

**CALIFORNIA AGGIE
ALUMNI ASSOCIATION**

**FINANCIAL STATEMENTS
With
INDEPENDENT AUDITOR'S REPORT THEREON**

JUNE 30, 2020 AND 2019

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Financial Statements
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

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

Supplemental Information

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.

Fechter & Company
Certified Public Accountants

Sacramento, California
March 18, 2021

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 232,118	\$ 86,782
Accounts receivable, net of allowance for doubtful accounts of \$13,071 at June 30, 2020 and 2019	37,760	164,311
Inventory	<u>83,728</u>	<u>73,736</u>
Total Current Assets	353,606	324,830
Restricted funds receivable	207,395	252,070
Pooled investments with UC Regents - LMRF	4,764,155	4,767,189
Pooled investments with UC Regents - CAAA		
Board designated reserve fund	938,253	941,118
Property and equipment, net	<u>5,926</u>	<u>8,166</u>
Total Assets	<u>\$ 6,269,334</u>	<u>\$ 6,293,372</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	2,620	16,801
Deferred revenue	3,344	45,171
Note payable to UC Davis - current portion	<u>31,426</u>	<u>-</u>
Total Current Liabilities	<u>37,390</u>	<u>61,972</u>
 LONG-TERM LIABILITIES		
Account payable to UC Davis	1,069,248	850,748
Note payable to UC Davis - net current portion	774,861	-
Camp liability reserve	<u>-</u>	<u>842,268</u>
Total Long-Term Liabilities	<u>1,844,109</u>	<u>1,693,016</u>
Total Liabilities	<u>1,881,499</u>	<u>1,754,987</u>
 NET ASSETS		
Without donor restrictions	4,198,403	4,286,563
With donor restrictions	<u>189,432</u>	<u>251,821</u>
Total Net Assets	<u>4,387,835</u>	<u>4,538,385</u>
Total Liabilities and Net Assets	<u>\$ 6,269,334</u>	<u>\$ 6,293,372</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
University support	\$ 713,625	\$ -	\$ 713,625
Memberships	338,034	-	338,034
Net unrealized gain on investments	259,470	-	259,470
Contract revenue	254,110	-	254,110
Rental income	141,182	-	141,182
Programs	103,485	-	103,485
Scholarship fund	-	128,509	128,509
Building fund	-	45,557	45,557
Interest	24,675	-	24,675
Gifts and grants	22,500	-	22,500
In-kind donations	-	-	-
Net assets released from restriction	201,618	(201,618)	-
Total revenues	<u>2,058,699</u>	<u>(27,552)</u>	<u>2,031,147</u>
EXPENSES			
Program and administrative expenses:			
Program services	1,410,283	-	1,410,283
Administrative	736,576	-	736,576
Total program and administrative expenses	<u>2,146,859</u>	<u>-</u>	<u>2,146,859</u>
Total expenses	2,146,859	-	2,146,859
Change in Net Assets	(88,160)	(27,552)	(115,712)
Net Assets, Beginning of Year	<u>4,286,563</u>	<u>251,821</u>	<u>4,538,384</u>
Prior Period Adjustment	<u>-</u>	<u>(34,837)</u>	<u>(34,837)</u>
Net Assets, End of Year	<u>\$ 4,198,403</u>	<u>\$ 189,432</u>	<u>\$ 4,387,835</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
University support	\$ 622,698	\$ -	\$ 622,698
Memberships	553,785	-	553,785
Net unrealized gain on investments	425,198	-	425,198
Contract revenue	387,740	-	387,740
Rental income	214,417	-	214,417
Programs	181,049	-	181,049
Scholarship fund	-	138,634	138,634
Building fund	-	44,122	44,122
In-kind donations	42,966	-	42,966
Gifts and grants	34,900	-	34,900
Interest	33,418	-	33,418
Net assets released from restriction	210,732	(210,732)	-
Total revenues	<u>2,706,902</u>	<u>(27,976)</u>	<u>2,678,927</u>
EXPENSES			
Program and administrative expenses:			
Program services	1,880,501	-	1,880,501
Administrative	736,694	-	736,694
Total program and administrative expenses	<u>2,617,195</u>	<u>-</u>	<u>2,617,195</u>
Camp liability reserve	142,268	-	142,268
Total expenses	<u>2,759,463</u>	<u>-</u>	<u>2,759,463</u>
Change in Net Assets	(52,561)	(27,976)	(80,537)
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>\$ 4,286,563</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 Functional Expenses

