

*Financial Statements and
Independent Auditor's Report of*

CALIFORNIA AGGIE ALUMNI ASSOCIATION

June 30, 2017 and 2016

CALIFORNIA AGGIE ALUMNI ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of California Aggie Alumni Association (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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.

Emphasis of Matter

As discussed in Note 10, the June 30, 2016 financial statements include prior period adjustments due to a change in an accounting policy and adjustments to previously reported unrestricted, undesignated net asset amounts. The effect of these adjustments was to increase prior year net assets by \$292,158. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

February 2, 2018

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 71,098	\$ 110,031
Accounts receivable	115,005	248,971
Inventory	<u>71,252</u>	<u>70,699</u>
Total current assets	257,355	429,701
Restricted funds receivable	253,130	246,081
Pooled investments with UC Regents - LMRF	4,991,857	5,140,369
Pooled investments with UC Regents - CAAA		
Board designated reserve fund	852,124	743,825
Property and equipment, net	<u>9,521</u>	<u>-</u>
Total assets	<u>\$ 6,363,987</u>	<u>\$ 6,559,976</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 55,537	\$ 6,355
Deferred revenue	<u>26,980</u>	<u>33,876</u>
Total current liabilities	82,517	40,231
Account payable to UC Davis	919,344	1,084,324
UC Regents camp liability reserve	<u>700,000</u>	<u>-</u>
Total liabilities	1,701,861	1,124,555
Net Assets:		
Unrestricted, Board designated	5,357,526	5,397,739
Unrestricted, undesignated	(947,830)	(208,399)
Temporary restricted	<u>252,430</u>	<u>246,081</u>
Total net assets	<u>4,662,126</u>	<u>5,435,421</u>
Total liabilities and net assets	<u>\$ 6,363,987</u>	<u>\$ 6,559,976</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, 2017

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total</u>
Revenues:			
Other non dues revenue	\$ 508,886	\$ -	\$ 508,886
University support	495,729	-	495,729
Alumni memberships	327,731	-	327,731
Student memberships	247,090	-	247,090
Programs	110,602	-	110,602
Scholarship fund	-	107,652	107,652
Parent memberships	96,650	-	96,650
In-kind donations	69,084	-	69,084
Interest	51,804	-	51,804
Building fund	-	40,190	40,190
Gifts and grants	31,589	-	31,589
Net unrealized gain on investments	793,064	-	793,064
Net assets released from restriction	<u>141,493</u>	<u>(141,493)</u>	<u>-</u>
Total revenues	<u>2,873,722</u>	<u>6,349</u>	<u>2,880,071</u>
Expenses:			
Program and administrative expenses:			
Program services	1,867,311	-	1,867,311
Administrative	<u>1,086,055</u>	<u>-</u>	<u>1,086,055</u>
Total program and administrative expenses	<u>2,953,366</u>	<u>-</u>	<u>2,953,366</u>
UC Regents camp liability reserve	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Total expenses	<u>3,653,366</u>	<u>-</u>	<u>3,653,366</u>
Change in net assets	(779,644)	6,349	(773,295)
Net assets, beginning of year	<u>5,189,340</u>	<u>246,081</u>	<u>5,435,421</u>
Net assets, end of year	<u>\$ 4,409,696</u>	<u>\$ 252,430</u>	<u>\$ 4,662,126</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, 2016

