



JONSSON CANCER CENTER FOUNDATION/UCLA

Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

JONSSON CANCER CENTER FOUNDATION/UCLA

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Management Discussion and Analysis (Unaudited)	3-5
Basic Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-13



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Jonsson Cancer Center Foundation/UCLA

We have audited the accompanying financial statements of the Jonsson Cancer Center Foundation/UCLA (the Foundation), a component unit of the University of California, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principals; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 audit 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 the Foundation as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Restatement of Net Position

As part of our audit of the 2014 financial statements, we also audited the adjustment described in note 3 that was applied to restate net position as of June 30, 2013. The Foundation's previously issued financial statements were audited by other auditors. In our opinion, such adjustment is appropriate and has been properly applied.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Los Angeles, California

June 18, 2015

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

The Jonsson Cancer Center Foundation/UCLA, formerly the California Institute for Cancer Research, was established in 1956. The primary purpose of the Jonsson Cancer Center Foundation/UCLA (Foundation) is to raise and distribute funds for cancer research at the University of California, Los Angeles (UCLA).

The following discussion and analysis of the Foundation's financial performance presents an overview of its financial activities for the fiscal year ended June 30, 2014 (FY 2014) with selected comparative information for the fiscal year ended June 30, 2013 (FY 2013). This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying audited financial statements and footnotes.

Using This Report

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*.

One of the most important questions asked about the Foundation's finances is whether or not the Foundation is better or worse off as a result of the year's activities. The keys to understanding this question are the statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows. These statements present financial information in a form similar to that used by private sector companies. The Foundation's net position (the difference between assets and liabilities) is one indicator of the Foundation's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Foundation's financial condition when considered in combination with other nonfinancial information.

The statements of net position include all assets and liabilities. The statements of revenues, expenses and changes in net position present revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating, with gifts reported as operating revenues and investment results reported as non-operating revenues. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Another way to assess the financial health of the Foundation is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the sources and uses of cash of an entity during a given period.

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Condensed Financial Information

	<u>2014</u>	<u>FY 2014-2013 change percentage</u>	<u>2013 (as restated)</u>
Assets:			
Cash	\$ 135,062	124%	60,423
Investments:			
Short-term investments	5,688,808	5%	5,422,747
Long-term investments	<u>2,388,047</u>	8%	<u>2,211,744</u>
Total investments	8,211,917	7%	7,694,914
Pledges receivable, net	2,597,999	42%	1,827,788
Other assets	<u>87,215</u>	14%	<u>76,252</u>
Total assets	<u>\$ 10,897,131</u>	14%	<u>9,598,954</u>
Liabilities:			
Current liabilities	\$ 46,861	39%	33,796
Total liabilities	<u>46,861</u>	39%	<u>33,796</u>
Net position:			
Restricted net position	\$ 2,681,507	42%	1,888,631
Unrestricted net position	<u>8,168,763</u>	6%	<u>7,676,527</u>
Total net position	<u>10,850,270</u>	14%	<u>9,565,158</u>
Revenues and expenses:			
Operating revenues:			
Contributions	\$ <u>10,380,271</u>	(19)%	<u>12,771,896</u>
Total operating revenues	<u>10,380,271</u>		<u>12,771,896</u>
Operating expenses:			
Program support	8,493,717	(23)%	11,025,396
Fundraising	373,526	(10)%	413,607
Management and general	<u>620,803</u>	9%	<u>569,157</u>
Total operating expenses	<u>9,488,046</u>	(21)%	<u>12,008,160</u>
Net operating income	<u>892,225</u>	17%	<u>763,736</u>
Nonoperating revenues:			
Investment income	219,853	(12)%	250,921
Realized gains and changes in fair value of investments	<u>173,034</u>	3%	<u>168,698</u>
Total nonoperating revenues, net	<u>392,887</u>	(6)%	<u>419,619</u>
Change in net position	<u>\$ 1,285,112</u>	9%	<u>1,183,355</u>

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Financial Highlights

In FY 2014, the Foundation's total assets increased 14% or \$1.3 million to \$10.9 million at June 30, 2014 from \$9.6 million at June 30, 2013. This increase was primarily due to an increase in pledges receivable and positive investment returns, as discussed below.

Contributions to the Foundation decreased by 19% or \$2.4 million in FY 2014 as compared to FY 2013. This was offset by a decrease in program support which was reduced by 23% or \$2.5 million.

