

**ALUMNI ASSOCIATION  
CALIFORNIA INSTITUTE OF TECHNOLOGY**

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

**SEPTEMBER 30, 2023 AND 2022**

ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
SEPTEMBER 30, 2023 AND 2022

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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, 2023 and 2022; and the related statements of activities and changes in net assets, 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 the Association as of September 30, 2023 and 2022, 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

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 8, 2024

**ALUMNI ASSOCIATION CALIFORNIA INSTITUTE OF TECHNOLOGY  
STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 347,042	\$ 212,097
Accounts receivable	2,150	-
Prepaid expenses	501	1,050
Caltech pooled investment accounts	7,853,977	8,059,424
Artwork	7,500	7,500
Property and equipment	32,749	42,793
Total Assets	\$ 8,243,919	\$ 8,322,864
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and other accrued liabilities	\$ 159,668	\$ 91,090
Lifetime membership deposit	112,236	155,305
Unearned revenue	38,243	14,989
Total Liabilities	310,147	261,384
Net Assets		
Net Assets Without Donor Restrictions	7,933,772	8,061,480
Total Net Assets	7,933,772	8,061,480
Total Liabilities and Net Assets	\$ 8,243,919	\$ 8,322,864

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, 2023 AND 2022**

	2023	2022
Support, Revenues, and Other Income		
Net investment returns (losses) - Caltech pooled investment accounts	\$ 648,986	\$ (797,800)
Cash contributions and Caltech bridge funding	178,423	185,377
Caltech support - in-kind contributions:		
Salaries and related benefits	1,229,891	1,297,206
Alumni house rental	162,482	162,482
Regional programs	3,383	1,235
Program sales	64,074	49,141
Interest income	5,534	994
Other income	2,793	-
	<u>2,295,566</u>	<u>898,635</u>
Expenses		
Program Services Expenses		
Class reunions	198,294	117,651
Seminar day	71,673	28,844
Regional programs	63,697	18,435
Student outreach	149,252	36,393
Other small programs	30,369	878
	<u>513,285</u>	<u>202,201</u>
Support Services Expenses		
Salaries and related benefits	1,229,891	1,297,206
Alumni house rental	162,482	162,482
	<u>1,392,373</u>	<u>1,459,688</u>
Total Program and Support Services Expenses	<u>1,905,658</u>	<u>1,661,889</u>
Management and General Expenses	<u>517,616</u>	<u>625,352</u>
Total Expenses	<u>2,423,274</u>	<u>2,287,241</u>
Change in Net Assets	(127,708)	(1,388,606)
Net Assets Without Donor Restrictions, Beginning of Year	<u>8,061,480</u>	<u>9,450,086</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 7,933,772</u>	<u>\$ 8,061,480</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, 2023**

	<u>Program and Support Services</u>	<u>Management and General</u>	<u>Total</u>
Staff salary	\$ 52,976	\$ 41,000	\$ 93,976
Event costs	30,958	246	31,204
Support services expenses	1,392,373	-	1,392,373
Contract and professional services	20,422	116,316	136,738
Printing	7,325	81,574	88,899
Telephone and IT costs	-	1,600	1,600
Travel and meeting	196,746	64,752	261,498
Postage	8,590	20,292	28,882
Event rentals	54,403	-	54,403
Depreciation	-	10,044	10,044
Office supplies	716	2,747	3,463
Office expenses	35,974	140,050	176,024
Subscriptions	31,857	24,966	56,823
Other	1,966	4,097	6,063
Program supplies	71,352	9,932	81,284
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenses	<u>\$ 1,905,658</u>	<u>\$ 517,616</u>	<u>\$ 2,423,274</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, 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>

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donors	\$ 290,300	\$ 236,747
Cash received from service recipients	119,413	125,444
Cash paid to suppliers	(444,158)	(160,300)
Other operating cash receipts and (disbursements)	<u>(685,043)</u>	<u>(777,049)</u>
Net Cash Used by Operating Activities	<u>(719,488)</u>	<u>(575,158)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(7,329)
Distributions from Caltech pooled investment accounts, net	<u>854,433</u>	<u>662,177</u>
Net Cash Provided by Investing Activities	<u>854,433</u>	<u>654,848</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134,945	79,690
Cash and Cash Equivalents, Beginning of Year	<u>212,097</u>	<u>132,407</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 347,042</u></u>	<u><u>\$ 212,097</u></u>
<b>RECONCILIATION OF THE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (127,708)	\$ (1,388,606)
Adjustments to reconcile the change in net assets to net cash used by operating activities		
Net investment (returns) losses - Caltech pooled investment accounts	(648,986)	797,800
Depreciation	10,044	10,785
(Increase) Decrease in:		
Accounts receivable	(2,150)	-
Prepaid expenses	549	915
Increase (Decrease) in:		
Accounts payable and other accrued liabilities	68,578	37,927
Member deposit	(43,069)	(48,968)
Deferred revenue	<u>23,254</u>	<u>14,989</u>
Net Cash Used by Operating Activities	<u><u>\$ (719,488)</u></u>	<u><u>\$ (575,158)</u></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, 2023 AND 2022**

**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 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**

### Accounting Pronouncement Implemented in the Current Year

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. The Management has implemented ASU 2020-01, and determined there is no material 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, 2023, the Association's cash balances over the Federal Deposit Insurance limit by \$29,341. At September 30, 2022, 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>2023</u>	<u>2022</u>
Life Members	\$ 5,443,911	\$ 5,280,950
Bascom Endowment	2,312,989	2,684,303
Special Investment	97,077	94,171
Total	<u>\$ 7,853,977</u>	<u>\$ 8,059,424</u>

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

**NOTE 4 – CALTECH POOLED INVESTMENT ACCOUNTS** (Continued)

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 and are considered uncategorized for the purpose of the Alumni.

The table below presents information about the change in investments:

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	8,059,424
Distributions	(854,433)
Adjustments for changes in valuation	<u>648,986</u>
Balance at September 30, 2023	<u><u>\$ 7,853,977</u></u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 79,437	\$ 79,437
Computers	1,201	37,322
Branding	<u>10,507</u>	<u>10,507</u>
	91,145	127,266
Less accumulated depreciation	<u>(58,396)</u>	<u>(84,473)</u>
Total	<u><u>\$ 32,749</u></u>	<u><u>\$ 42,793</u></u>

For the years ended September 30, 2023 and 2022, the Association had depreciation expense of \$10,044 and \$10,785, 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, 2023 and 2022, the gross payroll benefits were recognized in the amount of \$1,229,891 and \$1,297,206, 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, 2023 and 2022. 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 – 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, 2023 and 2022, are comprised of:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 347,042	\$ 212,097
Accounts receivable	2,150	-
Investments	<u>7,853,977</u>	<u>8,059,424</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,203,169</u>	<u>\$ 8,271,521</u>

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 8 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 8, 2024, 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.