

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2011 and 2010

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
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June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT



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

We have audited the accompanying statements of financial position of UCLA Alumni Association (a nonprofit organization affiliated with UCLA) (the "Association") as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets and cash flows for the years 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
October 24, 2011

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
Assets		
Cash and cash equivalents	\$ 76,988	\$ 7,504
Accounts and interest receivable	279,624	256,348
Prepaid expenses and other assets	374,706	377,495
Investments, at fair value (cost, \$13,855,685 and \$13,636,266 for 2011 and 2010, respectively)	15,502,643	13,767,810
Total assets	\$ 16,233,961	\$ 14,409,157

LIABILITIES AND NET ASSETS

Liabilities		
University of California, Los Angeles	\$ 403,696	\$ 335,279
Accounts payable and accrued expenses	72,874	24,902
Grant payable, net	259,769	304,542
Deferred revenue	40,247	128,415
Total liabilities	776,586	793,138
Net assets		
Unrestricted		
Working capital	617,171	606,167
Long-term fund	14,508,347	12,711,972
Opportunity fund	331,857	297,880
Total net assets	15,457,375	13,616,019
Total liabilities and net assets	\$ 16,233,961	\$ 14,409,157

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2011 and 2010

	Unrestricted	
	2011	2010
Revenues, support and investment returns		
Membership dues	\$ 1,522,955	\$ 1,383,728
Royalties and corporate sponsorship	1,061,141	1,116,198
Travel commissions	225,556	204,840
Bruin Woods	83,000	105,738
UCLA Foundation support	400,000	400,000
Program income	322,964	324,429
University support	155,000	155,000
Investment income	779,497	965,581
Net realized and unrealized gains on investments	1,392,840	621,456
Total revenues, support and investment returns	5,942,953	5,276,970
Expenses		
Program expenses		
Advocacy	3,348	13
Alumni relations	62,370	94,937
Networks	26,980	76,331
Fundraising	23,523	16,983
Scholarships	61,706	54,642
Student activities and development	207,848	168,313
Travel	26,887	28,236
Volunteer relations	50,530	62,207
Salaries and benefits	740,743	813,583
Support services		
Administration	216,118	485,210
Donor wall	15,227	17,359
Marketing	268,215	321,896
Membership	333,546	310,108
Salaries and benefits	1,809,756	1,737,276
Strategic initiative expenses	254,800	-
Total expenses	4,101,597	4,187,094
Change in net assets	1,841,356	1,089,876
Net assets, beginning of year	13,616,019	12,526,143
Net assets, end of year	\$ 15,457,375	\$ 13,616,019

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENTS OF CHANGES IN NET ASSETS
For the years ended June 30, 2011 and 2010

	Unrestricted			Total
	Working Capital	Long-term Fund	Opportunity Fund	
Net assets, June 30, 2009	\$ 1,072,755	\$ 11,242,738	\$ 210,650	\$ 12,526,143
Change in net assets	1,089,876	-	-	1,089,876
Investment gain transferred to long-term fund and opportunity fund	(854,500)	845,266	9,234	-
Net assets transferred from working capital to opportunity fund and long-term fund	<u>(701,964)</u>	<u>623,968</u>	<u>77,996</u>	<u>-</u>
Net assets, June 30, 2010	606,167	12,711,972	297,880	13,616,019
Change in net assets	1,841,356	-	-	1,841,356
Investment gain transferred to long-term fund and opportunity fund	(1,437,857)	1,406,002	31,855	-
Net assets transferred from working capital to opportunity fund and long-term fund	(647,295)	575,373	71,922	-
Net assets transferred from opportunity fund and long-term fund to working capital	<u>254,800</u>	<u>(185,000)</u>	<u>(69,800)</u>	<u>-</u>
Net assets, June 30, 2011	<u>\$ 617,171</u>	<u>\$ 14,508,347</u>	<u>\$ 331,857</u>	<u>\$ 15,457,375</u>

