

**CALIFORNIA AGGIE  
ALUMNI ASSOCIATION**

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

**JUNE 30, 2023 AND 2022**

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

Financial Statements  
June 30, 2023 and 2022

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of California Aggie Alumni Association (CAAA) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Aggie Alumni Association and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Aggie Alumni Association's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 California Aggie Alumni Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Aggie Alumni Association's ability to continue as a going concern for a reasonable period of time.

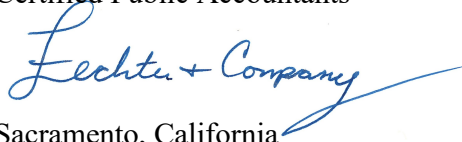
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

### **Supplemental Information**

Our audit was 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 are 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  
December 12, 2023

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 438,948	\$ 389,659
Accounts receivable, net	23,048	29,816
Inventory	77,968	91,250
Total Current Assets	<u>539,964</u>	<u>510,725</u>
Restricted funds receivable	151,577	162,195
Pooled investments with UC Regents - Life Membership Reserve Fund	6,357,193	5,882,033
Pooled investments with UC Regents - CAAA Board Designated Reserve Fund	398,944	369,472
Property and equipment, net	<u>2,331</u>	<u>3,529</u>
<b>Total Assets</b>	<b><u>\$ 7,450,009</u></b>	<b><u>\$ 6,927,954</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities:		
Accounts payable	\$ 104	\$ 103
Deferred revenue	27,038	16,733
Total Current Liabilities	<u>27,142</u>	<u>16,836</u>
Long-term Liabilities:		
Accounts payable to UC Davis	<u>2,215,126</u>	<u>1,672,148</u>
<b>Total Liabilities</b>	<b><u>2,242,268</u></b>	<b><u>1,688,984</u></b>
Net Assets:		
Without donor restrictions	4,929,711	4,989,948
With donor restrictions	278,030	249,022
<b>Total Net Assets</b>	<b><u>5,207,741</u></b>	<b><u>5,238,970</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,450,009</u></b>	<b><u>\$ 6,927,954</u></b>

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

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Statement of Activities

For the Year Ended

June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
University support	\$ 789,973	\$ -	\$ 789,973
Memberships	363,867	-	363,867
Contract revenue	152,001	-	152,001
Rental income	155,273	-	155,273
Programs	77,939	-	77,939
Scholarship fund	-	155,555	155,555
Building fund	-	51,949	51,949
Gifts and grants	59,045	-	59,045
Interest	71,568	-	71,568
Net assets released from restriction	178,496	(178,496)	-
<b>Total revenues</b>	<u>1,848,162</u>	<u>29,008</u>	<u>1,877,170</u>
Expenses:			
Program and administrative expenses:			
Program services	1,327,708	-	1,327,708
Administrative	1,014,114	-	1,014,114
<b>Total program and administrative expenses</b>	<u>2,341,822</u>	<u>-</u>	<u>2,341,822</u>
Non-Operating Revenues:			
Net gain on investments	433,423	-	433,423
<b>Change in Net Assets</b>	(60,237)	29,008	(31,229)
<b>Net Assets, Beginning of Year</b>	<u>4,989,948</u>	<u>249,022</u>	<u>5,238,970</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 4,929,711</u></u>	<u><u>\$ 278,030</u></u>	<u><u>\$ 5,207,741</u></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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
University support	\$ 813,140	\$ -	\$ 813,140
Memberships	225,522	-	225,522
Contract revenue	247,990	-	247,990
Rental income	71,603	-	71,603
Programs	7,588	-	7,588
Scholarship fund	-	178,398	178,398
Building fund	-	47,957	47,957
Gifts and grants	54,303	-	54,303
Interest	20,954	-	20,954
Net assets released from restriction	225,389	(225,389)	-
<b>Total revenues</b>	<u>1,666,489</u>	<u>966</u>	<u>1,667,455</u>
Expenses:			
Program and administrative expenses:			
Program services	1,183,320	-	1,183,320
Administrative	784,902	-	784,902
<b>Total program and administrative expenses</b>	<u>1,968,222</u>	<u>-</u>	<u>1,968,222</u>
Non-Operating Expenses:			
Net loss on investments	(523,919)	-	(523,919)
<b>Change in Net Assets</b>	(825,652)	966	(824,686)
<b>Net Assets, Beginning of Year</b>	<u>5,815,600</u>	<u>248,056</u>	<u>6,063,656</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 4,989,948</u></u>	<u><u>\$ 249,022</u></u>	<u><u>\$ 5,238,970</u></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, 2023

