



Report of Independent Auditors
and Financial Statements for

**UCLA Alumni Association
Not-For-Profit Organization
Affiliated With UCLA**

June 30, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-12

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, 2014 and 2013, 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.

MOSS ADAMS_{LLP}

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, 2014 and 2013, 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
October 31, 2014

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
STATEMENTS OF FINANCIAL POSITION

	As of June 30,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 314,948	\$ 283,118
Interest and Dividends Receivable	188,154	198,812
Accounts Receivable and Other Assets	599,361	370,559
Investments	16,142,653	15,196,319
Total Assets	<u>\$ 17,245,116</u>	<u>\$ 16,048,808</u>
LIABILITIES		
Liability to UCLA	\$ 652,841	\$ 475,545
Accounts Payable and Accrued Liabilities	88,354	30,787
Grant Payable, net	116,322	172,697
Deferred Revenue	-	146,200
Total Liabilities	<u>857,517</u>	<u>825,229</u>
NET ASSETS		
Unrestricted:		
Working Capital	187,236	201,789
Long-Term Fund	16,200,363	15,021,790
Total Net Assets	<u>16,387,599</u>	<u>15,223,579</u>
 Total Liabilities and Net Assets	 <u>\$ 17,245,116</u>	 <u>\$ 16,048,808</u>

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
STATEMENTS OF ACTIVITIES

	Unrestricted	
	Year Ended June 30,	
	2014	2013
OPERATING REVENUES		
Membership	\$ 1,025,073	\$ 1,351,391
Travel	406,760	440,041
Bruin Woods	116,803	104,375
Royalties and Corporate Sponsorship	1,093,393	1,184,935
UCLA Foundation Support	200,000	200,000
Program Income	456,022	358,838
Endowment Payout	835,590	785,730
UCOP Support	-	75,000
Total Operating Revenues	<u>4,133,641</u>	<u>4,500,310</u>
OPERATING EXPENSES		
Program Expenses:		
Program Salaries and Benefits	891,552	861,280
Travel	115,874	109,841
Alumni Relations	77,849	59,969
Outreach & Engagement	159,356	95,198
Scholarship Programs	49,379	56,230
Student Outreach & Engagement	357,168	246,826
Career Development	30,115	9,760
Support Expenses:		
Administration	426,929	238,455
Board of Directors	93,370	32,301
Campus Mandates	61,235	38,323
Membership	328,258	380,572
Support Salaries and Benefits	1,546,692	1,741,322
Fundraising	5,617	15,668
Marketing & Communications	50,069	310,977
Total Operating Expenses	<u>4,193,463</u>	<u>4,196,722</u>
Loss from Operating Activities	<u>(59,822)</u>	<u>303,588</u>
NON OPERATING REVENUES & EXPENSES		
Strategic Initiative	-	(88,235)
Prior Year Campus Mandates	-	(401,000)
History Book	-	(176,783)
Interest Income	12,508	11,524
Net Realized Gain on Investments	32,761	39,174
Net Unrealized Gain on Investments	1,178,573	1,165,985
Income from Non Operating Activities	<u>1,223,842</u>	<u>550,665</u>
Change in Net Assets	1,164,020	854,253
Net Assets, Beginning of Year	<u>15,223,579</u>	<u>14,369,326</u>
Net Assets, End of Year	<u>\$ 16,387,599</u>	<u>\$ 15,223,579</u>

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,164,020	\$ 854,253
Adjustments to reconcile change in the Net Assets to net cash (used in) provided by Operating Activities:		
Net Unrealized (Gains) on Investments	(1,178,573)	(1,165,985)
Discount Amortization of Grant Payable	3,626	19,938
(Increase) Decrease in:		
Interest and Dividends Receivable	10,660	(134,004)
Accounts Receivable and Other Assets	(228,805)	134,961
Increase (Decrease) in:		
Liability to UCLA	177,296	(183,090)
Grant Payable	(60,000)	(60,000)
Accounts Payable and Accrued Liabilities	57,567	(860)
Deferred Revenue	(146,200)	53,700
Net Cash used in Operating Activities	<u>(200,409)</u>	<u>(481,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(360,000)
Proceeds from Sales of Investments	232,239	687,826
Net Cash provided by Investing Activities	<u>232,239</u>	<u>327,826</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,830	(153,261)
Cash and Cash Equivalents, Beginning of year	<u>283,118</u>	<u>436,379</u>
Cash and Cash Equivalents, End of year	<u>\$ 314,948</u>	<u>\$ 283,118</u>

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 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 their salaries are 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. 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 \$22,246,129 held at the UCLA Foundation, mostly funded by private philanthropy. In that effort, the Association made 845 awards to 704 students with scholarships providing approximately \$1,421,000 in scholarships and grants during the year ended June 30, 2014.

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) as stated in the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-for-Profit Entities".

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. 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 – 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.

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

Program revenues – Program revenues, which include revenues received from contractual business agreements with third parties, as well as events that the Association assists in organizing, are recorded as revenue when earned.

Endowment revenue – 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 investments. Endowment income is recorded as revenue when earned.

Reclassifications – Certain expense classifications between functional categories have been changed for the year ended June 30, 2014. These reclassifications have had no net effect on the ending balance of net assets as of June 30, 2014.

