

*Financial Statements and
Independent Auditor's Report of*

CALIFORNIA AGGIE ALUMNI ASSOCIATION

June 30, 2019 and 2018

CALIFORNIA AGGIE ALUMNI ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Aggie Alumni Association
Davis, California

We have audited the accompanying financial statements of California Aggie Alumni Association (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 audit 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 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 California Aggie Alumni Association as of June 30, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of activities by fund are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Campbell Taylor Washburn

An Accountancy Corporation

Roseville, California

March 31, 2020

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 86,782	\$ 54,570
Accounts receivable, net of allowance for doubtful accounts of \$13,071 at June 30, 2019 and 2018	164,312	68,187
Inventory	73,736	74,015
Total current assets	324,830	196,772
Restricted funds receivable	252,070	280,497
Pooled investments with UC Regents - LMRF	4,767,189	4,865,060
Pooled investments with UC Regents - CAAA Board designated reserve fund	941,118	884,678
Property and equipment, net	8,165	11,181
Total assets	\$ 6,293,372	\$ 6,238,188

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 16,800	\$ 3,212
Deferred revenue	45,171	28,303
Total current liabilities	61,971	31,515
Account payable to UC Davis	850,748	887,752
Camp liability reserve	842,268	700,000
Total liabilities	1,754,987	1,619,267
Net Assets:		
Without donor restrictions	4,286,564	4,339,124
With donor restrictions	251,821	279,797
Total net assets	4,538,385	4,618,921
Total liabilities and net assets	\$ 6,293,372	\$ 6,238,188