	Program Services	Administration	Total
Payroll and related costs:			
Salaries	\$ 633,600	\$ 516,415	\$ 1,150,015
Benefits	229,275	238,133	467,408
Total payroll and related costs	862,875	754,548	1,617,423
Advertising	5,731	1,384	7,115
Board expense	-	8,359	8,359
Building expenses	1,770	-	1,770
Custodial services and building supplies	73,823	371	74,194
Dues and subscriptions	716	3,777	4,493
Entertainment services	165,966	7,815	173,781
Equipment rental, lease, and maintenance	-	51,931	51,931
Fees	884	60,682	61,566
Gifts and sponsorships	9,500	50,300	59,800
Insurance	-	3,355	3,355
Marketing/promotional items	2,305	7,956	10,261
Other expenses	-	18,517	18,517
Printing and postage	7,486	2,518	10,004
Professional development and conferences	1,070	722	1,792
Professional services	-	22,184	22,184
Program supplies	19,750	8,176	27,926
Scholarship awards	165,378	-	165,378
Telecommunications	-	3,214	3,214
Travel	10,454	8,305	18,759
<b>Total functional expenses</b>	<b>\$ 1,327,708</b>	<b>\$ 1,014,114</b>	<b>\$ 2,341,822</b>

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, 2022

	Program Services	Administration	Total
Payroll and related costs:			
Salaries	\$ 564,919	\$ 445,646	\$ 1,010,565
Benefits	217,749	204,761	422,510
Total payroll and related costs	782,668	650,407	1,433,075
Advertising	12,162	663	12,825
Board expense	-	2,578	2,578
Building expenses	994	-	994
Custodial services and building supplies	49,926	-	49,926
Dues and subscriptions	535	2,956	3,491
Entertainment services	78,824	1,920	80,744
Equipment rental, lease, and maintenance	922	56,522	57,444
Fees	-	17,866	17,866
Gifts and sponsorships	3,200	300	3,500
Insurance	745	8,955	9,700
Marketing/promotional items	3,215	2,701	5,916
Other expenses	348	5,492	5,840
Printing and postage	4,745	2,258	7,003
Professional services	-	17,566	17,566
Program supplies	17,134	4,600	21,734
Scholarship awards	219,032	-	219,032
Telecommunications	-	3,574	3,574
Travel	8,870	6,544	15,414
<b>Total functional expenses</b>	<b>\$ 1,183,320</b>	<b>\$ 784,902</b>	<b>\$ 1,968,222</b>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (31,229)	\$ (824,686)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Net realized and unrealized gains on investments	433,423	(523,919)
Depreciation	1,199	1,199
Changes in operating assets and liabilities:		
Accounts receivable	6,768	(4,621)
Restricted funds receivable	10,618	(39,818)
Inventory	13,282	(11,787)
Accounts payable	542,979	306,664
Deferred revenue	<u>10,305</u>	<u>16,733</u>
Net Cash Provided (Used) by Operating Activities	<u>987,345</u>	<u>(1,080,235)</u>
Cash Flows From Investing Activities:		
Purchases and sales of pooled investments	<u>(938,055)</u>	<u>1,026,937</u>
Net Cash (Used) Provided by Investing Activities	<u>(938,055)</u>	<u>1,026,937</u>
Net Increase (Decrease) in Cash	49,290	(53,298)
Cash and cash equivalents, beginning of year	<u>389,659</u>	<u>442,957</u>
Cash and cash equivalents, end of year	<u><u>\$ 438,949</u></u>	<u><u>\$ 389,659</u></u>

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

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2023 and 2022

## NOTE 1: ORGANIZATION, OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

The California Aggie Alumni Association (CAAA) (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, Davis (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 the Life Membership Reserve Fund (LMRF) and CAAA Board Designated Reserve Fund.