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total</u>
Revenues:			
University support	\$ 550,808	\$ -	\$ 550,808
Other non dues revenue	345,913	-	345,913
Alumni memberships	315,877	-	315,877
Student memberships	219,589	-	219,589
Programs	102,642	-	102,642
Parent memberships	98,850	-	98,850
Scholarship fund	-	87,386	87,386
In-kind donations	78,650	-	78,650
Interest	63,498	-	63,498
Building fund	-	36,745	36,745
Gifts and grants	10,847	-	10,847
Net unrealized loss on investments	(310,319)	-	(310,319)
Net assets released from restriction	<u>77,399</u>	<u>(77,399)</u>	<u>-</u>
Total revenues	<u>1,553,754</u>	<u>46,732</u>	<u>1,600,486</u>
Expenses:			
Program and administrative expenses:			
Program services	1,346,299	-	1,346,299
Administrative	<u>1,472,456</u>	<u>-</u>	<u>1,472,456</u>
Total program and administrative expenses	2,818,755	-	2,818,755
Camp impairment reserve	<u>513,871</u>	<u>-</u>	<u>513,871</u>
Total expenses	<u>3,332,626</u>	<u>-</u>	<u>3,332,626</u>
Change in net assets	(1,778,872)	46,732	(1,732,140)
Net assets, beginning of year	<u>6,875,403</u>	<u>-</u>	<u>6,875,403</u>
Prior period adjustment	<u>92,809</u>	<u>199,349</u>	<u>292,158</u>
Net assets, end of year	<u>\$ 5,189,340</u>	<u>\$ 246,081</u>	<u>\$ 5,435,421</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, 2017

	Total Program Services	Total Administrative	Total Functional Expenses
Functional expenses:			
Salaries	\$ 771,291	\$ 514,194	\$ 1,285,485
Benefits	318,570	212,379	530,949
Professional services	90,048	82,006	172,054
Travel	103,739	48,244	151,983
Entertainment services	85,098	17,557	102,655
Marketing/promotional items	100,688	(1,508)	99,180
Supplies	53,468	35,276	88,744
Camp expenses	-	86,894	86,894
Scholarship awards	86,500	-	86,500
Custodial services and building supplies	76,485	-	76,485
Equipment rental, lease and maint.	55,124	15,818	70,942
Printing and postage	18,277	37,929	56,206
Building expenses	47,993	-	47,993
Advertising	19,321	237	19,558
Telecommunications	3,287	9,627	12,914
Other expenses	8,898	2,263	11,161
Gifts and sponsorships	10,900	-	10,900
Insurance	5,780	5,094	10,874
Professional development and conferences	4,560	5,860	10,420
Fees	2,766	7,643	10,409
Dues and subscriptions	2,460	3,204	5,664
Stewardship	2,058	1,271	3,329
Shared services fee	-	2,067	2,067
Total functional expenses	<u>\$ 1,867,311</u>	<u>\$ 1,086,055</u>	<u>\$ 2,953,366</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, 2016

	<u>Total Program Services</u>	<u>Total Administrative</u>	<u>Total Functional Expenses</u>
Functional expenses:			
Salaries	\$ 529,623	\$ 647,318	\$ 1,176,941
Benefits	217,034	265,265	482,299
Entertainment services	177,204	33,279	210,483
Camp expenses	-	158,765	158,765
Marketing/promotional items	55,191	100,796	155,987
Professional services	26,575	83,040	109,615
Printing and postage	76,831	28,044	104,875
Supplies	40,615	56,211	96,826
Travel	65,308	22,163	87,471
Scholarship awards	77,399	-	77,399
Shared services fee	36,496	-	36,496
Equipment rental, lease and maint.	14,870	10,598	25,468
Advertising	9,381	15,118	24,499
Telecommunications	3,446	13,733	17,179
Other expenses	854	15,312	16,166
Fees	3,316	7,900	11,216
Dues and subscriptions	3,925	4,290	8,215
Insurance	2,127	4,638	6,765
Professional development and conferences	1,618	4,321	5,939
Stewardship	2,336	1,665	4,001
Gifts and sponsorships	2,150	-	2,150
Total functional expenses	<u>\$ 1,346,299</u>	<u>\$ 1,472,456</u>	<u>\$ 2,818,755</u>