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	<u>Total</u>
Revenues:			
Other non dues revenue	\$ 602,157	\$ -	\$ 602,157
University support	622,698	-	622,698
Alumni memberships	264,710	-	264,710
Student memberships	230,203	-	230,203
Programs	181,049	-	181,049
Scholarship fund	-	138,634	138,634
In-kind donations	42,966	-	42,966
Gifts and grants	34,900	-	34,900
Parent memberships	58,872	-	58,872
Interest	33,418	-	33,418
Building fund	-	44,122	44,122
Net unrealized gain on investments	425,198	-	425,198
Net assets released from restriction	<u>210,732</u>	<u>(210,732)</u>	<u>-</u>
Total revenues	<u>2,706,903</u>	<u>(27,976)</u>	<u>2,678,927</u>
Expenses:			
Program and administrative expenses:			
Program services	1,880,501	-	1,880,501
Administrative	<u>736,694</u>	<u>-</u>	<u>736,694</u>
Total program and administrative expense	2,617,195	-	2,617,195
 Camp liability reserve	 <u>142,268</u>	 <u>-</u>	 <u>142,268</u>
Total expenses	<u>2,759,463</u>	<u>-</u>	<u>2,759,463</u>
 Change in net assets	 (52,560)	 (27,976)	 (80,536)
Net assets, beginning of year	<u>4,339,124</u>	<u>279,797</u>	<u>4,618,921</u>
Net assets, end of year	<u>\$ 4,286,564</u>	<u>\$ 251,821</u>	<u>\$ 4,538,385</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	<u>Total</u>
Revenues:			
Other non dues revenue	\$ 548,902	\$ -	\$ 548,902
University support	511,812	-	511,812
Alumni memberships	347,457	-	347,457
Student memberships	246,570	-	246,570
Programs	126,422	-	126,422
Scholarship fund	-	112,468	112,468
In-kind donations	77,827	-	77,827
Gifts and grants	48,550	-	48,550
Parent memberships	48,355	-	48,355
Interest	47,664	-	47,664
Building fund	-	39,611	39,611
Net unrealized gain on investments	478,176	-	478,176
Net assets released from restriction	<u>124,712</u>	<u>(124,712)</u>	<u>-</u>
Total revenues	<u>2,606,447</u>	<u>27,367</u>	<u>2,633,814</u>
Expenses:			
Program and administrative expenses:			
Program services	1,656,141	-	1,656,141
Administrative	<u>1,020,878</u>	<u>-</u>	<u>1,020,878</u>
Total expenses	<u>2,677,019</u>	<u>-</u>	<u>2,677,019</u>
Change in net assets	(70,572)	27,367	(43,205)
Net assets, beginning of year	<u>4,409,696</u>	<u>252,430</u>	<u>4,662,126</u>
Net assets, end of year	<u>\$ 4,339,124</u>	<u>\$ 279,797</u>	<u>\$ 4,618,921</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	<u>Total Program Services</u>	<u>Total Administrative</u>	<u>Total Functional Expenses</u>
Functional expenses:			
Salaries	\$ 756,841	\$ 372,772	\$ 1,129,613
Benefits	324,784	160,968	485,752
Entertainment services	172,143	4,967	177,110
Scholarship awards	128,582	-	128,582
Building expenses	84,758	-	84,758
Travel	70,994	11,378	82,372
Marketing/promotional items	81,661	-	81,661
Custodial services and building supplies	80,102	1,213	81,315
Program supplies	56,065	10,270	66,335
Equipment rental, lease and maintenance	54,053	8,474	62,527
Professional services	3,050	44,555	47,605
Other expenses	3,701	39,288	42,989
Fees	-	39,724	39,724
Printing and postage	24,777	5,386	30,163
Gifts and sponsorships	11,750	1,750	13,500
Advertising	11,605	444	12,049
Board expense	-	11,732	11,732
Camp expenses	-	10,919	10,919
Insurance	6,788	4,030	10,818
Dues and subscriptions	2,341	3,072	5,413
Professional development and conferences	2,836	1,523	4,359
Telecommunications	942	3,190	4,132
Stewardship	2,728	1,039	3,767
Total functional expenses	<u>\$ 1,880,501</u>	<u>\$ 736,694</u>	<u>\$ 2,617,195</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	<u>Total Program Services</u>	<u>Total Administrative</u>	<u>Total Functional Expenses</u>
Functional expenses:			
Salaries	\$ 723,617	\$ 482,411	\$ 1,206,028
Benefits	303,088	202,058	505,146
Entertainment services	119,552	11,496	131,048
Scholarship awards	106,027	-	106,027
Camp expenses	-	96,834	96,834
Marketing/promotional items	92,878	916	93,794
Travel	48,147	30,469	78,616
Equipment rental, lease and maintenance	48,239	28,271	76,510
Professional services	40,097	26,731	66,828
Program supplies	50,675	9,921	60,596
Printing and postage	32,423	12,168	44,591
Custodial services and building supplies	43,080	36	43,116
Professional development and conferences	3,758	32,069	35,827
Other expenses	4,860	24,103	28,963
Fees	321	26,416	26,737
Board expense	-	21,395	21,395
Building expenses	11,063	-	11,063
Gifts and sponsorships	9,650	200	9,850
Insurance	5,412	4,426	9,838
Telecommunications	1,925	6,532	8,457
Advertising	7,446	332	7,778
Dues and subscriptions	2,483	3,410	5,893
Stewardship	1,400	684	2,084
Total functional expenses	<u>\$ 1,656,141</u>	<u>\$ 1,020,878</u>	<u>\$ 2,677,019</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ (80,536)	\$ (43,205)
Adjustments to reconcile change in net assets to cash used for operating activities:		
Camp liability reserve	142,268	-
Net unrealized gain on investments	(425,198)	(478,176)
Depreciation	3,016	1,462
Decrease (increase) in assets:		
Accounts receivable	(96,125)	46,818
Restricted funds receivable	28,427	(27,367)
Inventory	279	(2,763)
Increase (decrease) in liabilities:		
Accounts payable	(23,416)	(83,917)
Deferred revenue	16,868	1,323
Cash used for operating activities	(434,417)	(585,825)
 Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(3,122)
Net sales of pooled investments	466,629	572,419
Cash provided by investing activities	466,629	569,297
Net increase (decrease) in cash and cash equivalents	32,212	(16,528)
Cash and cash equivalents, beginning of year	54,570	71,098
Cash and cash equivalents, end of year	\$ 86,782	\$ 54,570

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The California Aggie Alumni Association (the “Association”), a California nonprofit corporation, was established in 1972. Its purpose is to organize and operate an association of alumni for UC Davis. Specific functions include scholarship and loan programs, educational and charitable activities, communication among members, trustee services for alumni related funds, and other alumni services.

