

**ALUMNI ASSOCIATION  
CALIFORNIA INSTITUTE OF TECHNOLOGY**

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

**SEPTEMBER 30, 2022 AND 2021**

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
SEPTEMBER 30, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Alumni Association California Institute of Technology

### Opinion

We have audited the accompanying financial statements of the Alumni Association California Institute of Technology (the Association) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021; and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 the Association as of September 30, 2022 and 2021, and the changes in its net assets and its 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 audits 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 the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities 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

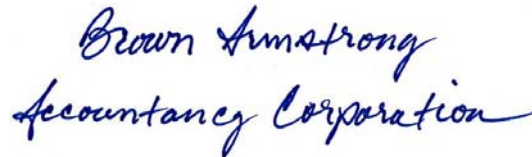
and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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 auditing standards generally accepted in the United States of America, 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 the 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 the 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
May 23, 2023

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 212,097	\$ 132,407
Prepaid expenses	1,050	1,965
Caltech pooled investment accounts	8,059,424	9,519,401
Artwork	7,500	7,500
Property and equipment	42,793	46,249
Total Assets	<u>\$ 8,322,864</u>	<u>\$ 9,707,522</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other accrued liabilities	\$ 91,090	\$ 53,163
Lifetime membership deposit	155,305	204,273
Unearned revenue	14,989	-
Total Liabilities	261,384	257,436
Net Assets		
Net Assets Without Donor Restrictions	8,061,480	9,450,086
Total Net Assets	8,061,480	9,450,086
Total Liabilities and Net Assets	<u>\$ 8,322,864</u>	<u>\$ 9,707,522</u>

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

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
Support, Revenues, and Other Income		
Net investment returns (losses) - Caltech pooled investment accounts	\$ (797,800)	\$ 2,171,994
Cash contributions and Caltech bridge funding	185,377	246,197
Caltech support - in-kind contributions:		
Salaries and related benefits	1,297,206	1,066,095
Alumni house rental	162,482	162,482
Regional programs	1,235	1,730
Program sales	49,141	-
Interest income	994	619
	<u>898,635</u>	<u>3,649,117</u>
Total Support, Revenues, and Other Income		
Expenses		
Program Services Expenses		
Communications	-	82,121
Class reunions	117,651	97,823
Seminar day	28,844	40,121
Regional programs	18,435	31,461
Professional services and support	-	36,780
Student outreach	36,393	10,340
Depreciation	-	7,099
Other small programs	878	6,141
	<u>202,201</u>	<u>311,886</u>
Total Program Services Expenses		
Support Services Expenses		
Salaries and related benefits	1,297,206	1,066,095
Alumni house rental	162,482	162,482
	<u>1,459,688</u>	<u>1,228,577</u>
Total Support Services Expenses		
Total Program and Support Services Expenses	1,661,889	1,540,463
Management and General Expenses	625,352	141,268
	<u>2,287,241</u>	<u>1,681,731</u>
Total Expenses		
Change in Net Assets	(1,388,606)	1,967,386
Net Assets Without Donor Restrictions, Beginning of Year	9,450,086	7,482,700
Net Assets Without Donor Restrictions, End of Year	<u>\$ 8,061,480</u>	<u>\$ 9,450,086</u>

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

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donors	\$ 236,747	\$ 248,546
Cash received from service recipients	125,444	74,351
Cash paid to suppliers	(160,300)	(287,137)
Other operating cash receipts and (disbursements)	(777,049)	(296,651)
Net Cash Used by Operating Activities	(575,158)	(260,891)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(7,329)	(46,617)
Distributions from Caltech pooled investment accounts, net	662,177	198,477
Net Cash Provided by Investing Activities	654,848	151,860
Net Increase (Decrease) in Cash and Cash Equivalents	79,690	(109,031)
Cash and Cash Equivalents, Beginning of Year	132,407	241,438
Cash and Cash Equivalents, End of Year	\$ 212,097	\$ 132,407
<b>RECONCILIATION OF THE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,388,606)	\$ 1,967,386
Adjustments to reconcile the change in net assets to net cash used by operating activities		
Net investment (returns) losses - Caltech pooled investment accounts	797,800	(2,171,994)
Depreciation	10,785	7,099
(Increase) Decrease in:		
Prepaid expenses	915	3,010
Increase (Decrease) in:		
Accounts payable and other accrued liabilities	37,927	21,739
Member deposit	(48,968)	(88,131)
Deferred revenue	14,989	-
Net Cash Used by Operating Activities	\$ (575,158)	\$ (260,891)

