)

Report on the Financial Statements

We have audited the accompanying financial statements of the UCLA Alumni Association (the "Association"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the UCLA Alumni Association as of June 30, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mass Adams LLP

Los Angeles, California
October 26, 2018

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Statements of Financial Position

	June 30,	
ASSETS	2018	2017
Cash and cash equivalents	\$ 985,651	\$ 339,295
Interest and dividends receivable	145,151	154,929
Accounts receivable and other assets	950,340	317,578
Investments	14,674,150	13,911,701
Total assets	\$ 16,755,292	\$ 14,723,503
LIABILITIES		
Liability to UCLA	\$ 610,840	\$ 246,076
Accounts payable and accrued liabilities	68,085	81,499
Deferred revenue	352,583	324,739
Total liabilities	1,031,508	652,314
NET ASSETS		
Unrestricted net assets	15,723,784	14,071,189
Total liabilities and net assets	\$ 16,755,292	\$ 14,723,503

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Statements of Activities

	Unrestricted	
	Year Ended June 30,	
	2018	2017
OPERATING REVENUES		
Membership contributions	\$ 379,837	\$ 369,155
Travel	708,078	560,474
Bruin Woods	211,616	182,732
Royalties and corporate sponsorships	1,596,075	1,394,755
University support	267,980	377,191
Program income	481,963	466,040
Contributions	577,982	-
Endowment payout	584,390	617,575
In-kind service contributions	4,496,966	4,459,945
Total operating revenues	<u>9,304,887</u>	<u>8,427,867</u>
OPERATING EXPENSES		
Program expenses:		
Program salaries and benefits	1,661,801	1,804,070
Travel	159,753	186,125
Alumni relations	89,509	87,567
Outreach & engagement	324,611	422,673
Scholarship programs	39,727	40,152
Student outreach & engagement	262,229	284,127
Career development	84,920	21,287
Program services rendered in-kind	3,043,383	2,852,622
Support expenses:		
Administration	241,466	327,831
Board of Directors	37,846	31,532
Membership	144,183	116,390
Support salaries and benefits	891,167	776,931
Marketing & communications	4,440	18,411
Support services rendered in-kind	1,453,583	1,607,323
Total operating expenses	<u>8,438,618</u>	<u>8,577,041</u>
Income (loss) from operating activities	<u>866,269</u>	<u>(149,174)</u>
NON-OPERATING REVENUES & EXPENSES		
Interest income	23,877	15,445
Net realized gain on investments	-	6,576
Net unrealized gain on investments	762,449	1,259,392
Strategic initiative	-	(17,500)
Income from non-operating activities	<u>786,326</u>	<u>1,263,913</u>
Change in net assets	1,652,595	1,114,739
Net assets, beginning of year	<u>14,071,189</u>	<u>12,956,450</u>
Net assets, end of year	<u>\$ 15,723,784</u>	<u>\$ 14,071,189</u>

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,652,595	\$ 1,114,739
Adjustments to reconcile change in the net assets to net cash used in Operating Activities:		
Net realized gains on investments	-	(6,576)
Net unrealized gains on investments		
(Increase) decrease in:		
Interest and dividends receivable	9,778	9,893
Accounts receivable and other assets	(632,762)	71,091
Increase (decrease) in:		
Liability to UCLA	364,764	37,087
Accounts payable and accrued liabilities		
Deferred revenue	27,844	151,027
Net cash provided by operating activities	646,356	150,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	50,000
Net increase in cash and cash equivalents	646,356	200,766
Cash and cash equivalents, beginning of year	339,295	138,529
Cash and cash equivalents, end of year	\$ 985,651	\$ 339,295

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 1 – Nature of Organization

The mission of the UCLA Alumni Association (the "Association"), the campus alumni association of the University of California Los Angeles ("UCLA"), is to enrich the lives of alumni and involve them in the future of UCLA. The Association, established in 1934, is a separately incorporated, tax-exempt membership organization that provides services and benefits to members. The Association's activities, which involve alumni and student volunteers, include providing professional networking opportunities and career assistance, awarding scholarships to new and continuing UCLA students, informing alumni and friends of legislative issues in California that directly impact UCLA and the University of California and engaging UCLA students through a Student Alumni Association. The Association's Alumni Awards program recognizes distinguished members of the UCLA community. The Association also supports approximately seventy (70) UCLA alumni groups, regional networks and professional school organizations that promote the general welfare of UCLA.

Note 2 – Basis of Presentation

The Association and certain other support groups of UCLA are closely connected operationally and financially. As such, the Association is required to adhere to rules and guidelines contained in the University of California Policy on Support Groups, Campus Foundations, and Alumni Associations. For example, the Association occupies a facility on the UCLA campus. The individuals supporting the work of the Association are employees of UCLA but a share of their salaries is charged back to the Association by UCLA, and UCLA makes payment of certain expenses on behalf of the Association, which are reimbursed by the Association on a quarterly basis. These financial statements include only those transactions either incurred directly by the Association or charged by UCLA to the Association.

