

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2010 and 2009

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
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June 30, 2010 and 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 statements of financial position of UCLA Alumni Association (a nonprofit organization affiliated with UCLA) (the "Association") as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 13, 2010

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS

	2010	2009
Assets		
Cash and cash equivalents	\$ 7,504	\$ 118,406
Accounts and interest receivable	256,348	495,492
Prepaid expenses and other assets	377,495	583,278
Investments, at fair value (cost, \$13,636,266 and \$13,067,127 for 2010 and 2009, respectively)	13,767,810	12,158,445
Total assets	\$ 14,409,157	\$ 13,355,621

LIABILITIES AND NET ASSETS

Liabilities		
University of California, Los Angeles	\$ 335,279	\$ 402,353
Accounts payable and accrued expenses	24,902	37,625
Grant payable, net	304,542	347,182
Deferred revenue	128,415	42,318
Total liabilities	793,138	829,478
Net assets		
Unrestricted		
Working capital	606,167	1,072,755
Long-term fund	12,711,972	11,242,738
Opportunity fund	297,880	210,650
Total net assets	13,616,019	12,526,143
Total liabilities and net assets	\$ 14,409,157	\$ 13,355,621

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, 2010 and 2009

	Unrestricted	
	2010	2009
Revenues, support and investment returns		
Membership dues	\$ 1,383,728	\$ 1,222,917
Royalties and corporate sponsorship	1,116,198	1,377,353
Travel commissions	204,840	327,710
Bruin Woods	105,738	357,421
UCLA Foundation support	400,000	400,000
Program income	324,429	157,633
University support	155,000	165,000
Investment income	965,581	658,323
Net realized and unrealized gains (losses) on investments	621,456	(3,886,495)
Total revenues, support and investment returns	5,276,970	779,862
Expenses		
Program expenses		
Advocacy	13	2,963
Alumni relations	94,937	18,621
Chapters and clubs	76,331	120,161
Fundraising	16,983	34,002
Scholarships	54,642	65,242
Student activities and development	168,313	183,334
Travel	28,236	143,568
Volunteer relations	62,207	69,773
Salaries and benefits	813,583	928,120
Support services		
Administration	485,210	326,218
Donor wall	17,359	19,390
Marketing	321,896	335,936
Membership	310,108	353,974
Salaries and benefits	1,737,276	1,317,233
Total expenses	4,187,094	3,918,535
Change in net assets	1,089,876	(3,138,673)
Net assets, beginning of year	12,526,143	15,664,816
Net assets, end of year	\$ 13,616,019	\$ 12,526,143

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, 2010 and 2009

	Unrestricted			Total
	Working Capital	Long-term Fund	Opportunity Fund	
Net assets, June 30, 2008	\$ 1,082,054	\$ 14,423,136	\$ 159,626	\$ 15,664,816
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	(850,398)	755,909	94,489	-
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	(701,964)	623,968	77,996	-
Net assets, June 30, 2010	<u>\$ 606,167</u>	<u>\$ 12,711,972</u>	<u>\$ 297,880</u>	<u>\$ 13,616,019</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, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 1,089,876	\$ (3,138,673)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) losses on investments	(621,456)	3,886,495
Discount amortization of grant payable	17,360	19,389
(Increase) decrease in:		
Accounts and interest receivable	239,144	(281,555)
Prepaid expenses and other assets	205,783	(131,740)
Increase (decrease) in:		
Liability to University of California, Los Angeles	(67,074)	(212,755)
Accounts payable and accrued expenses	(12,723)	4,991
Deferred revenue	86,097	(5,272)
	937,007	140,880
Cash flows from investing activities		
Purchase of investments	(4,595,092)	(4,628,392)
Proceeds from sales of investments	3,607,183	4,538,892
	(987,909)	(89,500)
Cash flows from financing activities		
Payment on grant payable	(60,000)	(60,000)
	(60,000)	(60,000)
Net decrease in cash	(110,902)	(8,620)
Cash and cash equivalents, beginning of year	118,406	127,026
Cash and cash equivalents, end of year	\$ 7,504	\$ 118,406

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, 2010 and 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 scholarships through The UCLA Foundation, mostly funded by private philanthropy. In that effort, the Association awarded 723 scholarships providing approximately \$1.3 million in scholarships and grants during the year ended June 30, 2010.

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, 2010 and 2009

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, 2010, the Association determined that the expected future revenues were less than the capitalized prepublication costs as of June 30, 2010 and wrote off \$226,785 of capitalized costs during the year. In future years, the Association will further 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.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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 and are uninsured except for the minimum Federal Deposit Insurance Corporation (“FDIC”) coverage, and have original maturity dates of three months or less. As of June 30, 2010 and 2009, no bank balances were uninsured. On January 1, 2010, two of the Association’s banks exited the Federal Deposit Insurance Corporation’s Transaction Account Guarantee Program (the “Program”). Thus, after December 31, 2009, funds held in non-interest-bearing transaction accounts will no longer be guaranteed in full, but will be insured up to \$250,000 under the FDIC’s general deposit insurance rules.

