

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
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SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Certified Public Accountants & Management Consultants

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
UCLA Alumni Association
Los Angeles, California

We have audited the accompanying statement of financial position of the UCLA Alumni Association (a nonprofit organization affiliated with UCLA) (the "Association") as of June 30, 2006, and the related statements of activities, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Association's June 30, 2005 financial statements and, in our report dated August 30, 2005, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Singer Lewak Greenbaum & Goldstein LLP

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Los Angeles, California
August 30, 2006



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UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF FINANCIAL POSITION
June 30, 2006
(with Comparative Totals for 2005)

ASSETS		
	2006	2005
Assets		
Cash and cash equivalents	\$ 171,226	\$ 118,647
Accounts and interest receivable	179,565	166,579
Prepaid expenses and other assets	184,665	181,869
Investments, at fair value (cost, \$12,498,225 and \$11,233,718 for 2006 and 2005, respectively)	14,206,369	12,999,086
Total assets	\$ 14,741,825	\$ 13,466,181
LIABILITIES AND NET ASSETS		
Liabilities		
University of California, Los Angeles	\$ 493,486	\$ 358,010
Accounts payable and accrued expenses	2,008	29,433
Grant payable, net	463,304	-
Deferred revenue	64,508	1,033,730
Total liabilities	1,023,306	1,421,173
Net assets		
Unrestricted		
Working Capital	327,103	385,905
Long-Term Fund	13,203,916	11,556,603
Opportunity Fund	187,500	102,500
Total net assets	13,718,519	12,045,008
Total liabilities and net assets	\$ 14,741,825	\$ 13,466,181

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(with Comparative Totals for 2005)

	Unrestricted	
	2006	2005
Revenues, support and gains		
Membership dues	\$ 1,470,261	\$ 1,559,649
Royalties and corporate sponsorship	2,241,458	917,127
Investment income	596,090	593,221
Net realized and unrealized gain on investments	668,718	729,453
Travel commissions	394,600	369,276
Bruin Woods	292,000	280,530
UCLA Foundation support	210,000	90,000
Program income	77,729	160,270
University support	110,000	100,000
	<u>6,060,856</u>	<u>4,799,526</u>
Total revenues, support and gains		
Expenses		
Program expenses		
Advocacy	10,313	10,631
Alumni relations	39,021	129,503
Chapters and clubs	78,119	51,255
Fundraising	34,416	26,468
Scholarships	46,421	45,833
Student activities and development	171,424	160,270
Travel	113,903	137,205
Volunteer relations	37,017	61,727
Support services		
Administration	298,394	186,643
Donor wall	463,304	-
Marketing	294,211	385,660
Membership	542,978	456,199
Salaries and benefits, full-time employees	2,143,347	2,377,963
Salaries and benefits, student staff	114,477	158,774
	<u>4,387,345</u>	<u>4,188,131</u>
Total expenses		

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(with Comparative Totals for 2005)

	Unrestricted	
	2006	2005
Change in net assets	\$ 1,673,511	\$ 611,395
Net assets, beginning of year	<u>12,045,008</u>	<u>11,433,613</u>
Net assets, end of year	<u>\$ 13,718,519</u>	<u>\$ 12,045,008</u>

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 2006
(with Comparative Totals for 2005)

	Unrestricted				Total
	Working Capital	Long-Term Fund	Opportunity Fund	Capital Project Reserve	
Net assets, June 30, 2004	\$ 755,279	\$ 9,653,334	\$ -	\$ 1,025,000	\$ 11,433,613
Change in net assets	611,395	-	-	-	611,395
Net assets transferred from Working Capital to Long-Term Fund	(258,095)	258,095	-	-	-
Investment income transferred from Long-Term Fund	(722,674)	722,674	-	-	-
Capital Project Reserve transfer to Long-Term Fund	-	922,500	-	(922,500)	-
Capital Project Reserve transfer to Opportunity Fund	-	-	102,500	(102,500)	-
Net assets, June 30, 2005	385,905	11,556,603	102,500	-	12,045,008
Change in net assets	1,673,511	-	-	-	1,673,511
Net assets transferred from Working Capital to Long-Term Fund	(295,905)	295,905	-	-	-
Investment income transferred to Long-Term Fund	(671,408)	671,408	-	-	-
Net assets transferred from Working Capital to Long-Term Fund - Credit Card	(680,000)	680,000	-	-	-
Net assets transferred from Working Capital to Opportunity Fund - Credit Card	(85,000)	-	85,000	-	-
Net assets, June 30, 2006	\$ 327,103	\$ 13,203,916	\$ 187,500	\$ -	\$ 13,718,519

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006
(with Comparative Totals for 2005)