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 1,841,356	\$ 1,089,876
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(1,392,840)	(621,456)
Discount amortization of grant payable	15,227	17,360
(Increase) decrease in:		
Accounts and interest receivable	(23,276)	239,144
Prepaid expenses and other assets	2,789	205,783
Increase (decrease) in:		
Liability to University of California, Los Angeles	68,417	(67,074)
Accounts payable and accrued expenses	47,972	(12,723)
Deferred revenue	(88,168)	86,097
	471,477	937,007
Cash flows from investing activities		
Purchase of investments	(4,929,840)	(4,595,092)
Proceeds from sales of investments	4,587,847	3,607,183
	(341,993)	(987,909)
Cash flows from financing activities		
Payment on grant payable	(60,000)	(60,000)
	(60,000)	(60,000)
Net increase in cash and cash equivalents	69,484	(110,902)
Cash and cash equivalents, beginning of year	7,504	118,406
Cash and cash equivalents, end of year	\$ 76,988	\$ 7,504

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, 2011 and 2010

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.

UCLA and the Association are both 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, bears 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 \$18.5 million in endowments held at The UCLA Foundation, mostly funded by private philanthropy. In that effort, the Association awarded 779 scholarships providing approximately \$1.2 million in scholarships and grants during the year ended June 30, 2011.

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, 2011 and 2010

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements are presented using the accrual basis of accounting.

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.

Prepublication Costs

The Association capitalizes the salary and other costs incurred in the creation of the UCLA History Book. The Association regularly reviews the recoverability of the capitalized costs based on expected future revenues. For the year ended June 30, 2011, the Association determined that the expected future revenues were more than the capitalized prepublication costs as of June 30, 2011 and did not write down any capitalized costs during the year. In future years, the Association will write down the capitalized costs in an amount equal to the actual revenue recognized during each year, also factoring in any relevant reassessment of the remaining expected future revenues. The prepublication costs are expected to be fully amortized in five years and are included in the prepaid expenses and other asset line item in the accompanying Statements of Financial Position.

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 is determined through a unitization process based on the market 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.

Membership Revenues

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

During the year ended June 30, 2011, the Association recorded an accrual for its paying life memberships revenue of \$130,396. Historically, this accrual was not recorded as it was not considered material to the overall financial statements.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit and Market Risk

Cash and cash equivalents generally consist of cash, mutual funds 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. On January 1, 2010, two of the Association’s banks exited the Federal Deposit Insurance Corporation’s Transaction Account Guarantee Program (the “Program”). 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 no result in significant adverse risk and historically has not experienced any credit-related losses. As of June 30, 2011 and 2010, no bank balances were uninsured.

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 95% and 96% of the Association’s assets at June 30, 2011 and 2010, 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. The Association’s investments are professionally managed, and the assets in the Endowed Investment Pool are allocated as follows:

	<u>2011</u>	<u>2010</u>
Equities	30%	31%
Fixed income	12%	12%
Real estate	7%	4%
Alternative investments	51%	53%

The alternative investments include private equity, venture capital, oil and gas, timber, distressed debt and hedge fund strategies.

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.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association has adopted FASB ASC Topic No. 740, “Uncertainty in Income Taxes.” In accordance with FASB ASC Topic No. 740, 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. During the year ended June 30, 2011, the Association did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At June 30, 2011, the open tax years for the Association were 2006 to 2010.

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

The Association adopted FASB ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS 157), at the beginning of the 2010 fiscal year, and there was no material impact to the financial statements. FASB ASC 820 applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. FASB ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, FASB ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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.

At June 30, 2011 and 2010, the Association's financial instruments consisted primarily of 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 instruments.

Cash and cash equivalents are financial assets and are primarily classified within Level 1.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820)" ("ASU 2010-06"). This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on the transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using Level 3 measurements. The adoption of this guidance did not have a material impact on the Association's financial statements.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," to converge the guidance in U.S. GAAP and International Financial Reporting Standards ("IFRSs"). The amended guidance changes several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. The Association is in the process of assessing the effect that the guidance will have on its financial statements.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – INVESTMENTS

The Alumni Association invests its funds with The UCLA Foundation in order to maximize the return on its investments. The Association holds investments in both The UCLA Foundation's Endowed Investment Pool and its Unendowed Investment Pool.