The Association is governed by a Board of Directors comprised of up to 25 members that are elected at large and up to seven non-voting ex officio members. The elected directors serve two-year terms and can be re-elected for a maximum of three terms.

Additionally, the Association serves as the non-profit organization sponsor for alumni chapters affiliated with UC Davis. Five of these chapters have checking and/or savings accounts linked to the general Association accounts. Association management reviews and reconciles the statements of these accounts.

The following is a summary of significant accounting policies:

Basis of Accounting

The financial statements of the Association are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958, Not for Profit Entities (ASC 958). Under ASC 958, the Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All financial transactions have been recorded and reported in the following net asset classifications:

Net Assets Without Donor Restrictions

These net assets represent resources over which the Association has discretionary control and that are not restricted by donor-imposed stipulations. The governing board has designated, from net assets without donor restriction, net assets for a life member reserve fund and CAAA reserve fund.

Net Assets With Donor Restriction

The Association receives contributions that are restricted by donor-imposed stipulations. These contributions are recorded as donor restricted net assets. Donor restricted net assets are reclassified to without donor restricted net assets when the restrictions lapse or designated funds have been spent. Donor restricted revenues have been recorded as without donor restricted revenues when the funds are received and expended within the same fiscal year.

Cash and Cash Equivalents

All highly liquid instruments with an original maturity of three months or less are classified as cash equivalents.

Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to cash.

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gift and Grants

Gifts and grants are considered to be without donor restriction and available for general use unless they are specifically restricted by the donor as to purpose of their use.

Investments

Investments are stated at fair value based on quoted market prices. Realized and unrealized gains and losses are recorded periodically based on quoted market prices.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

Revenue Recognition and Deferred Revenue

Dues from membership revenue is recorded as income when members sign-up for membership. The Association receives support from UC Davis to fund membership programs. This revenue is recognized as the Association recognizes expenses related to these programs. The Association also receives other non-dues revenue in the form of building event income, royalties and other outside vendor income which is used to support alumni programs. This revenue is recognized in accordance with the terms of the underlying agreements. In-kind revenue is recognized when services are received. Deferred revenue represents revenues received that are to be used in the next fiscal year; see Note 10 for additional information.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Association capitalizes acquisitions and betterments with useful lives of greater than one year and a cost of greater than \$1,500. Depreciation is provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives range from three to ten years.

The Association participates in the computer equipment reserve (CER) plan through UC Davis. The plan was established to provide a pool of funds to support the majority of department-wide computing demands. The CER funds computer equipment purchases and replaces all Association computers on a 4-year cycle. The CER also provides software and technical support. The annual costs related to this plan are expensed by the Association each year and included in program service expense.

The Association follows the provisions of ASC 360, *Property, Plant, and Equipment*. Long-lived assets, accordingly, property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management has reviewed the carrying amount of long-lived assets as of June 30, 2019 and determined that values are properly stated and no impairment is considered necessary.

Accounts Receivable

Accounts receivable represent amounts due from members and UC Davis for Association program funding. An allowance for uncollectible accounts is provided when deemed appropriate and is based on the Association's analysis of outstanding accounts receivable. Uncollectible amounts are charged to operations when they are determined to be uncollectible.

Restricted Funds Receivable

Restricted funds receivable represents funds due from UC Davis related to donor-restricted activities for Scholarships and donor-restricted Building funds that have yet to be received.

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Payable to University

Many of the Association's expenses including salaries, benefits, and publishing supplies are paid on behalf of the Association by UC Davis. A liability is accrued when the Association incurs these expenses. The payable balance is paid by the Association on a semi-annual basis. At June 30, 2019 and 2018, the Association had a balance outstanding to UC Davis of \$850,748 and \$887,752, respectively. See Note 11.