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ (773,295)	\$ (1,732,140)
Adjustments to reconcile change in net assets to cash used for operating activities:		
Property and equipment loss reserve	-	513,871
UC Regents camp liability reserve	700,000	-
Net unrealized (gain) loss on investments	(793,064)	310,319
Depreciation	1,199	-
Decrease (increase) in assets:		
Accounts receivable	133,966	(41,417)
Restricted funds receivable	(7,049)	-
Prepaid expenses	-	8,200
Inventory	(553)	(23,776)
Increase (decrease) in liabilities:		
Accounts payable	(115,798)	317,209
Deferred revenue	(6,896)	(119,187)
Cash used for operating activities	(861,490)	(766,921)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(10,720)	(319,106)
Net sales of pooled investments	833,277	1,092,167
Cash provided by investing activities	822,557	773,061
Net (decrease) increase in cash and cash equivalents	(38,933)	6,140
Cash and cash equivalents, beginning of year	110,031	103,891
Cash and cash equivalents, end of year	\$ 71,098	\$ 110,031

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

CALIFORNIA AGGIE ALUMNI ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1: ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The following is a summary of significant accounting policies:

Financial Statement Presentation and Basis of Accounting

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

The Association reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. There are no permanently restricted net assets. Accordingly, all financial transactions have been recorded and reported in the following net asset classifications:

Unrestricted Net Assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Temporarily restricted revenues have been recorded as unrestricted revenues when the funds were received and expended within the same fiscal year.

Income Tax Status

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

Accounting principles generally accepted in the United States of America require 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, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Association is open to examination for the previous three (Federal) and four (State) years by various tax authorities.

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

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.

Contributions

Contributions are considered to be unrestricted and available for general use unless they are specifically restricted by the donor as to purpose of their use.

Investments

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

Inventory

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

Revenue Recognition and Deferred Revenue

Dues from membership revenue is recorded as income when members sign-up for membership. The Association receives support from UC Davis to fund membership programs. This revenue is recognized as the Association recognizes expenses related to these programs. The Association also receives other non-dues revenue in the form of building event income, royalties and other outside vendor income which is used to support alumni programs. This revenue is recognized in accordance with the terms of the underlying agreements. In-kind revenue is recognized when received. Deferred revenue represents revenues received that are to be used in the next fiscal year; see Note 7 for additional information.

Property and Equipment

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

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

The Association follows the provisions of ASC 360, *Property, Plant, and Equipment*. Long-lived assets, accordingly, property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairment loss recognized for the year ended June 30, 2016 was \$513,871, related to Alumni Family Camp start-up costs that were previously capitalized. See Note 6.

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. At June 30, 2017 and 2016, all accounts receivable have been reviewed and are determined to be collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Restricted Funds Receivable

Restricted funds receivable represents funds due from UC Davis related to temporarily restricted activities for Scholarships and 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. At June 30, 2017 and 2016, the Association had a balance outstanding to UC Davis of \$919,344 and \$1,084,324, respectively. See Note 8.

Functional Allocation of Expenses

Costs identified with a specific program service are charged as direct costs to the applicable program. Indirect costs of providing various services have been allocated among the program and administrative services benefited based on estimates made by the Association's management.

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.

Reclassification

Certain amounts in the Association's prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations in prior periods.

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.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new accounting standard improves the usefulness of information provided to donors, grantor, and other users of the financial statements by eliminating the distinction between resources with permanent and temporary restrictions, requiring the use of the placed-in-service approach for reporting gift restrictions and enhancing disclosures. Application of this statement is effective for the year ending June 30, 2019. Early adoption is permitted. The Association is currently evaluating the impact adoption of the standard will have on the financial statements.