#### ***Net Assets With Donor Restrictions***

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, 2023 and 2022

## **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 Level 1 and Level 2 inputs as described in Note 11. Realized and unrealized gains and losses are recorded periodically based on UC Regents pooled investment statements.

### **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 for the years ending June 30, 2023 and 2022.

#### Program Revenue

Program revenue represents the amount received that reflects the value of the direct benefits that the participant will receive. All amounts received 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. Contract revenues for ongoing services are recognized monthly as services are performed. Contract revenue 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, 2023 and 2022

### 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. Memberships 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 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, 2023 and determined that values are properly stated and no impairment is considered necessary.

# **CALIFORNIA AGGIE ALUMNI ASSOCIATION**

## **Notes to Financial Statements**

June 30, 2023 and 2022

### **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 Association remits semi-annual payments to reduce this liability.

#### **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 Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program services and activities based on estimates of employee 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 Statements 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, 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, 2023 and 2022

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

#### Reclassifications

Certain reclassifications have been made to prior financial statements' presentation to correspond to the current year's financial statements format. There were no changes to total net assets and changes in net assets as a result of 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, 2023 and 2022, 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

During the 2020 fiscal year, the Association 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 years ending June 30, 2023 and 2022 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.

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. Application of this standard became effective for the Association for the year ended June 30, 2022. No material impacts have been recognized as a result of this recent accounting pronouncement.



**CALIFORNIA AGGIE ALUMNI ASSOCIATION**

## Notes to Financial Statements

June 30, 2023 and 2022

**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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 438,948	\$ 389,659
Pooled investments	6,756,137	6,251,505
Accounts receivable - net	<u>174,625</u>	<u>192,011</u>
Total financial assets	<u>7,369,710</u>	<u>6,833,175</u>
Amounts unavailable for general expenditures, due to program and donor restrictions:		
Scholarship Fund	(76,510)	(96,333)
Building Fund	<u>(201,520)</u>	<u>(152,689)</u>
Total financial assets unavailable for general expenditures, due to program and donor restrictions	<u>(278,030)</u>	<u>(249,022)</u>
Amounts unavailable to management without Board approval:		
Life Member Reserve Fund	(5,875,653)	(5,467,384)
CAAA Reserve Fund	<u>(353,512)</u>	<u>(328,358)</u>
Total financial assets unavailable to management without Board approval	<u>(6,229,165)</u>	<u>(5,795,742)</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 862,515</u></u>	<u><u>\$ 788,411</u></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.

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Notes to Financial Statements

June 30, 2023 and 2022

### 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 invests primarily in high-quality money-market and fixed-income instruments. STIP is structured to ensure an adequate flow of funds to meet cash needs as well as to provide liquidity. The GEP invests primarily in equities, fixed-income securities, and alternative investments. The GEP 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, 2023 and 2022:

	2023	2022
Pooled investment accounts:		
GEP	\$ 6,756,137	\$ 6,157,960
STIP	-	93,545
Total pooled investments	<u>\$ 6,756,137</u>	<u>\$ 6,251,505</u>

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

	2023	2022
Pooled investment allocations:		
Life Member Reserve Fund (LMRF)	\$ 6,357,193	\$ 5,882,033
CAAA Board Designated Reserve Fund	398,944	369,472
Total pooled investments	<u>\$ 6,756,137</u>	<u>\$ 6,251,505</u>

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

### NOTE 4: ACCOUNTS RECEIVABLE

The Association's accounts receivable balances and allowance for doubtful accounts as of June 30, 2023 and 2022 are as follows:

	2023	2022
Accounts receivable	\$ 10,640	\$ 13,411
Memberships receivables	16,009	19,366
Allowance for doubtful accounts	(3,601)	(2,961)
Total accounts receivable, net	<u>\$ 23,048</u>	<u>\$ 29,816</u>

**CALIFORNIA AGGIE ALUMNI ASSOCIATION**

## Notes to Financial Statements

June 30, 2023 and 2022

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Office equipment	\$ 9,279	\$ 9,279
Leasehold improvements	7,770	7,770
	<u>17,049</u>	<u>17,049</u>
Less accumulated depreciation	(14,718)	(13,520)
Property and equipment, net	<u>\$ 2,331</u>	<u>\$ 3,529</u>

Depreciation expense was \$1,199 for both the years ended June 30, 2023 and 2022, which was allocated to other Administrative expenses on the Statement of Functional Expenses.