	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 1,673,511	\$ 611,395
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gain on investments	(668,718)	(729,453)
Decrease (increase) in accounts and interest receivable	(12,986)	318,939
Decrease (increase) in prepaid expenses and other assets	(2,795)	45,245
Increase (decrease) in liability to University of California, Los Angeles	135,476	(94,329)
Decrease in accounts payable and accrued expenses	(27,425)	(78,634)
Increase in grant payable	463,304	-
Decrease in deferred revenue	(969,222)	(754,548)
Net cash provided by (used in) operating activities	591,145	(681,385)
Cash flows from investing activities		
Purchase of investments	(3,648,679)	(3,673,168)
Proceeds from sales of investments	3,110,113	4,308,118
Net cash provided by (used in) investing activities	(538,566)	634,950
Net increase (decrease) in cash	52,579	(46,435)
Cash and cash equivalents, beginning of year	118,647	165,082
Cash and cash equivalents, end of year	\$ 171,226	\$ 118,647

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – 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 70 UCLA alumni groups, regional clubs 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 employees of the Association are employees of UCLA but are charged back to the Association by UCLA; and UCLA makes payment of certain expenses on behalf of the Association, which are later reimbursed by the Association. These financial statements include only those transactions either incurred directly by or charged by UCLA to the Association.

However, both UCLA and the Association are engaged in alumni relations. The efforts made by the Association to UCLA alumni relations are not charged directly to UCLA. In turn, in pursuit of its comprehensive effort to serve the alumni of UCLA, UCLA and other support groups provide the use of personnel, facilities and assets to the Association and do not charge for said services. Accordingly, these financial statements do not reflect either the benefits provided to or received from UCLA to serve the alumni relations program as each group, including the Association, bear the expense for these costs. 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 approximately \$16.7 million in endowments held at the UCLA Foundation, which are mostly funded by private philanthropy. In that effort, the Association awarded 776 scholarships providing approximately \$1.1 million in scholarships and grants during the year ended June 30, 2006.

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
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

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 in its own investments is determined through a unitization process based on the market value of the cash and securities 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.

Membership Revenues

Membership dues, which include annual memberships, life memberships and installments on life memberships, are recorded as revenue when received.

Concentrations of Credit and Market Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist of cash and cash equivalents, and investments. The Association places its cash and cash equivalents with high credit, quality financial institutions. At times, the Association maintains balances in excess of the Federal Deposit Insurance Corporation insurance limit of \$100,000. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

The Association holds significant investments in the form of short-term and long-term investment pools held by the UCLA Foundation, a related party. 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. 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 96% of the Association's assets at June 30, 2006, 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. The Association's investments are professionally managed.

Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code; however, certain activities of the Association are subject to unrelated business income taxes. Accordingly, a provision for federal or state income taxes has not been made in the accompanying financial statements.

UCLA ALUMNI ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 4 – INVESTMENTS

The Long-Term Fund was established to provide investment income for the Association. Allocations to the Long-Term Fund are made pursuant to the bylaws and standing rules of the Association. Certain investments have been designated by the Board of Directors for the Long-Term Fund. Assets allocated to the Long-Term Fund and other investments have been placed in the UCLA Foundation Endowed and Unendowed Investment Pools.

The Endowed Investment Pool consists principally of equity securities, bonds, mutual funds and limited partnerships. The Unendowed Investment Pool consists principally of corporate and government bonds, secured mortgages and a U.C. Regents Short-Term Investment Pool. Investments comprised the following at June 30:

	<u>2006</u>	<u>2005</u>
Long-Term Fund		
Endowed Investment Pool, at fair value (cost, \$11,801,663 and \$10,107,132 for 2006 and 2005, respectively)	\$ 13,203,916	\$ 11,556,603
Other investments		
Endowed Investment Pool, at fair value (cost, \$428,357 and \$421,042 for 2006 and 2005, respectively)	734,248	736,939
Unendowed Investment Pool, at cost, which approximates fair value	<u>268,205</u>	<u>705,544</u>
Total other investments	<u>1,002,453</u>	<u>1,442,483</u>
Total investments	<u>\$ 14,206,369</u>	<u>\$ 12,999,086</u>

UCLA ALUMNI ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – GRANT PAYABLE

In 2006, the Association made 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. The irrevocable pledge is to be paid over a ten year period, in annual installments of \$60,000, with the first payment due in June 2007. The \$600,000, 10 year commitment was discounted at 5%. The present value of the future payments at the applied discount rate at June 30, 2006 was \$463,304.

NOTE 6 – ROYALTY AGREEMENT

In 2006, the Association and its largest corporate sponsor terminated its agreement and executed a new agreement. The new agreement has several elements that are significantly different than the original contract, including the elimination of minimum guarantees, computation of royalties earned and the term of the contract. Upon execution of the new agreement, the Association recognized all deferred revenue pursuant to the original contract. The Association recognized approximately \$1,074,000 revenue under the old agreement at June 30, 2006.

NOTE 7 – RELATED PARTY TRANSACTIONS

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, such transactions resulted in a payable to UCLA at June 30, 2006 of \$493,486.