Functional allocation of expenses – The Association will classify 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.

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
NOTES TO FINANCIAL STATEMENTS

Note 3 – Summary of Significant Accounting Policies (continued)

Publication 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. The History Book was completed and has been fully marketed in fiscal year 2011. In fiscal year 2013 the Association wrote off the entire remaining amount of capitalized costs associated with the History Book, which were \$176,783.

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. On January 1, 2010, two of the Association's banks exited the Federal Deposit Insurance Corporation's Transaction Account Guarantee Program (the "Program"). The Association believes its credit policies do not result in significant adverse risk and historically has not experienced any credit-related losses. As of June 30, 2014 and 2013, 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. 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 94% and 95% of the Association's assets at June 30, 2014 and 2013, 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, 2014 and 2013, the Association did not recognize any amount in potential interest and penalties associated with uncertain tax positions. At June 30, 2014, the open tax years for the Association were 2010 to 2014.

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
NOTES TO FINANCIAL STATEMENTS

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.

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.

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, 2014 and 2013, 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.

Note 4 – Fair Value Measurement

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 and its Unendowed Investment Pool.

**UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
NOTES TO FINANCIAL STATEMENTS**

Note 4 – Fair Value Measurement (continued)

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 realized and 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 fair value price. The beneficial interest in the UCLA Foundation Endowed Investment Pool is considered Level 3 due to unobservable markets. Management established the fair value of Level 3 investments through monitoring of fund activities for the beneficial interest in 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, 2014, except for approval by the Board of Directors. 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.

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. These investments are deemed to be Level 2 due to similar items in active markets. There are no restrictions on the redemptions of this interest as of June 30, 2014.

The Association's investments were classified by level within the valuation hierarchy as of June 30, 2014 and 2013 as follows:

	Level 1	Level 2	Level 3	2014
Beneficial Interest	\$ -	\$ -	\$ 16,142,653	\$ 16,142,653
Cash Equivalents	-	257,274	-	257,274
Total	\$ -	\$ 257,274	\$ 16,142,653	\$ 16,399,927
	Level 1	Level 2	Level 3	2013
Beneficial Interest	\$ -	\$ -	\$ 15,196,319	\$ 15,196,319
Cash Equivalents	-	203,223	-	203,223
Total	\$ -	\$ 203,223	\$ 15,196,319	\$ 15,399,542

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
NOTES TO FINANCIAL STATEMENTS

Note 4 – Fair Value Measurement (continued)

The following tables include reconciliations of beginning and ending balances of assets classified as Level 3 for the years ended June 30, 2014 and 2013:

	Fair Value at July 1, 2013	Purchases	Sales	Realized Gains, net	Unrealized Gains, net	Fair Value at June 30, 2014
Beneficial Interest	\$ 15,196,319	\$ -	\$ (232,239)	\$ 32,761	\$ 1,145,812	\$ 16,142,653

	Fair Value at July 1, 2012	Purchases	Sales	Realized Gains, net	Unrealized Gains, net	Fair Value at June 30, 2013
Beneficial Interest	\$ 14,358,159	\$ 360,000	\$ (687,826)	\$ 39,174	\$ 1,126,812	\$ 15,196,319

The Association's policy is to recognize transfers in and transfers out at the end of the reporting period. This policy includes transfers in and transfers out of Level 1, Level 2 and Level 3.

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

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

Securities classified within Level 3 investments are based on valuations provided by the external managers (UCLA Investment Company). The Finance Committee, in conjunction with the external investment advisor, monitors and analyzes the valuation of the investments. The Finance Committee reports to the Board of Directors. The valuations consider variables such as the financial performance of the investments along with other pertinent information.

Note 5 – Grant Payable

During the years ended June 30, 2014 and 2013, the Association made the eighth and seventh installments of \$60,000, respectively, 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 2.1%, 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, 2014 and 2013 were \$116,323 and \$172,697, respectively.

UCLA ALUMNI ASSOCIATION
NOT-FOR-PROFIT ORGANIZATION AFFILIATED WITH UCLA
NOTES TO FINANCIAL STATEMENTS

Note 6 – Net Assets

The Association classifies its net assets as either Working Capital or being in the Long Term Fund. The Association's policy is to maintain a balance in the Working Capital fund greater than 2% of total revenues. The Working Capital funds records income from operations while the Long Term Fund records income from long term investments. Both funds are unrestricted as there are no purpose or time restrictions associated with the use of the funds.

Note 7 – Related Party Transactions and Contributed 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 \$4,199,081 and \$4,222,315 resulted in a payable to UCLA of \$652,841 and \$475,545 at June 30, 2014 and 2013, respectively.

The Association received \$116,803 and \$104,375 of revenue from Bruin Woods during the years ended June 30, 2014 and 2013, respectively. In addition, the Association maintains a cash account for the benefit of the guests of Bruin Woods, which amounted to \$31,246 and \$26,234 at June 30, 2014 and 2013, respectively. These amounts are included in Cash and Cash Equivalents and Accounts Payable and Accrued Liabilities.

Note 8 – 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 31, 2014, which is date the financial statements were available to be issued.