



*REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS*

FOR

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

June 30, 2017 and 2016

MOSSADAMS.COM

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Report of Independent Auditors

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

Report on Financial Statements

We have audited the accompanying financial statements of UCLA Alumni Association (The “Association”), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 UCLA Alumni Association as of June 30, 2017 and 2016, 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.

Moss Adams LLP

Los Angeles, California
November 29, 2017

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

	As of June 30,	
ASSETS	2017	2016
Cash and Cash Equivalents	\$ 339,295	\$ 138,529
Interest and Dividends Receivable	154,929	164,822
Accounts Receivable and Other Assets	317,578	388,669
Investments	13,911,701	12,695,733
Total Assets	\$ 14,723,503	\$ 13,387,753
LIABILITIES		
Liability to UCLA	\$ 246,076	\$ 208,989
Accounts Payable and Accrued Liabilities	81,499	48,602
Deferred Revenue	324,739	173,712
Total Liabilities	652,314	431,303
NET ASSETS		
Unrestricted Net Assets	14,071,189	12,956,450
Total Liabilities and Net Assets	\$ 14,723,503	\$ 13,387,753

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

	Unrestricted	
	Year Ended June 30,	
	2017	2016
OPERATING REVENUES		
Membership contributions	\$ 369,155	\$ 455,625
Travel	560,474	472,811
Bruin Woods	182,732	177,411
Royalties and Corporate Sponsorship	1,394,755	1,120,903
University Support	377,191	370,462
Program Income	466,040	615,432
Endowment Payout	617,575	667,004
In-Kind Service Contributions	4,459,945	4,344,592
Total Operating Revenues	<u>8,427,867</u>	<u>8,224,240</u>
OPERATING EXPENSES		
Program Expenses:		
Program Salaries and Benefits	1,804,070	2,281,141
Travel	186,125	117,552
Alumni Relations	87,567	97,954
Outreach & Engagement	422,673	639,244
Scholarship Programs	40,152	55,018
Student Outreach & Engagement	284,127	300,391
Professional and Volunteer Development	-	4,284
Career Development	21,287	38,530
Program Services Rendered In-Kind	2,852,622	2,972,135
Support Expenses:		
Administration	327,831	349,888
Board of Directors	31,532	38,579
Membership	116,390	188,909
Support Salaries and Benefits	776,931	743,360
Fundraising	-	12,358
Marketing & Communications	18,411	13,862
Support Services Rendered In-Kind	1,607,323	1,372,457
Total Operating Expenses	<u>8,577,041</u>	<u>9,225,662</u>
Loss from Operating Activities	(149,174)	(1,001,422)
NON-OPERATING REVENUES & EXPENSES		
Interest Income	15,445	14,457
Net Realized Gain on Investments	6,576	46,155
Net Unrealized Gain (Loss) on Investments	1,259,392	(1,431,651)
Strategic Initiative	(17,500)	(1,232)
Income (loss) from Non-Operating Activities	<u>1,263,913</u>	<u>(1,372,271)</u>
Change in Net Assets	1,114,739	(2,373,693)
Net Assets, Beginning of Year	<u>12,956,450</u>	<u>15,330,143</u>
Net Assets, End of Year	<u>\$ 14,071,189</u>	<u>\$ 12,956,450</u>

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

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,114,739	\$ (2,373,693)
Adjustments to reconcile change in the Net Assets to net cash used in Operating Activities:		
Net Realized Gains on Investments	(6,576)	(46,155)
Net Unrealized (Gains) Losses on Investments	(1,259,392)	1,431,651
Discount Amortization of Grant Payable	-	1,234
(Increase) Decrease in:		
Interest and Dividends Receivable	9,893	22,196
Accounts Receivable and Other Assets	71,091	185,306
Increase (Decrease) in:		
Liability to UCLA	37,087	(334,378)
Accounts Payable and Accrued Liabilities	32,897	(11,640)
Grant Payable	-	(60,000)
Deferred Revenue	151,027	(21,096)
Net Cash provided by (used in) Operating Activities	150,766	(1,206,575)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	50,000	1,024,999
Net Increase (Decrease) in Cash and Cash Equivalents	200,766	(181,576)
Cash and Cash Equivalents, Beginning of year	138,529	320,105
Cash and Cash Equivalents, End of year	\$ 339,295	\$ 138,529

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 at 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 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.