NOTE 2: 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 UC Regent's GEP and STIP invests primarily in U.S. Treasury securities, prime-grade commercial paper, and short-term corporate notes with cost approximating market value. Interest income from the pooled investments are allocated on a quarterly basis to unrestricted income. Pooled investments consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
GEP	\$ 5,826,078	\$ 5,800,014
STIP	<u>17,903</u>	<u>84,180</u>
Total pooled investments	<u>\$ 5,843,981</u>	<u>\$ 5,884,194</u>

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

	<u>2017</u>	<u>2016</u>
Life member reserve fund	\$ 4,991,857	\$ 5,140,369
CAAA Board designated reserve fund	<u>852,124</u>	<u>743,825</u>
Total pooled investments	<u>\$ 5,843,981</u>	<u>\$ 5,884,194</u>

Further information regarding Board Designated funds can be found in Note 5.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 6,157	\$ 3,207
Leasehold improvements	7,770	-
Camp equipment	26,304	26,304
Construction in progress (Alumni family camp)	<u>487,567</u>	<u>487,567</u>
	<u>527,798</u>	<u>517,078</u>
Less impairment reserve	(513,871)	(513,871)
Less accumulated depreciation	<u>(4,406)</u>	<u>(3,207)</u>
Property and equipment, net	<u>\$ 9,521</u>	<u>\$ -</u>

Depreciation expense was \$1,199 and \$0 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4: LEASE COMMITMENTS

The Association leases equipment under agreements which are treated as operating leases. Lease payments made during the fiscal year totaled \$7,912 and \$1,824 for years end June 30, 2017 and 2016. The future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	<u>Minimum Lease Commitment</u>
2018	6,484
2019	4,668
2020	4,668
2021	1,167
	<u>\$ 16,987</u>

NOTE 5: NET ASSET DESIGNATIONS

Net assets are restricted or designated for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Scholarship fund	\$ 83,936	\$ 69,784
Building fund	<u>168,494</u>	<u>176,297</u>
Total temporarily restricted net assets	<u>\$ 252,430</u>	<u>\$ 246,081</u>
Life member reserve fund	\$ 4,525,762	\$ 4,674,274
CAAA Board designated reserve fund	<u>831,764</u>	<u>723,465</u>
Total unrestricted, Board designated net assets	<u>\$ 5,357,526</u>	<u>\$ 5,397,739</u>

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

In 2010, the Association created an emergency operating reserve account called the CAAA Board designated reserve fund to prevent principal drawdowns from the funds generated through this program. The Board designated that the fund's balance should at no time fall below 20% of any fiscal year's budgeted or actual expenses, whichever is greater. Furthermore, this fund cannot be utilized for expenses in normal budget processes, rather, the fund can only be utilized through a recommendation of the Finance Committee and a majority vote of the Association's Board of Directors. No more than 18% of the reserve funds can be utilized in a single fiscal year and any withdrawals must be replaced through the annual budget process over the succeeding three fiscal years.

NOTE 5: NET ASSET DESIGNATIONS (Continued)

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 Foundation spending policies. The Association records these funds as temporarily restricted until they are released to scholarship recipients.

Building Fund

As described in Note 8, the Association has a management agreement with UC Davis to operate the Buehler Alumni and Visitors Center. Funds were donated to the UC Davis Foundation for the purpose of repairs/replacement of electrical and mechanical equipment and major furniture and equipment maintenance. The Foundation releases an annual building fee to the Association to be used repairs and maintenance in accordance with the donor's specifications. The Association records these funds as temporarily restricted until repairs and maintenance funds are expended.

NOTE 6: 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 has 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 is being sold through a bid process which will continue through 2018. Based on current bid activity Association management has estimated there will be a reimbursement obligation to UC Regents. Association management recorded an estimated camp reimbursement obligation liability reserve in the amount of \$700,000 as of June 30, 2017.

NOTE 7: DEFERRED REVENUE

As of June 30, 2017 and 2016 deferred revenue in the amounts of \$26,980 and \$33,876, has been recorded. These funds relate to UC Davis funding for the next fiscal year Grad Pack program.

