



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

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

June 30, 2021 and 2020



MOSSADAMS

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the UCLA Alumni Association (the "Association"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UCLA Alumni Association as of June 30, 2021 and 2020, 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 8, 2021

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

		June 30,	
		2021	2020
ASSETS			
Cash and cash equivalents	\$	309,795	\$ 376,417
Interest and dividends receivable		186,418	149,260
Accounts receivable and other assets		772,668	983,190
Investments		17,714,852	13,887,749
Total assets	\$	<u>18,983,733</u>	<u>\$ 15,396,616</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Liability to UCLA	\$	77,774	\$ 69,360
Accounts payable and accrued liabilities		21,617	19,605
Deferred revenue		36,000	401,000
Total liabilities		<u>135,391</u>	<u>489,965</u>
NET ASSETS			
Net assets without donor restrictions		<u>18,848,342</u>	<u>14,906,651</u>
Total liabilities and net assets	\$	<u>18,983,733</u>	<u>\$ 15,396,616</u>

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

	Without Donor Restrictions	
	Years Ended June 30,	
	2021	2020
OPERATING REVENUES		
Sustaining donor contributions	\$ 238,302	\$ 241,710
Travel	51,770	502,166
Royalties and corporate sponsorships	1,670,281	1,655,222
University support	-	173,333
Program income	11,905	19,928
Endowment payout	739,284	591,185
In-kind service contributions	4,613,416	5,118,757
Total operating revenues	7,324,958	8,302,301
OPERATING EXPENSES		
Program expenses		
Program salaries and benefits	1,476,021	1,715,687
Travel	22,851	85,564
Alumni awards	35,668	1,089
Athletics and partnerships	-	19,596
Outreach and engagement	8,908	59,953
Scholarship programs	-	4,051
Student outreach and engagement	4,496	47,775
Bruin recruitment	-	11,187
Career development	2,614	31,949
Program services rendered in-kind	2,706,532	3,363,459
Support expenses		
Administration	80,585	150,763
Volunteer relations	8,895	32,705
Sustaining donor	18,176	51,182
Support salaries and benefits	947,473	1,046,440
Marketing and communications	417	7,211
Support services rendered in-kind	1,906,884	1,755,298
Total operating expenses	7,219,520	8,383,909
Income (loss) from operating activities	105,438	(81,608)
NON-OPERATING REVENUES AND EXPENSES		
Interest income	9,150	29,525
Net unrealized gain (loss) on investments	3,827,103	(622,734)
Income (loss) from non-operating activities	3,836,253	(593,209)
CHANGE IN NET ASSETS	3,941,691	(674,817)
NET ASSETS, beginning of year	14,906,651	15,581,468
NET ASSETS, end of year	\$ 18,848,342	\$ 14,906,651

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

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,941,691	\$ (674,817)
Adjustments to reconcile change in the net assets to net cash used in operating activities		
Net unrealized (gain) loss on investments	(3,827,103)	622,734
(Increase) decrease in		
Interest and dividends receivable	(37,158)	(1,264)
Accounts receivable and other assets	210,522	12,457
Increase (decrease) in		
Liability to UCLA	8,414	(269,611)
Accounts payable and accrued liabilities	2,012	(27,936)
Deferred revenue	(365,000)	1,000
Net cash used in operating activities	(66,622)	(337,437)
CHANGE IN CASH AND CASH EQUIVALENTS	(66,622)	(337,437)
CASH AND CASH EQUIVALENTS, beginning of year	376,417	713,854
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 309,795</u>	<u>\$ 376,417</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 Los Angeles (“UCLA” or “the University”), 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 organization that provides services and benefits to alumni, students, and the campus community. 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 is reimbursed by the Association on a quarterly basis. These financial statements include only those transactions either incurred directly by the Association or charged by UCLA to the Association.

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

Beginning in the year ended June 30, 2021, all Association scholarship and grants funds, in accordance with best practices for scholarship awards, were administered centrally by the UCLA Office of Financial Aid. All funds now reside under the purview of the UCLA Office of Financial Aid. Prior to this change, these scholarships and grants were administered by the Association but were expenditures of UCLA; therefore, they are not reported on the statement of activities for the year ended June 30, 2020. During the year ended June 30, 2020, the Association administered funds for scholarships and grants on behalf of UCLA and made 725 awards to 623 students providing \$1,628,478 in scholarships and grants.

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 (U.S. GAAP).

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

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

Investments – Investments are measured at fair value in the statements of financial position. In order to maximize investment income, the Association's investments are pooled with other investments of UCLA-affiliated entities and are held in trust under the UCLA Foundation. The Association's interest is determined through a unitization process based on the fair value of the assets placed in the pool by each participant. Investment income and net realized and unrealized gains and losses net of investment expense 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 without donor restriction as there are no purpose or time restrictions associated with the use of the funds.

Sustaining donor contributions – Sustaining donor contributions include membership contributions, comprised of blue, gold, and gold legacy memberships, and donations from our sustaining donors, which are recorded as revenue when received.

Operating revenues – Operating revenues include travel, royalties, and corporate sponsorships that are earned through fulfillment of contractual business agreements with third parties. Revenue recognition occurs as performance obligations are satisfied over the life of the contract. Royalties and corporate sponsorships received in advance of satisfied performance obligations are recorded as deferred revenue. Operating revenues also include program income, which is recognized when earned by administering programs and hosting events.