Functional Allocation of Expenses

The costs of providing the various program services and activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program services and activities based on estimates of employees' time incurred and on the usage of resources. Costs identified with a specific program service are charged as direct costs to the applicable program.

Investment Risks

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Association's account balances and the amounts reported in the statement of financial position.

Estimates and Assumptions

The preparation of financial statements in connection 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 during the reporting period. Actual results could differ from those estimates. The most significant estimates include membership revenue, the fair value measurements used to value the pooled investments with Regents of the University of California (UC Regents), property and equipment loss reserve, reimbursement obligation to UC Regents, and the allocation of expenses by function. Fair value is determined and reported to the Association by the UC Regents.

Income Tax Status

The Association is a not-for-profit association incorporated on February 1, 1972, in the State of California and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. It is, however, subject to income taxes from activities unrelated to its tax-exempt purposes.

U.S. GAAP requires Association management to evaluate tax positions taken by the Association and recognize a tax liability or asset if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Association management has determined that as of June 30, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Association is open to examination for the previous three (Federal) and four (State) years by various tax authorities.

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new accounting standard requires a not-for-profit entity to present net assets on the face of the statement of position in two classes of net assets rather than the currently required three classes. Entities will report amounts for net assets with donor restrictions and net assets without donor restrictions. Additionally, the new accounting standard will require enhanced disclosures of board designations on the use of unrestricted resources, the composition of net assets with donor restrictions, and how the restrictions affect the use of resources, qualitative information about how the entity manages its liquid resources available to meet cash needs within one year of the balance sheet date, and quantitative information about the availability of financial assets at the balance sheet date to meet cash needs within one year of the balance sheet date. The Association has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending June 30, 2018.

In May 2014, the FASB issued ASU No 2014-09, *Revenue with Contracts from Customers (Topic 606)*. The new accounting standard develops a common revenue standard that will remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements, and simplify the preparation of financial statements. In August 2015, the FASB deferred the original implementation date by one year. Application of this standard is effective for the year ending June 30, 2020. The Association is currently evaluating the impact this pronouncement will have on its financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The ASU changes the measurement of inventory to be the lower of cost or net realizable value instead of the lower of cost or market. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Application of this standard is effective for the year ending June 30, 2018, and has no material effect on the Association.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases. In November 2019, the FASB deferred the original implementation date by one year. Application of this standard is effective for the Association for the year ended June 30, 2022. The Association is currently evaluating the impact of adoption of the new standard on its financial statements.

Net Asset Reclassification

As a result of the application of ASU 2016-14, beginning of the year Temporarily Restricted Net Assets of \$279,797 and Unrestricted Net Assets of \$4,339,124 have been reclassified as Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions, respectively.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FUNDS

The Association's financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 86,782	\$ 54,570
Pooled investments	5,708,307	5,749,738
Accounts receivable, net	<u>416,382</u>	<u>348,684</u>
Total financial assets	<u>6,211,471</u>	<u>6,152,992</u>
Amounts unavailable for general expenditures, due to program and donor restrictions:		
Scholarship fund	(95,929)	(85,877)
Building fund	<u>(155,892)</u>	<u>(193,920)</u>
Total financial assets unavailable for general expenditures, due to program and donor restrictions	<u>(251,821)</u>	<u>(279,797)</u>
Amounts unavailable to management without Board approval:		
Life member reserve fund	(4,351,530)	(4,399,401)
CAAA reserve fund	<u>(935,708)</u>	<u>(864,268)</u>
Total financial assets unavailable to management without Board approval	<u>(5,287,238)</u>	<u>(5,263,669)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 672,412</u>	<u>\$ 609,526</u>

The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Association has Board designated net assets without donor restrictions that, while the Association does not intend to spend these for purposes other than those identified, could be made available for current operations, if necessary. In the event the need arose to utilize the Board designated funds for liquidity purposes, the reserves could be drawn upon by Board Resolution.