**NOTE 6: LEASE COMMITMENTS**

The Association leases equipment under agreements which are treated as operating leases. Lease payments for general office equipment totaled \$5,306 and \$2,119 for fiscal years ended June 30, 2023 and 2022, respectively. This lease commitment was evaluated under the revised guidelines set forth under Accounting Standards Codification (ASC) 842 and did not meet the criteria to satisfy the accounting policies implemented during fiscal year ended 2022. The expected replacement lease will be recorded in accordance with ASC 842 upon commencement. The Association's minimum future equipment lease obligations are as follows:

Year Ending June 30,	Lease Commitment
2024	\$ 4,040
2025	4,040
2026	2,020
2027 and thereafter	<u>-</u>
Total future obligation	<u>\$ 10,100</u>

**NOTE 7: NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	2023	2022
Undesignated - Operating Fund	\$ (1,309,454)	\$ (805,794)
Board designated - Life Member Reserve Fund	5,875,653	5,467,384
Board designated - CAAA Reserve Fund	<u>353,512</u>	<u>328,358</u>
Total net assets without donor restriction	<u>\$ 4,919,711</u>	<u>\$ 4,989,948</u>

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 7: 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 Membership Reserve Fund (LMRF) was established in 1973 for the purpose of providing income for the life membership program and is invested through the UC 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 UC 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 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as of June 30, 2023 and 2022 for the following purposes:

	2023	2022
Subject to expenditure for a specific purpose:		
Scholarship fund	\$ 76,510	\$ 96,333
Building fund	201,520	152,689
Total net assets with purpose restrictions	<u>\$ 278,030</u>	<u>\$ 249,022</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 (the 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 donor-restricted until they are released to scholarship recipients.

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS (continued)

#### Building Fund

As described in Note 10, 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 contribution 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.

#### Net Assets Released from Restriction

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	2023	2022
Satisfaction of program restrictions:		
Scholarship fund	\$ 175,378	\$ 219,032
Building fund	3,118	6,357
Net assets released from restrictions	<u>\$ 178,496</u>	<u>\$ 225,389</u>

### NOTE 9: DEFERRED REVENUE

The Association administers a Grad Pack program that results in advance funding of new memberships. As of June 30, 2023 and 2022, deferred revenues from this program totaled \$27,038 and \$16,733, respectively.

### NOTE 10: 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.

The Association paid UC Davis a shared service fee of \$2,500 and \$2,615 during the years ended June 30, 2023 and 2022, 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 shares janitorial and landscaping service costs in exchange for management services.

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Notes to Financial Statements

June 30, 2023 and 2022

### NOTE 11: 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 and 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, 2023 and 2022.

#### 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 at 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 table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of June 30, 2023 and 2022:

	Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
UC Regents pooled investments - GEP	\$ -	\$ 6,756,137	\$ -	\$ 6,756,137
UC Regents pooled investments - STIP	-	-	-	-
Total pooled investments	<u>\$ -</u>	<u>\$ 6,756,137</u>	<u>\$ -</u>	<u>\$ 6,756,137</u>
	Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
UC Regents pooled investments - GEP	\$ -	\$ 6,157,960	\$ -	\$ 6,157,960
UC Regents pooled investments - STIP	93,545	-	-	93,545
Total pooled investments	<u>\$ 93,545</u>	<u>\$ 6,157,960</u>	<u>\$ -</u>	<u>\$ 6,251,505</u>

## **CALIFORNIA AGGIE ALUMNI ASSOCIATION**

### **Notes to Financial Statements**

**June 30, 2023 and 2022**

#### **NOTE 12: COVID-19**

The COVID-19 outbreak in 2020 has caused business disruption through shelter-in-place orders and program restrictions. The total disruption was temporary and many UC campus staff members have resumed hybrid work schedules with some time spent on campus. The ensuing economic uncertainty negatively impacted net investment income in 2022, along with the Association's operating results in both 2022 and 2023. The Association has expanded scheduling events for alumni, students, and parents, and expects to recover from a decline in memberships, contributions, and program participation in the wake of various precautions and restrictions. While the state of emergency expired on February 28, 2023, the continued impact on future operations has not been determined.