On behalf of UCLA, the Association administers \$27,053,469 held at the UCLA Foundation as of June 30, 2017, mostly funded by private philanthropy. In that effort, the Association made 842 awards to 666 students with scholarships providing approximately \$1,868,469 in scholarships and grants during the year ended June 30, 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 consists 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 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, Royalties and Corporate Sponsorships revenues that are earned through fulfillment of contractual business agreements with third parties; and Program Income which is earned by administering programs and hosting events.

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.

UCLA Alumni Association

Not-For-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies (continued)

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 contributions based on the fair value of the services received by its not-for-profit affiliates' for personnel and programmatic support. Such contributions totaling \$4,459,945 and \$4,344,592 were recorded for services received for the years ended June 30, 2017 and 2016. The fair values of the in-kind transactions were derived from the cost of the services provided and were recorded as program and support expenses for the years ended June 30, 2017 and 2016. For the year ended June 30, 2017, in-kind program and support services rendered amounted to \$2,852,622 and 1,607,323, respectively. For the year ended June 30, 2016, in-kind program and support services rendered amounted to \$2,972,135 and \$1,372,457, respectively.

Reclassifications – Certain expense classifications between functional categories have been changed for the year ended June 30, 2016. These reclassifications have had no net effect on the ending balance of net assets as of June 30, 2016.

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 and have original maturity dates of three months or less. The FDIC is providing unlimited insurance coverage on non-interest-bearing accounts, and funds held in interest-bearing transaction accounts are insured 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 ending June 30, 2017 and 2016, 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 95% of the Association's total assets at June 30, 2017 and 2016 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, 2017 and 2016, 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.

Accounting Pronouncements – In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"), which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if "conditions or events raise substantial doubt about the entity's ability to continue as a going concern." The ASU applies to all entities and is effective for the annual period ending after December 15, 2016, and annual periods and interim periods thereafter, with early adoption permitted. The Association adopted the guidance in the current fiscal year. The adoption did not have a material impact on the Association's financial statements.

Note 4 – Fair Value Measurement

At June 30, 2017 and 2016, the Association's cash and cash equivalents, accounts receivable, prepaid expenses and other assets, liabilities to the University of California, Los Angeles, accounts payable, accrued expenses and other liabilities, which are all stated at carrying value, which approximates fair value due to the short maturity of these accounts.

The Alumni 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 Alumni Association investments in the pool are not endowed and there are no restrictions on the redemptions of this interest as of June 30, 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, 2017 and 2016 as follows:

	2017				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Beneficial Interest - EIP	\$ -	\$ -	\$ -	\$ 13,911,701	\$ 13,911,701
Beneficial Interest - UIP	-	-	-	267,590	267,590
Total	\$ -	\$ -	\$ -	\$ 14,179,291	\$ 14,179,291

	2016				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Beneficial Interest - EIP	\$ -	\$ -	\$ -	\$ 12,695,733	\$ 12,695,733
Beneficial Interest - UIP	-	-	-	46,301	46,301
Total	\$ -	\$ -	\$ -	\$ 12,742,034	\$ 12,742,034

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, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Beneficial Interest	\$ 13,911,701	\$ -	Quarterly	1 - 90 Days	(1)

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

Note 5 – Grant Payable

During the year ended June 30, 2016, the Association made the tenth and final installment of \$60,000 on an irrevocable pledge in the amount of \$600,000 to the Regents of University of California on behalf of UCLA to support construction of the UCLA Donor Wall in the Court of Philanthropy. There were no additional payments made in 2017.

UCLA Alumni Association

Not-For-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 6 – 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 \$4,362,412 and \$4,870,849 resulted in a payable to UCLA of \$246,076 and \$208,989 at June 30, 2017 and 2016, respectively.

The Association recognized \$182,732 and \$177,411 of revenue from Bruin Woods during the years ended June 30, 2017 and 2016, respectively. In addition, the Association maintains a cash account for the benefit of the guests of Bruin Woods, which amounted to \$50,030 and \$36,227 at June 30, 2017 and 2016, respectively. These amounts are included in Cash and Cash Equivalents and Accounts Payable and Accrued Liabilities.

Amounts of endowment payouts receivable from the Foundation as of June 30, 2017 and 2016 were \$154,929 and \$164,822, respectively.

Note 7 – 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 November 29, 2017, which is date the financial statements were available to be issued.