UCLA and the Association are both engaged in alumni relations. In pursuit of its comprehensive effort to serve the alumni of UCLA, UCLA and other affiliate organizations provide the use of personnel, facilities and assets to the Association and do not charge for said services. Furthermore, in their effort to manage alumni relations, certain key officials of UCLA have ex-officio positions on the Association's Board of Directors.

Mostly funded by private philanthropy, the Association administered \$28,472,290 and \$27,053,469 in funds for scholarships and grants on behalf of UCLA for the years ended June 30, 2018 and 2017. These funds are held by the University Foundation. In that effort, the Association made 844 awards to 718 students with scholarships providing approximately \$1,975,304 in scholarships and grants during the year ended June 30, 2018. These scholarship and grants are expenditures of UCLA; therefore, they are not reported on the statement activities for the year ended June 30, 2018 and 2017. The scholarships are funded through the UCLA Foundation to UCLA students and, as such, are not reflected on the Association's financial statements.

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies

Financial statement presentation – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and cash equivalents – Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash and were purchased with maturities of less than three months.

Accounts receivable and other assets – Accounts receivable and other assets consist of deposits, as well as various receivables from third parties and related parties. Related party receivables include amounts owed to the Association by the UCLA Foundation for membership contributions, estate contributions and the endowment payout. The Association performs an annual assessment of the collectability of its accounts receivable and has determined that an allowance for uncollectible accounts is unnecessary as the risk of significant uncollectible accounts is low.

Investments – Investments are measured at fair value in the statements of financial position. In order to maximize investment income, the Association's investments are pooled with other investments of UCLA-affiliated entities and are held in trust under The UCLA Foundation. The Association's interest is determined through a unitization process based on the fair value of the assets placed in the pool by each participant. Investment income and net realized and unrealized gains and losses are allocated equitably based on the number of units assigned to each participant.

Deferred revenue – Advances received under long-term contractual agreements are recognized as earned based on the terms of the agreement. Additionally, revenue earned in advance of tours provided directly by the Alumni Travel program or other general program activity is considered deferred until the point of cancellation is reached as revenue could be refunded to the participant.

Net assets – The Association classifies its net assets as being unrestricted as there are no purpose or time restrictions associated with the use of the funds.

Membership contributions – Membership contributions, which include blue, gold, and gold legacy categories, are recorded as revenue when received.

Operating revenues – Operating revenues include travel, Bruin Woods, and royalties and corporate sponsorships that are earned through fulfillment of contractual business agreements with third parties, as well as program income which is earned by administering programs and hosting events.

Contributions – Contributions are recognized as revenue in the period pledged or received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions for the year ended June 30, 2018 consist of an unrestricted estate gift received during the current fiscal year. There were no such contributions for the year ended June 30, 2017.

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies (continued)

Endowment payout – The Association will receive quarterly payments from the UCLA Foundation which represents the Association's share of dividends and interest resulting from the beneficial interest in the Foundation's long-term investment portfolio. Endowment income is recorded as revenue when earned.

University support – University support revenue consists of Association program and support expenses that were paid by the University on behalf of the Association. The Association was not required to reimburse the University for these expenses. University support revenues are recognized during the period in which the associated expenses were incurred.

Interest income – The Association earns interest on its short-term investments held with the UCLA Foundation. Interest income received is retained within the short-term investment pool and is recorded as revenue when earned.

In-kind services – The Association recognizes in-kind service contributions based on the fair value of the services received from its not-for-profit affiliates. Such contributions amounted to \$4,496,966 and \$4,459,945, respectively, for the years ended June 30, 2018 and 2017. The fair value was derived from the cost of the services provided and were recorded as program and support expenses on the statements of activities for the years ended June 30, 2018 and 2017. For the year ended June 30, 2018, in-kind program and support services rendered amounted to \$3,043,383 and \$1,453,583, respectively. For the year ended June 30, 2017, in-kind program and support services rendered amounted to \$2,852,622 and \$1,607,323, respectively.

Functional allocation of expenses – The Association classifies expenditures as either program or support expenses based on the nature of the expense. Allocation of expenses between functional categories, such as salary and benefit expenses, is determined by management and is based on the level of effort by employees attributable to either program or support activities.

Concentrations of credit and market risk – Cash and cash equivalents generally consist of cash and money market funds. These funds are primarily held in three financial institutions, are uninsured except for the minimum Federal Deposit Insurance Corporation ("FDIC") coverage. The FDIC provides unlimited insurance coverage on non-interest-bearing accounts and funds held in interest-bearing transaction accounts up to \$250,000. The Association believes its credit policies do not result in significant adverse risk and historically has not experienced any credit-related losses. For the years ended June 30, 2018 and 2017, no bank balances were uninsured.

The Association does not believe there to be a significant credit risk associated with its accounts receivable as there are no significant balances due from a single source.

The Association holds significant investments in the form of long-term investment pools held by the UCLA Foundation, a related party. These investments are professionally managed. Credit risk is the failure of another party to perform in accordance with the contract terms. The Association is exposed to credit risk for the amount of the investments.