Year Ended June 30, 2020

	<u>Programs</u>	<u>Management & General</u>	<u>Total</u>
Salaries	\$ 619,330	\$ 355,929	\$ 975,259
Benefits	226,395	176,537	402,932
Entertainment services	113,099	3,359	116,458
Scholarship awards	116,596	-	116,596
Building expenses	37,829	-	37,829
Travel	25,535	3,224	28,759
Marketing/promotional items	25,785	120	25,905
Custodial services and building supplies	107,336	-	107,336
Program supplies	55,365	252	55,617
Equipment rental, lease and maintenance	48,302	4,569	52,871
Professional services	8,326	60,918	69,244
Other expenses	1,036	80,414	81,450
Fees	(12,462)	20,310	7,848
Printing and postage	17,285	2,457	19,742
Gifts and sponsorships	6,000	-	6,000
Advertising	10,503	915	11,418
Board expense	-	-	-
Camp expense	160	13,881	14,041
Insurance	1,404	8,309	9,713
Dues and subscriptions	1,064	430	1,494
Professional development and conferences	785	2,714	3,499
Telecommunications	363	2,238	2,601
Stewardship	247	-	247
	<u>\$ 1,410,283</u>	<u>\$ 736,576</u>	<u>\$ 2,146,859</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statement of Functional Expenses

Year Ended June 30, 2019

	<u>Programs</u>	<u>Management & General</u>	<u>Total</u>
Salaries	\$ 756,841	\$ 372,772	\$ 1,129,613
Benefits	324,783	160,968	485,751
Entertainment services	172,143	4,967	177,110
Scholarship awards	128,582	-	128,582
Building expenses	84,758	-	84,758
Travel	70,993	11,378	82,371
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	3,702	39,288	42,990
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 expense	-	10,919	10,919
Insurance	6,787	4,030	10,817
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
	<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 ASSOCIATIONStatements of Cash Flow Statement
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (115,712)	\$ (80,536)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Camp liability reserve	-	142,268
Net realized and unrealized gains on investments	(259,470)	(425,198)
Prior period adjustment	(34,837)	-
Depreciation	2,240	3,016
Changes in operating assets and liabilities:		
Accounts receivable	126,551	(96,125)
Restricted funds receivable	44,675	28,427
Inventory	(9,991)	279
Accounts payable	204,319	(23,416)
Deferred revenue	(41,827)	16,868
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(84,052)</u>	<u>(434,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of pooled investments	<u>265,369</u>	<u>466,629</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>265,369</u>	<u>466,629</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on note payable to UC Davis	<u>(35,982)</u>	<u>-</u>
NET CASH USED IN BY FINANCING ACTIVITIES	<u>(35,982)</u>	<u>-</u>
NET DECREASE IN CASH	145,336	32,212
Cash and cash equivalents, beginning of year	<u>86,782</u>	<u>54,570</u>
Cash and cash equivalents, end of year	<u><u>\$ 232,118</u></u>	<u><u>\$ 86,782</u></u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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 University of California (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. When donor restrictions lapse or designated funds have been spent, donor restricted net assets are reclassified as without donor restricted net assets. Donor restricted revenues have been recorded as without donor restricted revenues when the funds are received and expended within the same fiscal year.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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

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.

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

Revenue from Exchange Transactions: The Association recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Association records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2020 and 2019.

