

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
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June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of UCLA Alumni Association (a nonprofit organization affiliated with UCLA) (the "Association") as of June 30, 2009, 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, 2008 financial statements and, in our report dated September 16, 2008, 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 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



SingerLewak LLP

Los Angeles, California
October 12, 2009

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(with Comparative Totals for 2008)

ASSETS

	2009	2008
Assets		
Cash and cash equivalents	\$ 118,406	\$ 127,026
Accounts and interest receivable	495,492	213,937
Prepaid expenses and other assets	583,278	451,538
Investments, at fair value (cost, \$13,067,127 and \$14,020,520 for 2009 and 2008, respectively)	12,158,445	15,955,440
Total assets	\$ 13,355,621	\$ 16,747,941

LIABILITIES AND NET ASSETS

Liabilities		
University of California, Los Angeles	\$ 402,353	\$ 615,108
Accounts payable and accrued expenses	37,625	32,634
Grant payable, net	347,182	387,793
Deferred revenue	42,318	47,590
Total liabilities	829,478	1,083,125
Net assets		
Unrestricted		
Working Capital	1,072,755	1,082,054
Long-Term Fund	11,242,738	14,423,136
Opportunity Fund	210,650	159,626
Total net assets	12,526,143	15,664,816
Total liabilities and net assets	\$ 13,355,621	\$ 16,747,941

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, 2009
(with Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted	
	2009	2008
Revenues, support and investment returns		
Membership dues	\$ 1,222,917	\$ 1,299,282
Royalties and corporate sponsorship	1,377,353	1,367,671
Travel commissions	327,710	358,177
Bruin Woods	357,421	293,289
UCLA Foundation support	400,000	350,000
Program income	157,633	133,916
University support	165,000	110,000
Investment income	658,323	676,218
Net realized and unrealized losses on investments	(3,886,495)	(711,479)
Total revenues, support and investment returns	779,862	3,877,074
Expenses		
Program expenses		
Advocacy	2,963	9,143
Alumni relations	18,621	69,344
Chapters and clubs	120,161	85,286
Fundraising	34,002	27,327
Scholarships	65,242	66,563
Student activities and development	183,334	206,536
Travel	143,568	129,366
Volunteer relations	69,773	53,160
Salaries and benefits	928,120	976,180
Support services		
Administration	326,218	299,865
Donor wall	19,390	21,323
Marketing	335,936	342,281
Membership	353,974	545,564
Salaries and benefits	1,317,233	1,475,046
Total expenses	3,918,535	4,306,984
Change in net assets	(3,138,673)	(429,910)
Net assets, beginning of year	15,664,816	16,094,726
Net assets, end of year	\$ 12,526,143	\$ 15,664,816

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, 2009
(with Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted			Total
	Working Capital	Long-Term Fund	Opportunity Fund	
Net assets, June 30, 2007	909,255	14,905,016	280,455	16,094,726
Change in net assets	(429,910)	-	-	(429,910)
Net assets transferred from Long-Term Fund to Working Capital	550,000	(550,000)	-	-
Net assets transferred from Opportunity Fund to Working Capital	200,000	-	(200,000)	-
Investment loss transferred to Long-Term Fund and Opportunity Fund	698,962	(684,105)	(14,857)	-
Net assets transferred from Working Capital to Opportunity Fund and Long-Term Fund – credit card	(846,253)	752,225	94,028	-
Net assets, June 30, 2008	<u>\$ 1,082,054</u>	<u>\$ 14,423,136</u>	<u>\$ 159,626</u>	<u>\$ 15,664,816</u>
Change in net assets	(3,138,673)	-	-	(3,138,673)
Investment loss transferred to Long-Term Fund and Opportunity Fund	3,979,772	(3,936,307)	(43,465)	-
Net assets transferred from Working Capital to Opportunity Fund and Long-Term Fund – credit card	(850,398)	755,909	94,489	-
Net assets, June 30, 2009	<u>\$ 1,072,755</u>	<u>\$11,242,738</u>	<u>\$ 210,650</u>	<u>\$12,526,143</u>

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, 2009
(with Comparative Totals for the Year Ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (3,138,673)	\$ (429,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized losses on investments	3,886,495	711,479
Discount amortization of grant payable	19,389	21,324
Increase in accounts and interest receivable	(281,555)	(1,232)
Increase in prepaid expenses and other assets	(131,740)	(37,669)
Increase (decrease) in liability to University of California, Los Angeles	(212,755)	130,514
Increase in accounts payable and accrued expenses	4,991	28,329
Decrease in deferred revenue	(5,272)	(153,915)
	<u>140,880</u>	<u>268,920</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(4,628,392)	(4,098,227)
Proceeds from sales of investments	4,538,892	3,629,580
	<u>(89,500)</u>	<u>(468,647)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Payment on grant payable	(60,000)	(60,000)
	<u>(60,000)</u>	<u>(60,000)</u>
Net cash used in financing activities		
Net decrease in cash	(8,620)	(259,727)
Cash and cash equivalents, beginning of year	<u>127,026</u>	<u>386,753</u>
Cash and cash equivalents, end of year	<u>\$ 118,406</u>	<u>\$ 127,026</u>

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, 2009

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 \$19 million in endowments held at The UCLA Foundation, which are mostly funded by private philanthropy. In that effort, the Association awarded 728 scholarships providing approximately \$1.2 million in scholarships and grants during the year ended June 30, 2009.