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies (continued)

The Association has never sustained a loss on any investment due to non-performance and does not anticipate any non-performance by the users of the securities. As investments accounted for 88% and 94% of the Association's total assets at June 30, 2018 and 2017, respectively, the Association is exposed to significant market risk, which is the risk of changes in value of a financial instrument caused by fluctuations in interest rates, foreign exchange rates and equity prices.

Income taxes – The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. However, certain activities of the Association are subject to unrelated business income taxes.

The Association appropriately provides the details of such activities in its annual tax return. The Association recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Association has not recorded any uncertain tax positions. The Association recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. For the years ended June 30, 2018 and 2017, the Association did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

Use of estimates – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect 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 for the reporting period. Actual results could differ from those estimates.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification (ASC) 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – 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 for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

Note 4 – Fair Value Measurement

At June 30, 2018 and 2017, the Association's cash and cash equivalents, excluding the Unendowed Investment Pool ("UIP") held at NAV, accounts receivable, prepaid expenses and other assets, liabilities to the University of California, Los Angeles, accounts payable and accrued liabilities and deferred revenue are all stated at carrying value, which approximates fair value due to the short maturity of these accounts.

The Association invests its funds with the UCLA Foundation in order to maximize the return on its investments. The Association has beneficial interests in both the UCLA Foundation's Endowed Investment Pool ("EIP") and its Unendowed Investment Pool ("UIP").

The Endowed Investment Pool has a long-term investment horizon and consists principally of equity securities, bonds, mutual funds and alternative investments, which are managed in a unitized investment pool. The alternative instruments include hedge funds, private equity and venture capital. Quarterly investment income, including unrealized gains and losses, are allocated equitably based on the units owned by each participant at the beginning of each quarter. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. At each quarter-end, a fair value unit price is established based on the value of endowed pool assets divided by the total number of pool units at the beginning of the quarter. Investors who wish to purchase units or sell existing units can only do so at quarter-end at the aforementioned net asset value. The valuation of the Association's share in the UCLA Foundation's portfolio uses unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the interest.

UCLA Alumni Association
Not-for-Profit Organization Affiliated with UCLA
Notes to Financial Statements

Note 4 – Fair Value Measurement (continued)

Management established the fair value of its beneficial interest through monitoring of fund activities for assets held by the UCLA Foundation. The Association's investments in the pool are not endowed and there are no restrictions on the redemptions of the interest as of June 30, 2018 and 2017, except for approval by the Board of Directors.

The Unendowed Investment Pool has a short-term investment horizon and consists of investments in the UC Regents Short-term Investment Pool. These investments are considered to be cash equivalents. The fair values of these investments have been estimated using a net asset value of \$1 per share.

The Association's investments were classified by level within the valuation hierarchy as of June 30, 2018 and 2017 as follows:

	2018			Assets Measured Using NAV	Total
	Level 1	Level 2	Level 3	Practical Expedient	
Beneficial Interest - EIP	\$ -	\$ -	\$ -	\$ 14,674,150	\$ 14,674,150
Beneficial Interest - UIP	-	-	-	931,135	931,135
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,605,285</u>	<u>\$ 15,605,285</u>
	2017			Assets Measured Using NAV	Total
	Level 1	Level 2	Level 3	Practical Expedient	
Beneficial Interest - EIP	\$ -	\$ -	\$ -	\$ 13,911,701	\$ 13,911,701
Beneficial Interest - UIP	-	-	-	267,590	267,590
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,179,291</u>	<u>\$ 14,179,291</u>

The Association's financial assets that are valued using the fair value practical expedient of net asset value and are summarized as follows:

	Fair Value at June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Beneficial Interest - EIP	\$ 14,674,150	\$ -	Quarterly	1 - 90 Days	(1)
Beneficial Interest - UIP	\$ 931,135	\$ -	N/A	N/A	(2)

(1) Redemption of interest held in the UCLA Foundation endowment fund requires approval by the Association's Board of Directors.

(2) Redemption of interest held in the UCLA Foundation unendowed investment pool is not restricted.

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 5 – Related-Party Transactions and Services

The Association routinely transacts with UCLA, which generally includes expense chargebacks for expenses paid by UCLA on behalf of the Association. As further described in Note 2, transactions throughout the year of \$4,176,988 and \$4,362,412 resulted in a payable to UCLA of \$610,840 and \$246,076 at June 30, 2018 and 2017, respectively.

The Association recognized \$211,616 and \$182,732 of revenue from Bruin Woods, a related party, during the years ended June 30, 2018 and 2017, respectively. In addition, the Association maintains a cash account for the benefit of the guests of Bruin Woods, which amounted to \$39,201 and \$50,030 at June 30, 2018 and 2017, respectively. These amounts are included in cash and cash equivalents and accounts payable and accrued liabilities on the statement of financial position.

Interest and dividends receivable from the UCLA Foundation were \$145,151 and \$154,929, respectively as of June 30, 2018 and 2017.

Note 6 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The Association has evaluated subsequent events through October 26, 2018, which is date the financial statements were available to be issued.