Program Revenue

Program revenue represents the amount received that reflect the value of the direct benefits that the participant will receive. All amounts receive in excess of this are recorded as contributions.

Contract and Royalty Revenue

The Association periodically enters into agreements for royalties and to provide services under contracts where the performance obligation is defined. Royalties are recognized as earned. Contracts that are set up to provide ongoing services are recognized monthly as services are performed. Contracts with milestones are recognized when milestones are completed or contract is completed. Fees received in advance of the performance of the services are initially recognized as deferred revenue and recognized in the statements of activities after the services have been performed or milestone is completed.

Rental Income

Rental income is recognized over the rental period. Rent received in advance is included in deferred revenue.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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

Memberships and Contributions Revenue and Receivables

Membership revenues are recorded as income when members sign up for membership. The Association receives support from UC Davis, endowment funds and grants. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. All contributions are considered available for the Association's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as contributions under net assets with donor restrictions support.

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributions of tangible assets are recorded at fair value when received. The amounts reflected in the financial statements as in-kind contributions are offset by like amounts included in program services.

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, 2020 and determined that values are properly stated and no impairment is considered necessary.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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

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.

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.

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.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

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. The Association is 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, 2020 and 2019, 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.

Implemented Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU became effective for years beginning after December 15, 2018, and the Association has implemented this new standard on a modified prospective basis. There was no material impact to the financial statements as a result of adoption.

During the year, the Association also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant.

If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2020 are presented under FASB ASU 2018-08. The ASU was implemented on a modified prospective basis. As such, no adjustment to opening net assets was recorded.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

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

Recent Accounting Pronouncements

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.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 232,118	\$ 86,782
Pooled investments	5,702,408	5,708,307
Accounts receivable - net	245,155	416,382
Total financial assets	<u>6,179,681</u>	<u>6,211,471</u>
Amounts unavailable for general expenditures, due to program and donor restrictions:		
Scholarship fund	(116,655)	(95,929)
Building fund	<u>(72,777)</u>	<u>(155,892)</u>
Total financial assets unavailable for general expenditures, due to program and donor restrictions	<u>(189,432)</u>	<u>(251,821)</u>
Amounts unavailable to management without Board approval:		
Life member reserve fund	(5,017,376)	(4,351,530)
CAAA reserve fund	<u>(982,843)</u>	<u>(935,708)</u>
Total financial assets unavailable to management without Board approval	<u>(6,000,219)</u>	<u>(5,287,238)</u>
Total financial deficit/assets available to management for general expenditures within one year	<u>\$ (9,970)</u>	<u>\$ 672,412</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 2: LIQUIDITY AND AVAILABILITY OF FUNDS - continued

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 is 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
GEP	\$5,668,920	\$5,699,451
STIP	33,487	8,856
Total pooled investments	<u>\$5,702,407</u>	<u>\$5,708,307</u>

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

	<u>2020</u>	<u>2019</u>
Life Member Reserve Fund (LMRF)	\$4,764,155	\$4,767,189
CAAA Board designated reserve fund	938,253	941,118
Total pooled investments	<u>\$5,702,408</u>	<u>\$5,708,307</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 9,279	\$ 9,279
Leasehold improvements	7,770	7,770
Camp equipment	-	26,304
Construction in progress (Alumni family camp)	-	487,567
	<u>17,049</u>	<u>530,920</u>
Less impairment reserve	-	(513,871)
Less accumulated depreciation	(11,123)	(8,883)
Property and equipment, net	<u>\$ 5,926</u>	<u>\$ 8,166</u>

Depreciation expense was \$2,240 and \$3,016 for the years ended June 30, 2020 and 2019, 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 \$2,460 and \$6,263 for years end June 30, 2020 and 2019. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Minimum Lease Commitment</u>
2021	<u>\$ 3,497</u>
	<u>\$ 3,497</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>2020</u>	<u>2019</u>
Undesignated - Operating fund	\$ (1,801,816)	\$ (1,000,674)
Board designated - Life member reserve fund	5,017,376	4,351,530
Board designated - CAAA reserve fund	982,843	935,708
	<u>982,843</u>	<u>935,708</u>
Total net assets without donor restriction	<u>\$ 4,198,403</u>	<u>\$ 4,286,564</u>