NOTE 8: RELATED PARTY

The Association has a Board of Directors; however, the Association does not have any employees. The Association does reimburse UC Davis for employee costs. All functions and activities are conducted by employees of UC Davis. UC Davis employees serving Association functions are covered by the UC Regents' pension plan and postretirement healthcare plan. The Association paid UC Davis a shared service fee of \$50,000 and \$35,000 during the years ended June 30, 2017 and 2016, respectively, to compensate UC Davis for their assistance with certain finance, human resource, and payroll services.

NOTE 8: RELATED PARTY (Continued)

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 9: FAIR VALUE MEASUREMENTS

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Level 2 Fair Value Measurements

The pooled investments invest primarily in U.S. Treasury securities, prime-grade commercial paper, and short-term corporate notes with cost approximating market value. The majority of the underlying assets have Level 1 quoted prices and observable Level 2 pricing inputs, including quoted prices for similar assets in active or non-active markets.

Following is a table of the valuation methodologies used for assets measured at fair value.

	<i>Fair Value as of June 30, 2017</i>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments with UC Regents - GEP	\$ -	\$ 5,826,078	\$ -
Pooled investments with UC Regents - STIP	-	17,903	-
	<u>\$ -</u>	<u>\$ 5,843,981</u>	<u>\$ -</u>

	<i>Fair Value as of June 30, 2016</i>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments with UC Regents - GEP	\$ -	\$ 5,800,014	\$ -
Pooled investments with UC Regents - STIP	-	84,180	-
	<u>\$ -</u>	<u>\$ 5,884,194</u>	<u>\$ -</u>

NOTE 10: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2016 the Association reviewed accounting policies associated with recording temporarily restricted funds transactions for scholarship and building. This review resulted in a change to the Association's policies and, as a result, the Association recognized temporarily restricted net assets not previously reported. Also, the Association reviewed amounts previously recorded as deferred revenue and funds due UC Davis and determined that previously reported amounts required adjustment. As a result, the Association's net assets were adjusted as follows:

<u>Prior period adjustment</u>	<u>Beginning balance June 30, 2016</u>	<u>Prior period adjustment</u>	<u>Balance as adjusted June 30, 2016</u>
Unrestricted, undesignated	\$ 75,178	\$ 92,809	\$ 167,987
Temporary restricted	\$ -	\$ 199,349	\$ 199,349

NOTE 11: 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 February 2, 2018, the date the financial statements were available to be issued, and management has determined that no events have occurred that should be disclosed.

SUPPLEMENTAL INFORMATION

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND
For the Year Ended June 30, 2017

	Operating Fund	Board Designated		Total Unrestricted	Temporarily Restricted	Total
		Life Member Reserve Fund	CAAA Reserve Fund			
Support and Revenue:						
Other non dues revenue	\$ 508,886	\$ -	\$ -	\$ 508,886	\$ -	\$ 508,886
University support	495,729	-	-	495,729	-	495,729
Alumni memberships	327,731	-	-	327,731	-	327,731
Student memberships	247,090	-	-	247,090	-	247,090
Programs	110,602	-	-	110,602	-	110,602
Scholarship fund	-	-	-	-	107,652	107,652
Parent memberships	96,650	-	-	96,650	-	96,650
In-kind donations	69,084	-	-	69,084	-	69,084
Interest	81	44,944	6,779	51,804	-	51,804
Building fund	-	-	-	-	40,190	40,190
Gifts and grants	31,589	-	-	31,589	-	31,589
Net unrealized gain on investments	-	691,544	101,520	793,064	-	793,064
Net assets released from restriction	141,493	-	-	141,493	(141,493)	-
Total support and revenue	<u>2,028,935</u>	<u>736,488</u>	<u>108,299</u>	<u>2,873,722</u>	<u>6,349</u>	<u>2,880,071</u>
Expenses:						
Program and administrative expenses:						
Program services	1,867,311	-	-	1,867,311	-	1,867,311
Administrative	1,086,055	-	-	1,086,055	-	1,086,055
Total program and administrative expenses	<u>2,953,366</u>	<u>-</u>	<u>-</u>	<u>2,953,366</u>	<u>-</u>	<u>2,953,366</u>
UC Regents camp liability reserve	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Total expenses	<u>3,653,366</u>	<u>-</u>	<u>-</u>	<u>3,653,366</u>	<u>-</u>	<u>3,653,366</u>
Other revenues and expenses:						
Operating transfers in	885,000	-	-	885,000	-	885,000
Operating transfers out	-	(885,000)	-	(885,000)	-	(885,000)
Total other revenues and expenses	<u>885,000</u>	<u>(885,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(739,431)	(148,512)	108,299	(779,644)	6,349	(773,295)
Net assets, beginning of year	<u>(208,399)</u>	<u>4,674,274</u>	<u>723,465</u>	<u>5,189,340</u>	<u>246,081</u>	<u>5,435,421</u>
Net assets, end of year	<u>\$ (947,830)</u>	<u>\$ 4,525,762</u>	<u>\$ 831,764</u>	<u>\$ 4,409,696</u>	<u>\$ 252,430</u>	<u>\$ 4,662,126</u>