Endowment payout – The Association receives 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 service contributions based on the fair value of the services received from its not-for-profit affiliates. Such contributions amounted to \$4,613,416 and \$5,118,757, respectively, for the years ended June 30, 2021 and 2020. The fair value was derived from the cost of the services provided and was recorded as program and support expenses on the statements of activities for the years ended June 30, 2021 and 2020. For the year ended June 30, 2021, in-kind program services rendered amounted to \$2,706,532 and included \$2,310,853 in salaries and benefits and \$395,679 in other program expenses. For the year ended June 30, 2021, in-kind support services rendered amounted to \$1,906,884, and consisted of salary and benefits expenses. For the year ended June 30, 2020, in-kind program services rendered amounted to \$3,363,459 and included \$2,711,489 in salaries and benefits and \$651,970 in other program expenses. For the year ended June 30, 2020, in-kind support services rendered amounted to \$1,755,298 and consisted of salary and benefits expenses.

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 for salary and benefit expenses and services rendered in-kind 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 and are uninsured except for the minimum Federal Deposit Insurance Corporation (FDIC) coverage. The FDIC provides unlimited insurance coverage on non-interest-bearing accounts and funds held in interest-bearing transaction accounts up to \$250,000. The Association believes its credit policies do not result in significant adverse risk and historically has not experienced any credit-related losses. As of June 30, 2021 and 2020, 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 short-term investment pools and 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 93% and 90% of the Association's total assets at June 30, 2021 and 2020, 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, 2021 and 2020, 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 U.S. GAAP 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.

Accounting standard adopted – On July 1, 2020, the Association adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, and has applied it retrospectively. The implementation of this standard did not have a material impact to the financial statements.

On July 1, 2020, the Association adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no material impact to the financial statements as a result of adoption. The ASU has been applied using the full retrospective method to all periods presented, with no effect on net assets or previously issued financial statements.

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 3 – Summary of Significant Accounting Policies (continued)

Recently issued accounting standards – In August 2018, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments should be applied retrospectively and are effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Association is currently assessing the impact of this ASU on their future financial statements.

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. FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, also establishes a fair value hierarchy that 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.

Investments that do not have a readily determinable fair value are measured using the net asset value (NAV) per share (or its equivalent) practical expedient and are not classified in the fair value hierarchy.

Note 4 – Fair Value Measurement

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

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

Note 4 – Fair Value Measurement (continued)

The EIP 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, is 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 NAV 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 NAV. 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.

Management established the fair value of its beneficial interest through monitoring of fund activities for assets held by the UCLA Foundation. The Association's investments in the pool are not endowed, and there are no restrictions on the redemption of the interest as of June 30, 2021 and 2020, respectively, except for approval by the Board of Directors.

The UIP 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 NAV of \$1 per share.

The Association's cash equivalents and investments were classified by level within the valuation hierarchy as of June 30, 2021 and 2020, as follows:

2021					
	Level 1	Level 2	Level 3	Assets Measured Using NAV Practical Expedient	Total
Beneficial interest – EIP	\$ -	\$ -	\$ -	\$ 17,714,852	\$ 17,714,852
Beneficial interest – UIP	-	-	-	282,181	282,181
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,997,033</u>	<u>\$ 17,997,033</u>
2020					
	Level 1	Level 2	Level 3	Assets Measured Using NAV Practical Expedient	Total
Beneficial interest – EIP	\$ -	\$ -	\$ -	\$ 13,887,749	\$ 13,887,749
Beneficial interest – UIP	-	-	-	290,722	290,722
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,178,471</u>	<u>\$ 14,178,471</u>

UCLA Alumni Association

Not-for-Profit Organization Affiliated with UCLA

Notes to Financial Statements

Note 4 – Fair Value Measurement (continued)

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

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Beneficial interest – EIP	\$ 17,714,852	\$ -	Quarterly	1 – 90 Days	(1)
Beneficial interest – UIP	\$ 282,181	\$ -	Daily	N/A	(2)

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

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

Note 5 – Liquidity

As of June 30, 2021 and 2020, the Association's financial assets available within one year were:

	2021	2020
Cash and cash equivalents	\$ 309,795	\$ 376,417
Interest and dividends receivable	186,418	149,260
Accounts receivable and other assets	772,668	983,190
Foundation long-term investments	17,714,852	13,887,749
	<u>\$ 18,983,733</u>	<u>\$ 15,396,616</u>

Investments are held by the Association and are considered to be long-term; however, these amounts could be made available within 90 days if necessary. As part of the Association's liquidity plan, it structures its financial assets to be available as obligations become due. Cash and cash equivalents are held in bank accounts and are invested in UIP.

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 years ended June 30, 2021 and 2020, of \$2,591,568 and \$3,328,542, respectively, resulted in a payable to UCLA of \$77,774 and \$69,360 at June 30, 2021 and 2020, respectively.

The Association maintains a cash account for the benefit of the guests of Bruin Woods, a related party, which amounted to \$19,931 and \$16,942 at June 30, 2021 and 2020, respectively. These amounts are included in cash and cash equivalents and accounts payable and accrued liabilities on the statements of financial position.

Interest and dividends receivable from the UCLA Foundation were \$186,418 and \$149,260, respectively, as of June 30, 2021 and 2020.

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

Note 7 – Risks and Uncertainties

COVID-19 – In March 2020, the World Health Organization (WHO) declared the novel coronavirus outbreak a public health emergency. The outbreak has disrupted economic markets, and the Association has experienced volatility in the fair value of its investments. The duration and severity of the outbreak and the resulting disruption to the Association's operations is uncertain.

Note 8 – Subsequent Events

Subsequent events are events or transactions that occur after the statements of financial position date but before the 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 statements 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 statements of financial position but arose after the statements of financial position date and before the financial statements are available to be issued. The Association has evaluated subsequent events through November 8, 2021, which is the date the financial statements were available to be issued.