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6: NET ASSETS WITHOUT DONOR RESTRICTIONS - continued

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, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose:		
Scholarship fund	\$ 116,655	\$ 95,929
Building fund	<u>72,777</u>	<u>155,892</u>
	<u>\$ 189,432</u>	<u>\$ 251,821</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.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements
June 30, 2020 and 2019

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS - continued

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 fund 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 2020 and 2019 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of program restrictions:		
Scholarship fund	\$ 123,673	\$ 128,582
Building fund	<u>35,018</u>	<u>82,150</u>
Net assets released from restrictions	<u>\$ 158,691</u>	<u>\$ 210,732</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.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements
June 30, 2020 and 2019

NOTE 9: ALUMNI FAMILY CAMP - continued

On September 25, 2019, the Association entered into a memorandum of understanding (MOU) with the 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 stipulated 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. 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 (See note 11).

NOTE 10: DEFERRED REVENUE

As of June 30, 2020 and 2019, deferred revenue in the amounts of \$3,344 and \$45,171, has been recorded, respectively. These funds relate to UC Davis funding for the next fiscal year Grad Pack program.

NOTE 11: NOTE PAYABLE TO UC DAVIS

On September 30, 2019, the Association entered into a note payable for \$842,268 as a result of the Alumni Family Camp (see note 10). The note bears an interest rate of 2.31% and has required payments over a 5 year period. The following is the payment schedule:

Year Ending June 30	
2021	\$ 50,000
2022	100,105
2023	98,111
2024	96,253
2024	531,949
Total payments	<u>876,418</u>
Less interest	<u>(70,131)</u>
Note payable	<u>\$ 806,287</u>

NOTE 12: 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 post-retirement healthcare plan.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12: RELATED PARTY - continued

The Association paid UC Davis a shared service fee of \$9,504 and \$8,675 during the years ended June 30, 2020 and 2019, 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 13: FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board established 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, 2020 and 2019.

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.

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements
June 30, 2020 and 2019

NOTE 13: FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of June 30, 2020 and 2019:

	Fair Value as of June 30, 2020		
	Level 1	Level 2	Level 3
Pooled investments with UC Regents - GEP		\$ 5,668,921	
Pooled investments with UC Regents - STIP	33,487		
	\$ 33,487	\$ 5,668,921	\$ -

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

NOTE 14: PRIOR PERIOD ADJUSTMENT

The prior period adjustment is reflected to properly reflect the restricted accounts receivable in the prior year.

NOTE 15: COVID-19

The COVID-19 outbreak in the United States in early 2020 has caused business disruption through mandated and voluntary shelter-in-place orders and of remote work for the UC campuses. 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. The Association has experienced a decline in memberships, contribution and in programs due to the restriction. They also have been unable to schedule events for alumni as a result of the area restrictions related to COVID-19. The impact to future operations has yet to be determined.

NOTE 16: 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 18, 2021, 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.

SUPPLEMENTAL INFORMATION

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statements of Activities by Fund