#### **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 December 12, 2023, the date the financial statements were available to be issued. 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

## Statement of Activities by Fund

For the Year Ended

June 30, 2023

	Operating Fund	Board Designated		Total Without Donor Restrictions	Total With Donor Restrictions	Total
		Life Member Reserve Fund	CAAA Reserve Fund			
Revenues:						
University support	\$ 789,973	\$ -	\$ -	\$ 789,973	\$ -	\$ 789,973
Memberships	363,867	-	-	363,867	-	363,867
Contract revenue	152,001	-	-	152,001	-	152,001
Rental income	155,273	-	-	155,273	-	155,273
Programs	77,939	-	-	77,939	-	77,939
Scholarship fund	-	-	-	-	155,555	155,555
Building fund	-	-	-	-	51,949	51,949
Gifts and grants	59,045	-	-	59,045	-	59,045
Interest	50,994	19,380	1,194	71,568	-	71,568
Net assets released from restriction	178,496	-	-	178,496	(178,496)	-
Total revenues	1,827,588	19,380	1,194	1,848,162	29,008	1,877,170
Expenses:						
Program and administrative expenses:						
Program services	1,327,708	-	-	1,327,708	-	1,327,708
Administrative	1,014,114	-	-	1,014,114	-	1,014,114
Total program and administrative expenses	2,341,822	-	-	2,341,822	-	2,341,822
Non-Operating Revenues:						
Net realized and unrealized gain on investments	-	408,269	25,154	433,423	-	433,423
<b>Change in Net Assets</b>	(514,234)	427,649	26,348	(60,237)	29,008	(31,229)
<b>Net Assets at Beginning of Year</b>	(805,794)	5,467,384	328,358	4,989,948	249,022	5,238,970
<b>Net Assets at End of Year</b>	<u>\$ (1,320,028)</u>	<u>\$ 5,895,033</u>	<u>\$ 354,706</u>	<u>\$ 4,929,711</u>	<u>\$ 278,030</u>	<u>\$ 5,207,741</u>

See accompanying Independent Auditor's Report.

# CALIFORNIA AGGIE ALUMNI ASSOCIATION

## Statement of Activities by Fund

For the Year Ended

June 30, 2022

	Operating Fund	Board Designated		Total Without Donor Restrictions	Total With Donor Restrictions	Total
		Life Member Reserve Fund	CAAA Reserve Fund			
Revenues:						
University support	\$ 813,140	\$ -	\$ -	\$ 813,140	\$ -	\$ 813,140
Memberships	225,522	-	-	225,522	-	225,522
Contract revenue	247,990	-	-	247,990	-	247,990
Rental income	71,603	-	-	71,603	-	71,603
Programs	7,588	-	-	7,588	-	7,588
Scholarship fund	-	-	-	-	178,398	178,398
Building fund	-	-	-	-	47,957	47,957
Gifts and grants	54,303	-	-	54,303	-	54,303
Interest	380	19,380	1,194	20,954	-	20,954
Net assets released from restriction	225,389	-	-	225,389	(225,389)	-
Total revenues	1,645,915	19,380	1,194	1,666,489	966	1,667,455
Expenses:						
Program and administrative expenses:						
Program services	1,183,320	-	-	1,183,320	-	1,183,320
Administrative	784,902	-	-	784,902	-	784,902
Total program and administrative expenses	1,968,222	-	-	1,968,222	-	1,968,222
Non-Operating Expenses:						
Net realized and unrealized loss on investments	-	(493,513)	(30,406)	(523,919)	-	(523,919)
<b>Change in Net Assets</b>	(322,307)	(474,133)	(29,212)	(825,652)	966	(824,686)
<b>Net Assets at Beginning of Year</b>	(483,487)	5,941,517	357,570	5,815,600	248,056	6,063,656
<b>Net Assets at End of Year</b>	<u>\$ (805,794)</u>	<u>\$ 5,467,384</u>	<u>\$ 328,358</u>	<u>\$ 4,989,948</u>	<u>\$ 249,022</u>	<u>\$ 5,238,970</u>

See accompanying Independent Auditor's Report.