NOTE 3: POOLED INVESTMENTS WITH UC REGENTS

Investment assets are held in pooled investment accounts with the University General Endowment Pool (GEP) and the University of California Managed Short-term Investment Pool (STIP) administered by UC Regents. The STIP pool invests primarily in high-quality money-market and fixed-income instruments. The STIP investment pool is structured to ensure an adequate flow of funds to meet cash needs as well as to provide liquidity. The GEP pool invests primarily in equities, fixed-income securities and alternative investments. The GEP investment pool is structured to generate a stable and growing income stream. Interest income from the pooled investments are allocated on a quarterly basis to income without donor restrictions. The investment goal of the pool is to preserve the purchasing power for future endowment payout stream. Pooled investments consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
GEP	\$ 5,699,451	\$ 5,709,253
STIP	<u>8,856</u>	<u>40,485</u>
Total pooled investments	<u>\$ 5,708,307</u>	<u>\$ 5,749,738</u>

Investments are allocated to the following accounts in the Statements of Financial Position:

	<u>2019</u>	<u>2018</u>
Life member reserve fund (LMRF)	\$ 4,767,189	\$ 4,865,060
CAAA Board designated reserve fund	<u>941,118</u>	<u>884,678</u>
Total pooled investments	<u>\$ 5,708,307</u>	<u>\$ 5,749,738</u>

Further information regarding Board Designated funds can be found in Note 6.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 9,279	\$ 9,279
Leasehold improvements	7,770	7,770
Camp equipment	26,304	26,304
Construction in progress (Alumni family camp)	<u>487,567</u>	<u>487,567</u>
	<u>530,920</u>	<u>530,920</u>
Less impairment reserve	(513,871)	(513,871)
Less accumulated depreciation	<u>(8,884)</u>	<u>(5,868)</u>
Property and equipment, net	<u>\$ 8,165</u>	<u>\$ 11,181</u>

Depreciation expense was \$3,016 and \$1,462 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5: LEASE COMMITMENTS

The Association leases equipment under agreements which are treated as operating leases. Lease payments made during the fiscal year totaled \$6,263 and \$6,957 for years end June 30, 2019 and 2018. The future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	<u>Minimum Lease Commitment</u>
2020	\$ 4,663
2021	3,497
	<u>\$ 8,160</u>

NOTE 6: NET ASSETS WITHOUT DONOR RESTRICTIONS

The Association's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes:

	<u>2019</u>	<u>2018</u>
Undesignated - Operating fund	\$ (1,000,674)	\$ (924,545)
Board designated - Life member reserve fund	4,351,530	4,399,401
Board designated - CAAA reserve fund	<u>935,708</u>	<u>864,268</u>
Total net assets without donor restrictions	<u>\$ 4,286,564</u>	<u>\$ 4,339,124</u>

General Operating Fund

The Operating Fund includes revenues from business partnerships, University support, membership dues, and other program revenues.

Life Membership Reserve Fund

The Life Member Reserve Fund (LMRF) was established in 1973 for the purpose of providing income for the life membership program and is invested through the Regents as a fund functioning as an endowment (quasi-endowment). One-quarter of annual revenues from life memberships are deposited into the fund; the other three-quarters are used to offset current costs incurred in marketing life memberships to alumni. The investment income generated by the LMRF is used in current operations to fund life membership benefits, such as the UC Davis Magazine, Aggie Extra, discounts to Alumni events, library services, and travel program discounts.

CAAA Board Designated Reserve Fund

The CAAA Board Designated Reserve Fund (BDRF) is invested through the Regents as a fund functioning as an endowment (quasi-endowment). The usage of these funds is at the discretion of the Board of Directors.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as of June 30, 2019 and 2018 for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Scholarship fund	\$ 95,929	\$ 85,877
Building fund	<u>155,892</u>	<u>193,920</u>
Total net assets with purpose restrictions	<u>\$ 251,821</u>	<u>\$ 279,797</u>

Scholarship Fund

The Association has a program which awards scholarships annually to incoming students based on academic performance in high school or community college. A network of regional scholarship committees review and award scholarships based on applications received through the UC Davis admissions office. The Association works with the UC Davis Foundation (Foundation) to raise funds for this scholarship program. Funds are donated to the UC Davis Foundation and held as Foundation assets for the benefit of the Association's scholarship program. The Foundation releases funds to the Association based on Foundation spending policies. The Association records these funds as with donor restrictions until they are released to scholarship recipients.