Year Ended June 30, 2020

	Operating Fund	Board Designated		Total Without Donor Restrictions	Total With Donor Restrictions	Total
		Life Member Reserve Fund	CAA Reserve Fund			
REVENUE						
University support	\$ 713,625	\$ -	\$ -	\$ 713,625	\$ -	\$ 713,625
Memberships	338,034	-	-	338,034	-	338,034
Net unrealized gain on investments	35,916	216,512	7,042	259,470	-	259,470
Contract revenue	254,110	-	-	254,110	-	254,110
Rental income	141,182	-	-	141,182	-	141,182
Programs	103,485	-	-	103,485	-	103,485
Scholarship fund	-	-	-	-	128,509	128,509
Building fund	-	-	-	-	45,557	45,557
Interest	44	20,454	4,177	24,675	-	24,675
Gifts and grants	22,500	-	-	22,500	-	22,500
Net assets released from restriction	158,691	-	-	158,691	(158,691)	-
Total revenues	1,767,587	236,966	11,219	2,015,772	15,375	2,031,147
EXPENSES						
Program and administrative expenses:						
Program services	1,410,283	-	736,576	2,146,859	-	1,410,283
Administrative	736,576	-	-	736,576	-	736,576
Total program and administrative expense	2,146,859	-	736,576	2,883,435	-	2,146,859
Camp liability reserve	-	-	-	-	-	-
Total expenses	2,146,859	-	736,576	2,883,435	-	2,146,859
Other revenues and expenses:						
Operating transfers in	290,000	-	-	290,000	-	290,000
Operating transfers out	-	(240,000)	(50,000)	(290,000)	-	(290,000)
Total program and administrative expense	290,000	(240,000)	(50,000)	-	-	-
Change in Net Assets	(89,272)	(3,034)	(775,357)	(867,663)	15,375	(115,712)
Net Assets at Beginning of Year	(1,000,675)	4,351,530	935,708	4,286,563	251,821	4,538,384
Net Assets at End of Year	<u>\$ (1,089,947)</u>	<u>\$ 4,348,496</u>	<u>\$ 160,351</u>	<u>\$ 3,418,900</u>	<u>\$ 267,196</u>	<u>\$ 4,422,672</u>

CALIFORNIA AGGIE ALUMNI ASSOCIATION

Statements of Activities by Fund

Year ended June 30, 2019

	Operating Fund	Board Designated		Total Without Donor Restrictions	Total With Donor Restrictions	Total
		Life Member Reserve Fund	CAA Reserve Fund			
REVENUE						
University support	\$ 622,698	\$ -	\$ -	\$ 622,698	\$ -	\$ 622,698
Memberships	553,786			553,786	-	553,786
Net unrealized gain on investments	-	359,112	66,086	425,198		425,198
Contract revenue	387,739	-	-	387,739	-	387,739
Rental income	214,417			214,417	-	214,417
Programs	181,049	-	-	181,049	-	181,049
Scholarship fund	-	-	-	-	138,634	138,634
Building fund	-	-	-	-	44,122	44,122
In-kind donations	42,966	-	-	42,966		42,966
Gifts and grants	34,900	-	-	34,900		34,900
Interest	47	28,017	5,354	33,418		33,418
Net assets released from restriction	210,732	-	-	210,732	(210,732)	-
Total revenues	2,248,333	387,129	71,440	2,706,902	(27,976)	2,678,927
EXPENSES						
Program and administrative expenses:						
Program services	1,880,501	-	-	1,880,501		1,880,501
Administrative	736,694	-	-	736,694		736,694
Total program and administrative expense	2,617,195	-	-	2,617,195	-	2,617,195
Camp liability reserve	142,268	-	-	142,268		142,268
Total expenses	2,759,463	-	-	2,759,463	-	2,759,463
Other revenues and expenses:						
Operating transfers in	500,000	65,000	-	565,000	-	565,000
Operating transfers out	(65,000)	(500,000)	-	(565,000)	-	(565,000)
Total program and administrative expense	435,000	(435,000)	-	-	-	-
Change in Net Assets	(76,130)	(47,871)	71,440	(52,561)	(27,976)	(80,537)
Net Assets at Beginning of Year	(924,545)	4,399,401	864,268	4,339,124	279,797	4,618,921
Net Assets at End of Year	<u>\$ (1,000,675)</u>	<u>\$ 4,351,530</u>	<u>\$ 935,708</u>	<u>\$ 4,286,563</u>	<u>\$ 251,821</u>	<u>\$ 4,538,385</u>