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

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Program and Support Services</u>	<u>Management and General</u>	<u>Total</u>
Staff salary	\$ -	\$ 106,813	\$ 106,813
Event costs	24,250	-	24,250
Support services expenses	1,459,688	-	1,459,688
Contract and professional services	9,052	168,702	177,754
Printing	-	107,039	107,039
Telephone and IT costs	2,512	1,878	4,390
Travel and meeting	62,852	49,398	112,250
Postage	461	31,640	32,101
Bank and finance charges	-	60	60
Event rentals	65,352	3,503	68,855
Depreciation	-	10,785	10,785
Office supplies	-	16,816	16,816
Office expenses	7,211	103,599	110,810
Subscriptions	20,839	16,763	37,602
Other	2,088	4,388	6,476
Program supplies	7,584	3,968	11,552
	<u>\$ 1,661,889</u>	<u>\$ 625,352</u>	<u>\$ 2,287,241</u>
Total Expenses	<u>\$ 1,661,889</u>	<u>\$ 625,352</u>	<u>\$ 2,287,241</u>

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



**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Program and Support Services</u>	<u>Management and General</u>	<u>Total</u>
Event costs	\$ 717	\$ 42	\$ 759
Support services expenses	1,228,577	-	1,228,577
Contract and professional services	194,506	92,129	286,635
Computer costs	51,654	3,819	55,473
Travel	363	-	363
Postage	8,497	15,831	24,328
Bank and finance charges	1,269	90	1,359
Depreciation	7,099	-	7,099
Office supplies	-	2,198	2,198
Office expenses	-	12,131	12,131
Other	4,874	9,088	13,962
Promotion	32,545	3,786	36,331
Program supplies	10,362	2,154	12,516
	<u>\$ 1,540,463</u>	<u>\$ 141,268</u>	<u>\$ 1,681,731</u>

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

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The Alumni Association California Institute of Technology (the Association) was formed in 1935 as a nonprofit corporation to promote the interests of the California Institute of Technology (Caltech), a related party, as a world standard of academic excellence by strengthening the ties of goodwill and communication between Caltech, its alumni, and its students by maintaining programs to serve their needs.

Method of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Public Support and Revenue

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents, its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Association considers all highly-liquid debt investments purchased with a maturity of three months or less to be cash equivalents, except those held by external investment managers within the pooled investment accounts.

Accounts Receivable

The Association uses the direct write off method to determine uncollectible receivables. The annual write off is based on prior years' experience and management's analysis of specific receivables. Management has determined that all receivables are collectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Costs of additions, renewals, and betterments are capitalized; maintenance and repairs are charged to expense when incurred. It is the Association's policy to capitalize expenditures for these items in excess of \$1,500. As described in Note 6, the Association receives ongoing support from Caltech, including, but not limited to, staff payroll, benefits, alumni house rental, and use of computers and other equipment.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Artwork

The Association commissioned an original piece of artwork to commemorate the 125th anniversary of Caltech. The artwork is valued at cost and is not depreciated.

### Pooled Investment Accounts

Investments are valued at fair value, with realized and unrealized gains and losses reflected in the statements of activities and changes in net assets. Investments are recorded at fair value based on a hierarchy that prioritizes the input to valuation techniques used to measure fair value as discussed in Note 7.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Expense Allocation

Directly identifiable expenses are charged to programs and support services. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

### Income Taxes

The Association is qualified under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

The accounting standard on accounting for uncertainty in income taxes provides guidance on how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). The Association believes that it has no uncertain tax positions that impact its financial statements.

The Association files Form 990 with the Internal Revenue Service, and files related exempt organization returns in the State of California. The returns are generally no longer subject to examination by the Internal Revenue Service after three years, or by the State of California after four years.

### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

## **NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS**

### Future Accounting Pronouncements

Additional standards recently released by FASB that are required to be implemented in future years are as follows:

In January 2020, the FASB issued ASU 2020-01 – *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a Consensus of the FASB Emerging Issues Task Force)*. The updated standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The update is meant to clarify the accounting for investments under Topics 321, 323, and 815. Management has not yet determined the impact of this update on its financial statements.

## **NOTE 3 – CONCENTRATION OF CREDIT RISK**

The Association maintains its cash balances at various financial institutions. Cash accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation and are collateralized by other agencies. At September 30, 2022 and 2021, the Association's cash balances were fully insured or collateralized.