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. Monthly investment income and realized and unrealized gains and losses are allocated equitably based on the units owned by each participant at the beginning of each month. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. At each month-end, a fair value unit price is established based on the value of endowed pool assets (end of month) divided by the total number of pool units at the beginning of the month. Investors who wish to purchase units or sell existing units can only do so at month-end at the aforementioned fair value price. The Endowed Investment Pool is considered as Level 3 due to unobservable markets. Management established the fair value of Level 3 investments through monitoring of fund activities for the investments held by The UCLA Foundation. There are no restrictions on the redemptions of these investments, but the redemption must be approved by the board of directors.

The Unendowed Investment Pool has a short-term investment horizon, consists of investments in the UC Regents Short-term Investment Pool and is considered as Level 2 due to similar items in active markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Management established the fair value of Level 2 investments at the pool's net asset value of \$1 per unit. There are no restrictions on redemptions of these investments.

The Association's investments were classified by level within the valuation hierarchy as follows:

	As of June 30, 2011			
	Total	Level 1	Level 2	Level 3
Endowed investment pool	\$ 15,112,953	\$ -	\$ -	\$ 15,112,953
Unendowed investment pool	389,690	-	389,690	-
Total investments	\$ 15,502,643	\$ -	\$ 389,690	\$ 15,112,953
	As of June 30, 2010			
	Total	Level 1	Level 2	Level 3
Endowed investment pool	\$ 13,390,373	\$ -	\$ -	\$ 13,390,373
Unendowed investment pool	377,437	-	377,437	-
Total investments	\$ 13,767,810	\$ -	\$ 377,437	\$ 13,390,373

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – INVESTMENTS (Continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Endowed Investment Pool
Balance, June 30, 2010	\$ 13,390,373
Realized losses	(122,574)
Unrealized gains	1,515,414
Purchases, sales, issuances and settlements, net	329,740
Balance, June 30, 2011	<u>\$ 15,112,953</u>
	Endowed Investment Pool
Balance, June 30, 2009	\$ 12,064,976
Realized losses	(418,770)
Unrealized gains	1,040,226
Purchases, sales, issuances and settlements, net	703,941
Balance, June 30, 2010	<u>\$ 13,390,373</u>

Changes in unrealized gains for the years ended June 30, 2011 and 2010 related to Level 3 investments held at June 30, 2011 and 2010 were \$1,515,414 and \$1,040,226, respectively, and were reported in net realized and unrealized gains on investments in the statements of activities.

The Association's financial assets that are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic 820 are summarized as follows:

	Fair Value June 30, 2011	Redemption Frequency	Redemption Notice Period
Endowed Investment Pool	\$15,112,953	Daily – Annually	1 – 90 days
Total	<u>\$15,112,953</u>		

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 – INVESTMENTS (Continued)

Fair Value	June 30, <u>2010</u>	Redemption <u>Frequency</u>	Redemption <u>Notice Period</u>
Endowed Investment Pool	<u>\$13,390,373</u>	Daily – Annually	1 – 90 days
Total	<u>\$13,390,373</u>		

NOTE 5 – GRANT PAYABLE

During the years ended June 30, 2010 and 2011, the Association made the fourth and fifth installments 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. The irrevocable pledge is to be paid over a ten-year period discounted at 5%, in annual installments of \$60,000, with the first payment made in June 2007. The present value of the future payments at the applied discount rate at June 30, 2011 and 2010 were \$259,769 and \$304,542, respectively.

NOTE 6 – 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, 2011 and 2010 of \$403,696 and \$355,279, respectively.

The Association received \$83,000 and \$105,738 of revenue from Bruin Woods during the years ended June 30, 2011 and 2010, respectively. In addition, the Association maintains a cash account for the benefit of the guests of Bruin Woods.

NOTE 7 – SUBSEQUENT EVENTS

Management evaluated all activity of the Association through October 24, 2011, which is the date the financial statements were available to be issued and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.