Building Fund

As described in Note 11, the Association has a management agreement with UC Davis to operate the Buehler Alumni and Visitors Center. Funds were donated to the UC Davis Foundation for the purpose of repairs/replacement of electrical and mechanical equipment and major furniture and equipment maintenance. The Foundation releases an annual building fee to the Association to be used for repairs and maintenance in accordance with the donor's specifications. The Association records these funds as with donor restrictions until repairs and maintenance funds are expended.

NOTE 8: NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of program restrictions:		
Scholarship fund	\$ 128,582	\$ 110,527
Building fund	<u>82,150</u>	<u>14,185</u>
Net assets released from restriction	<u>\$ 210,732</u>	<u>\$ 124,712</u>

NOTE 9: ALUMNI FAMILY CAMP

Effective December 6, 2013, the UC Regents entered into a Purchase and Sale Agreement to acquire a 210 acre site in Nevada County, California which was intended to serve as an Alumni Family Camp. Effective February 13, 2014, the Association entered into an agreement with UC Regents where the Association was to construct and operate the alumni family camp to provide bonding opportunities for the families of University alumni.

In 2016, Association management determined the Alumni Family Camp was no longer feasible and the property was put up for sale. The Association had incurred both construction in progress and period costs related to the preconstruction, due diligence, consulting, planning and design stage of the Alumni Family Camp project. Management estimates that costs previously capitalized for preconstruction construction in progress, due diligence, consulting, planning and design will not be recuperated, therefore, Management recorded an estimated loss reserve in the amount of \$513,871 for the year ended June 30, 2016.

Also, according to the agreement with UC Regents, the Association had a reimbursement obligation to the UC Regents to the extent that net proceeds from the sale are less than the Association's reimbursement obligation, a maximum of \$5.3 million. The property was being sold through a bid process. Based on prior bid activity Association management estimated there would be a reimbursement obligation to UC Regents and Association management recorded an estimated camp reimbursement obligation liability reserve in the amount of \$700,000 as of June 30, 2018. Subsequent to year end on September 25, 2019, as described in Note 13, the Association entered into a memorandum of understanding (MOU) between UC Regents and UC Davis in which the Association's agreement and corresponding reimbursement obligation would be transferred from UC Regents to UC Davis. The MOU also stipulates that the reimbursement obligation is to be repaid, including accrued interest, over a five year period, with the total reimbursement obligation to be determined at time of sale of the Alumni Family Camp. Subsequent to the MOU on September 30, 2019, the Alumni Family Camp was sold resulting in net proceeds that triggered the reimbursement obligation in an estimated amount of \$1,667,268. UC Davis waived \$825,000 of this reimbursement obligation within the MOU resulting in a remaining liability due from the Association of \$842,268. The Association recorded an additional reserve of \$142,268 in 2019 for a total reserve of \$842,268 as of June 30, 2019.

NOTE 10: DEFERRED REVENUE

As of June 30, 2019 and 2018 deferred revenue in the amounts of \$45,171 and \$28,303, has been recorded, respectively. These funds relate to UC Davis funding for the next fiscal year Grad Pack program.

NOTE 11: RELATED PARTY

The Association has a Board of Directors; however, the Association does not have any employees. The Association reimburses UC Davis for employee costs. All functions and activities are conducted by employees of UC Davis. UC Davis employees serving Association functions are covered by the UC Regents' pension plan and postretirement healthcare plan. The Association paid UC Davis a shared service fee of \$8,675 and \$6,000 during the years ended June 30, 2019 and 2018, respectively, to compensate UC Davis for their assistance with certain finance, human resource, and payroll services.

In addition to staffing and programmatic support, UC Davis has a management agreement with the Association to operate the Buehler Alumni and Visitors Center. The Association receives free rent for space in the facility and cost shares janitorial and landscaping services in exchange for management services.