## **NOTE 4 – CALTECH POOLED INVESTMENT ACCOUNTS**

The Association places its excess funds in Caltech's investment pool which Caltech administers. The Association believes its risk of loss as a general creditor of Caltech is remote. Caltech has imposed no restrictions on Association purchases and redemptions from the pool other than the following.

The Association typically withdraws from the investment pool based on the distribution percentage set annually by Caltech to meet its budget and capital preservation planning. The annual payout at the beginning of the year is calculated as a percentage of the moving average market value over twelve prior quarters.

Caltech's Board of Trustees has authorized a payout between 5% and 7% of the average market value.

Caltech engages a number of outside parties to manage its investment portfolio. Caltech's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market and credit risk in excess of amounts recorded in the financial statements. Some of Caltech's money managers use interest rate futures contracts to modify the interest-rate sensitivity of investments in fixed income securities. The Association has not been advised of any material risk associated with these derivatives.

The Association has elected to report the value of these investments at their net asset value per share in accordance with FASB Accounting Standards Codification (ASC) 820-10-35-59.

The fair value of the Association's investments include the following accounts in the Caltech investment pool:

	<u>2022</u>	<u>2021</u>
Life Members	\$ 5,280,950	\$ 6,237,602
Bascom Endowment	2,684,303	3,170,568
Special Investment	<u>94,171</u>	<u>111,231</u>
Total	<u>\$ 8,059,424</u>	<u>\$ 9,519,401</u>

Investment returns from the Caltech investment pool consist of net realized and unrealized gains and losses and changes in valuation.

## **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 79,437	\$ 75,516
Website	37,322	26,815
Branding	<u>10,507</u>	<u>10,507</u>
	127,266	112,838
Less accumulated depreciation	<u>(84,473)</u>	<u>(66,589)</u>
Total	<u>\$ 42,793</u>	<u>\$ 46,249</u>

For the years ended September 30, 2022 and 2021, the Association had depreciation expense of \$10,785 and \$7,099, respectively.

## **NOTE 6 – CALTECH SUPPORT**

The Association receives ongoing support from Caltech consisting of staff payroll, benefits, alumni house rental, repairs, use of computers and other equipment, insurance, and other operating expenses for the facility where the Association operates. For the years ended September 30, 2022 and 2021, the gross payroll benefits were recognized in the amount of \$1,297,206 and \$1,066,095, respectively, and the alumni house rental support was estimated in the amount of \$162,482 and \$162,482, respectively. In addition, Caltech provided bridge funding of \$135,000 in cash to the Association for each of the years ended September 30, 2022 and 2021. Since no objective basis exists for measuring and valuing remaining items and the aggregated amount of them is immaterial, they are not reflected in the accompanying financial statements.

## **NOTE 7 – FAIR VALUE MEASUREMENTS**

The Association determines the fair value of assets and liabilities consistent fair value framework that establishes a hierarchy for measuring fair value, and requires disclosures about the use of fair value measurements.

Fair value measurement reporting provides a consistent definition of fair value that focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement reporting also prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

**Level 1** - Quoted prices in active markets for identical assets or liabilities.

**Level 2** - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**NOTE 7 – FAIR VALUE MEASUREMENTS** (Continued)

In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Fair values of assets measured on a recurring basis at September 30, 2022, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Caltech pooled investment accounts	\$ 8,059,424	\$ -	\$ -	\$ 8,059,424

Fair values of assets measured on a recurring basis at September 30, 2021, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Caltech pooled investment accounts	\$ 9,519,401	\$ -	\$ -	\$ 9,519,401

Fair value for the Association's share of Caltech's pooled investment accounts are provided by Caltech based on the valuation of the underlying assets.

The table below presents information about the change in investments, which is measured at fair value on a recurring basis using significant unobservable inputs:

Balance at September 30, 2020	\$ 7,545,884
Distributions	(198,477)
Adjustments for changes in valuation	<u>2,171,994</u>
Balance at September 30, 2021	9,519,401
Distributions	(662,177)
Adjustments for changes in valuation	<u>(797,800)</u>
Balance at September 30, 2022	<u>\$ 8,059,424</u>

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Association's financial assets at the statements of financial position date, reduced by amounts not available for general use within one year of the statement date because of contractual or donor-imposed restrictions. Financial assets at September 30, 2022 and 2021, are comprised of:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 212,097	\$ 132,407
Investments	<u>8,059,424</u>	<u>9,549,401</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,271,521</u>	<u>\$ 9,681,808</u>

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS** (Continued)

The Association is substantially supported by contributions without donor restrictions and investment returns. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 23, 2023, which is the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.