CALIFORNIA AGGIE ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND
For the Year Ended June 30, 2016

	Operating Fund	Board Designated		Total Unrestricted	Temporarily Restricted	Total
		Life Member Reserve Fund	CAAA Reserve Fund			
Support and Revenue:						
University support	\$ 550,808	\$ -	\$ -	\$ 550,808	\$ -	\$ 550,808
Other non dues revenue	345,913	-	-	345,913	-	345,913
Alumni memberships	315,877	-	-	315,877	-	315,877
Student memberships	219,589	-	-	219,589	-	219,589
Programs	102,642	-	-	102,642	-	102,642
Parent memberships	98,850	-	-	98,850	-	98,850
Scholarship fund	-	-	-	-	87,386	87,386
In-kind donations	78,650	-	-	78,650	-	78,650
Interest	11,445	46,022	6,031	63,498	-	63,498
Building fund	-	-	-	-	36,745	36,745
Gifts and grants	10,847	-	-	10,847	-	10,847
Net unrealized loss on investments	-	(276,905)	(33,414)	(310,319)	-	(310,319)
Net assets released from restriction	77,399	-	-	77,399	(77,399)	-
Total support and revenue	<u>1,812,020</u>	<u>(230,883)</u>	<u>(27,383)</u>	<u>1,553,754</u>	<u>46,732</u>	<u>1,600,486</u>
Expenses:						
Program and administrative expenses:						
Program services	1,346,299	-	-	1,346,299	-	1,346,299
Administrative	1,472,456	-	-	1,472,456	-	1,472,456
Total program and administrative expenses	<u>2,818,755</u>	<u>-</u>	<u>-</u>	<u>2,818,755</u>	<u>-</u>	<u>2,818,755</u>
Property and equipment loss reserve	513,871	-	-	513,871	-	513,871
Total expenses	<u>3,332,626</u>	<u>-</u>	<u>-</u>	<u>3,332,626</u>	<u>-</u>	<u>3,332,626</u>
Other revenues and expenses:						
Operating transfers in	1,190,000	45,780	-	1,235,780	-	1,235,780
Operating transfers out	(45,780)	(1,172,200)	(17,800)	(1,235,780)	-	(1,235,780)
Total other revenues and expenses	<u>1,144,220</u>	<u>(1,126,420)</u>	<u>(17,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(376,386)	(1,357,303)	(45,183)	(1,778,872)	46,732	(1,732,140)
Net assets, beginning of year	75,178	6,031,577	768,648	6,875,403	-	6,875,403
Prior period adjustment	92,809	-	-	92,809	199,349	292,158
Net assets, end of year	<u>\$ (208,399)</u>	<u>\$ 4,674,274</u>	<u>\$ 723,465</u>	<u>\$ 5,189,340</u>	<u>\$ 246,081</u>	<u>\$ 5,435,421</u>