The Association holds significant investments in the form of short-term and long-term investment pools held by The UCLA Foundation, a related party. Credit risk is the failure of another party to perform in accordance with the contract terms. The Association is exposed to credit risk for the amount of the investments. The Association has never sustained a loss on any investment due to non-performance and does not anticipate any non-performance by the users of the securities.

As investments accounted for 96% and 91% of the Association’s assets at June 30, 2010 and 2009, 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.

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. Accordingly, a provision for Federal or state income taxes has not been made in the accompanying financial statements. However, certain activities of the Association are subject to unrelated business income taxes. The Association appropriately provides the details of such activities annually in its tax return.

Effective July 1, 2009, the Association adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 740, “Accounting for Uncertainty in Income Taxes” (“ASC 740”). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes,” and prescribes a model for recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. The Association has determined that the adoption of ASC 740 did not result in the recognition of any liability for unrecognized tax benefits and that there are no unrecognized tax benefits that would, if recognized, affect the effective tax rate.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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

The Association adopted FASB ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS 157), at the beginning of the 2009 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.

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, 2010 and 2009, 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.

UCLA ALUMNI ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

In June 2009, the FASB issued FASB Statement No. 168 (“SFAS 168”), “The *FASB Accounting Standards Codification* and the Hierarchy of Generally Accepted Accounting Principles – a replacement of SFAS No. 162,” which is effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS 168 created *FASB Accounting Standards Codification* Topic 105-10, which identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements for nongovernmental entities that are presented in conformity with US GAAP (the GAAP hierarchy). This standard had no impact on the Association’s financial statements.

In September 2009, the FASB issued ASU 2009-12, “Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent),” which offers guidance on how to use a net asset value (“NAV”) per share to estimate the fair value of investments in hedge funds, private equity funds, real estate funds, venture capital funds, offshore fund vehicles and funds of funds. The Association adopted this standard upon issuance and it did not have an impact on the Association’s financial statements.

Recently Issued Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, “Improving Disclosures about Fair Value Measurements,” which provides amendments to the FASB ASC Subtopic 820-10 that require new disclosures regarding (i) transfers in and out of Level 1 and Level 2 fair value measurements and (ii) activity in Level 3 fair value measurements. ASU 2010-06 also clarifies existing disclosures regarding (i) the level of asset and liability disaggregation and (ii) fair value measurement inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll-forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Association does not expect the adoption of ASU 2010-06 to have a material impact on their 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 UCLA Foundation’s Endowed Investment Pool and its Unendowed Investment Pool.

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 – INVESTMENTS (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. 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 and 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, 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
	As of June 30, 2009			
	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	\$ 12,158,445	\$ -	\$ 93,469	\$ 12,064,976

UCLA ALUMNI ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 – INVESTMENTS (Continued)

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, 2009	\$ 12,064,976
Realized losses	(418,770)
Unrealized gain	1,040,226
Purchases, sales, issuances and settlements, net	<u>703,941</u>
Balance, June 30, 2010	<u>\$ 13,390,373</u>
	<u>Endowed Investment Pool</u>
Balance, June 30, 2008	\$ 14,937,363
Realized losses	(1,042,893)
Unrealized loss	(2,843,602)
Purchases, sales, issuances and settlements, net	<u>1,014,108</u>
Balance, June 30, 2009	<u>\$ 12,064,976</u>

Changes in unrealized gains (losses) for the years ended June 30, 2010 and 2009 related to Level 3 investments held at June 30, 2010 and 2009 were \$1,040,226 and (\$2,843,602), respectively, and were reported in net realized and unrealized gains (losses) on investments in the statements of activities.

The following table summarizes the Organization's financial assets that are valued using the fair value practical expedient of net asset value in accordance with ASC 2009-12 Topic 820 as of June 30, 2010.

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

UCLA ALUMNI ASSOCIATION
(A NONPROFIT ORGANIZATION AFFILIATED WITH UCLA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 5 – GRANT PAYABLE

During the years ended June 30, 2009 and 2010, the Association made the third and fourth 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, 2010 and 2009 were \$304,542 and \$347,182, 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, 2010 and 2009 of \$335,279 and \$402,353, respectively.

The Association received \$105,738 and \$357,421 of revenue from Bruin Woods during the years ended June 30, 2010 and 2009, 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 13, 2010, 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.