NOTE 12: FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs include quoted market prices for identical or similar assets or liabilities in active or inactive markets or inputs other than quoted prices that are observable or corroborated by observable market data for the asset or liability; and Level 3 inputs have the lowest priority and are unobservable and significant to the fair value measurement. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Level 1 Fair Value Measurements

The STIP pooled investments with UC Regents invests primarily in high-quality money-market and fixed-income instruments. Based on the STIP investment pool structure the underlying assets have Level 1 quoted prices in active markets for identical assets or liabilities in which a reporting entity has the ability to access as the measurement date.

Level 2 Fair Value Measurements

The GEP pooled investments with UC Regents invests primarily in equities, fixed-income securities and alternative investments. Level 2 classification was used for the GEP investment pool as the underlying GEP investment pool structure is a mix of Level 1 quoted prices, observable Level 2 pricing inputs, unobservable Level 3 inputs, and/or fair value using Net Asset Value as a practical expedient.

The following tables set forth by level, within the fair value hierarchy, the Association's investments at fair value as of June 30, 2019 and 2018:

	<i>Fair Value as of June 30, 2019</i>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments with UC Regents - GEP	\$ -	\$ 5,699,451	\$ -
Pooled investments with UC Regents - STIP	8,856	-	-
	<u>\$ 8,856</u>	<u>\$ 5,699,451</u>	<u>\$ -</u>

	<i>Fair Value as of June 30, 2018</i>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments with UC Regents - GEP	\$ -	\$ 5,709,253	\$ -
Pooled investments with UC Regents - STIP	40,485	-	-
	<u>\$ 40,485</u>	<u>\$ 5,709,253</u>	<u>\$ -</u>

NOTE 13: SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 31, 2020, the date the financial statements were available to be issued. Aside from the matters noted below, management has determined that there are no material subsequent events that would require disclosure in the Association's financial statements through this date.

Effective September 25, 2019, the Association signed an MOU in which the reimbursement obligation for the Alumni Family Camp property, as discussed in Note 9, would be transferred from UC Regents to UC Davis. The MOU stipulates that the Association will pay the reimbursement obligation to UC Davis over five years. Subsequent to the MOU, the property was sold on September 30, 2019 for \$3,800,000. The sale of the property triggered the reimbursement obligation in which a total of \$1,667,268 was to be repaid to UC Davis, reduced by \$825,000 waived by UC Davis. The remaining \$842,268 is to be repaid over five years including accrued interest.

The COVID-19 outbreak in the United States in early 2020 has caused business disruption through mandated and voluntary shelter-in-place orders and closures of Universities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders and as a result, economic uncertainties have arisen which are likely to negatively impact net investment income and possibly impact the Association's operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTAL INFORMATION