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, 2009

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 \$250,000. 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 91% of the Association's assets at June 30, 2009, 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.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Recently Adopted Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 165, “Subsequent Events” (“SFAS 165”). SFAS 165 sets forth the period after the balance sheet date during which management of a reporting unit should evaluate events or transactions that may occur for potential recognition or disclosure in the financials statements, and the circumstances under which an entity should recognize events or transactions that occurred after the balance sheet date. SFAS 165 will be effective for interim or annual periods ending after June 15, 2009 and will be applied prospectively. The adoption of this statement did not have a material impact on the Association’s financial statements.

Management evaluated all activity of the Association through October 12, 2009 (the issue date of these financial statements) 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.

The Association adopted SFAS 157, “Fair Value Measurements,” at the beginning of the 2009 fiscal year and there was no material impact to the financial statements. SFAS 157 applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. SFAS 157 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, SFAS 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

The statement requires that assets and liabilities carried at fair value will 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.

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.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (the "fair value option"). An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting period. SFAS 159 was effective beginning January 1, 2008. The Association adopted SFAS 159 on July 1, 2008 and has elected not to use the fair value option to measure qualified financial assets or financial liabilities under SFAS 159. The adoption of SFAS 159 did not have a material impact on the Association's financial statements.

In August 2008, the FASB issued FASB Staff Position (FSP FAS 117-1), "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The provisions of this FSP became effective for fiscal years ending after December 15, 2008. The adoption of FSP FAS 117-1 did not have an impact on the Organization's financial statement as the Association does not hold its own endowment funds.

Recently Issued Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, "Accounting for Income Taxes."

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

FIN 48 prescribes comprehensive models for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the Association is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosure about the amounts of such liabilities will also be required. The Association presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, "Accounting for Contingencies." The Association has elected to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of FIN 48 for certain nonpublic enterprises, such as the Association, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. Management is currently assessing the impact of FIN 48 and does not expect the adoption of FIN 48 to have a material impact on the financial statements.

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 The UCLA Foundation's Endowed Investment Pool as well as 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. 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.

The Unendowed Investment Pool has a short-term investment horizon and consists of investments in the U.C. Regents Short-Term Investment Pool, and is considered as Level 2 due to similar items in active markets.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 – INVESTMENTS (Continued)

As of June 30, 2009, the Association’s investments were classified by level within the valuation hierarchy as follows:

	Total	Level 1	Level 2	Level 3
Endowed investment pool	\$ 12,064,976	\$ -	\$ -	\$ 12,064,976
Unendowed investment pool	93,469	-	93,469	-
Total investments	<u>\$ 12,158,445</u>	<u>\$ -</u>	<u>\$ 93,469</u>	<u>\$ 12,064,976</u>

Management established the fair value of Level 3 investments through monitoring of fund activities for the investments held by The UCLA Foundation. Level 3 investments were comprised of the following at June 30:

	2009	2008
The UCLA Foundation Endowed Investment Pool, at fair value (cost, \$12,973,658 and \$13,002,443 for 2009 and 2008, respectively)	\$ 12,064,976	\$ 14,937,363

Management established the fair value of Level 2 investments at the pool’s net asset value of \$1 per unit. Level 2 investments are comprised of the following at June 30:

	2009	2008
The UCLA Foundation Unendowed Investment Pool, at cost, which approximates fair value	\$ 93,469	\$ 1,018,077

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

	<u>Endowed Investment Pool</u>
Balance, June 30, 2008	\$ 14,937,363
Realized losses	(1,042,893)
Unrealized losses	(2,843,602)
Purchases, sales, issuances and settlements, net	1,014,108
Balance, June 30, 2009	<u>\$ 12,064,976</u>

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 – INVESTMENTS (Continued)

Changes in realized losses and unrealized losses for the year ended June 30, 2009 related to Level 3 investments held at June 30, 2009 were \$3,886,495 and were reported in net realized and unrealized losses on investments in the statement of activities.

NOTE 5 – GRANT PAYABLE

During the year ended June 30, 2009, the Association made the third installment of \$60,000 on an irrevocable pledge in the amount of \$600,000 to the Regents of University of California on behalf of UCLA to support construction of the UCLA Donor Wall in the Court of Philanthropy. 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, 2009 was \$347,182.

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, 2009 of \$402,353.

The Association received \$357,421 of revenue from Bruin Woods during the year ended June 30, 2009. In addition, the Association maintains a cash account for the benefit of the guests of Bruin Woods.