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND

For the Year Ended June 30, 2019

		Board Designated		Total Without	Total With	
		Life Member	CAAA Reserve	Donor	Donor	
	Operating Fund	Reserve Fund	Fund	Restriction	Restriction	Total
Support and Revenue:						
Other non dues revenue	\$ 602,157	\$ -	\$ -	\$ 602,157	\$ -	\$ 602,157
University support	622,698	-	-	622,698	-	622,698
Alumni memberships	264,710	-	-	264,710	-	264,710
Student memberships	230,203	-	-	230,203	-	230,203
Programs	181,049	-	-	181,049	-	181,049
Scholarship fund	-	-	-	-	138,634	138,634
In-kind donations	42,966	-	-	42,966	-	42,966
Gifts and grants	34,900	-	-	34,900	-	34,900
Parent memberships	58,872	-	-	58,872	-	58,872
Interest	47	28,017	5,354	33,418	-	33,418
Building fund	-	-	-	-	44,122	44,122
Net unrealized gain on investments	-	359,112	66,086	425,198	-	425,198
Net assets released from restriction	<u>210,732</u>	<u>-</u>	<u>-</u>	<u>210,732</u>	<u>(210,732)</u>	<u>-</u>
Total support and revenue	<u>2,248,334</u>	<u>387,129</u>	<u>71,440</u>	<u>2,706,903</u>	<u>(27,976)</u>	<u>2,678,927</u>
Expenses:						
Program and administrative expenses:						
Program services	1,880,501	-	-	1,880,501	-	1,880,501
Administrative	<u>736,694</u>	<u>-</u>	<u>-</u>	<u>736,694</u>	<u>-</u>	<u>736,694</u>
Total program and administrative expenses	<u>2,617,195</u>	<u>-</u>	<u>-</u>	<u>2,617,195</u>	<u>-</u>	<u>2,617,195</u>
Camp liability reserve	<u>142,268</u>	<u>-</u>	<u>-</u>	<u>142,268</u>	<u>-</u>	<u>142,268</u>
Total expenses	<u>2,759,463</u>	<u>-</u>	<u>-</u>	<u>2,759,463</u>	<u>-</u>	<u>2,759,463</u>
Other revenues and expenses:						
Operating transfers in	500,000	65,000	-	565,000	-	565,000
Operating transfers out	<u>(65,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>(565,000)</u>	<u>-</u>	<u>(565,000)</u>
Total other revenues and expenses	<u>435,000</u>	<u>(435,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(76,129)	(47,871)	71,440	(52,560)	(27,976)	(80,536)
Net assets, beginning of year	<u>(924,545)</u>	<u>4,399,401</u>	<u>864,268</u>	<u>4,339,124</u>	<u>279,797</u>	<u>4,618,921</u>
Net assets, end of year	<u>\$ (1,000,674)</u>	<u>\$ 4,351,530</u>	<u>\$ 935,708</u>	<u>\$ 4,286,564</u>	<u>\$ 251,821</u>	<u>\$ 4,538,385</u>

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND

For the Year Ended June 30, 2018

	Operating Fund	Board Designated		Total Without	Total With	Total
		Life Member Reserve Fund	CAAA Reserve Fund	Donor Restriction	Donor Restriction	
Support and Revenue:						
Other non dues revenue	\$ 548,902	\$ -	\$ -	\$ 548,902	\$ -	\$ 548,902
University support	511,812	-	-	511,812	-	511,812
Alumni memberships	347,457	-	-	347,457	-	347,457
Student memberships	246,570	-	-	246,570	-	246,570
Programs	126,422	-	-	126,422	-	126,422
Scholarship fund	-	-	-	-	112,468	112,468
In-kind donations	77,827	-	-	77,827	-	77,827
Gifts and grants	48,550	-	-	48,550	-	48,550
Parent memberships	48,355	-	-	48,355	-	48,355
Interest	(303)	40,831	7,136	47,664	-	47,664
Building fund	-	-	-	-	39,611	39,611
Net unrealized gain on investments	-	407,808	70,368	478,176	-	478,176
Net assets released from restriction	124,712	-	-	124,712	(124,712)	-
Total support and revenue	2,080,304	448,639	77,504	2,606,447	27,367	2,633,814
Expenses:						
Program and administrative expenses:						
Program services	1,656,141	-	-	1,656,141	-	1,656,141
Administrative	1,020,878	-	-	1,020,878	-	1,020,878
Total program and administrative expenses	2,677,019	-	-	2,677,019	-	2,677,019
Total expenses	2,677,019	-	-	2,677,019	-	2,677,019
Other revenues and expenses:						
Operating transfers in	645,000	25,000	-	670,000	-	670,000
Operating transfers out	(25,000)	(600,000)	(45,000)	(670,000)	-	(670,000)
Total other revenues and expenses	620,000	(575,000)	(45,000)	-	-	-
Change in net assets	23,285	(126,361)	32,504	(70,572)	27,367	(43,205)
Net assets, beginning of year	(947,830)	4,525,762	831,764	4,409,696	252,430	4,662,126
Net assets, end of year	\$ (924,545)	\$ 4,399,401	\$ 864,268	\$ 4,339,124	\$ 279,797	\$ 4,618,921