During the year ended June 30, 2014, the Foundation determined that amounts held on their behalf by UCLA and the UCLA Foundation did not meet the accounting standards for asset recognition under U.S. generally accepted accounting principles. Total assets and net position for the year ended June 30, 2013, have been restated to reflect this determination by reducing such amounts by \$4.8 million from that which was previously reported. For comparative purposes, net position reflected in this discussion for June 30, 2012, has also been restated by a reduction of \$4.3 million from that which was previously reported.

Assets

Foundation assets include cash, investments, pledges receivable, and other assets. In FY 2014, the Foundation's investments increased 7% or \$517 thousand to \$8.2 million at June 30, 2014 from \$7.7 million at June 30, 2013 primarily due to unrealized gains on investments. In addition, pledges receivable increased 42% or \$770 thousand to \$2.6 million at June 30, 2014 from \$1.8 million at June 30, 2013. The increase in pledges receivable is the result of \$2.2 million in new pledges offset by \$1.4 million in payments.

Operating and Nonoperating Revenues and Expenses

In 2014 the Foundation's operating revenue consisted of donor contributions which declined to \$10.4 million in FY 2014, compared to \$12.8 million in FY 2013. This was primarily due to a decrease in both estate gifts and large individual gifts. Both estate/trust and major gifts tend to involve a small number of large contributions. Therefore, one or two gifts in these categories can significantly impact gift revenue in either a positive or negative direction.

As a result of the decline in donor contributions, program support was reduced to \$8.5 million in FY 2014 compared to \$11.0 million in FY 2013. Fundraising costs decreased 10% to \$374 thousand in FY 2014 compared to \$414 thousand in FY 2013. Management and general expenses increased 9% to \$621 thousand in FY 2014 compared to \$569 thousand in FY 2013.

Factors Impacting Future Periods

Management is not aware of any factors that would have a significant impact on future periods.

JONSSON CANCER CENTER FOUNDATION/UCLA

Statement of Net Position

June 30, 2014

Assets

Current assets:

Cash	\$	135,062
Short-term investments		5,688,808
Accounts and other receivables		59,830
Accrued investment income		27,385
Pledges receivable, net		1,118,256
Total current assets		<u>7,029,341</u>

Non-current assets:

Long-term investments		2,388,047
Pledges receivable, net		1,479,743
Total non-current assets		<u>3,867,790</u>

Total assets 10,897,131

Liabilities

Current liabilities:

Accounts and grants payable		<u>46,861</u>
Total liabilities		<u>46,861</u>

Net position

Restricted expendable gifts		2,681,507
Unrestricted		8,168,763
Total net position	\$	<u><u>10,850,270</u></u>

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

Operating revenues:		
Contributions		\$ <u>10,380,271</u>
Total operating revenues		<u>10,380,271</u>
Operating expenses:		
Program support	8,493,717	
Fundraising	373,526	
Management and general	<u>620,803</u>	
Total operating expenses	<u>9,488,046</u>	
Operating income	<u>892,225</u>	
Non-operating revenues:		
Investment income	219,853	
Increase in fair value of investments	<u>173,034</u>	
Total non-operating revenues	<u>392,887</u>	
Increase in net position	1,285,112	
Net position:		
Beginning of year, as restated (note 3)	<u>9,565,158</u>	
End of year	<u><u>\$ 10,850,270</u></u>	

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA

Statement of Cash Flows

Year ended June 30, 2014

Cash flows from operating activities:	
Contributions	\$ 8,645,206
Program support	(8,479,917)
Fundraising, general and administrative expenses	<u>(979,902)</u>
Net cash used by operating activities	<u>(814,613)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	935,229
Purchase of investments	(266,060)
Interest and dividends on investments	<u>220,083</u>
Net cash provided by investing activities	<u>889,252</u>
Net increase in cash	74,639
Cash:	
Beginning of year	<u>60,423</u>
End of year	<u><u>\$ 135,062</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 892,225
Adjustments to reconcile operating income to net cash used by operating activities:	
Non-cash gifts	(938,499)
Changes in assets and liabilities:	
Accounts and other receivables	(11,193)
Pledges receivable, net	(770,211)
Accounts and grants payable	<u>13,065</u>
Net cash used in operating activities	<u><u>\$ (814,613)</u></u>
Supplemental non-cash activities information:	
Gifts of securities	938,499

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2014

(1) **Organization**

The Jonsson Cancer Center Foundation/UCLA, formerly the California Institute for Cancer Research, was established in 1956. The Jonsson Cancer Center Foundation/UCLA (the Foundation) is a nonprofit organization whose primary purpose is to raise and distribute funds for cancer research at the University of California, Los Angeles (UCLA). The Foundation is a component unit of the University of California.

The Foundation is governed by a Board of Directors and the director of the Jonsson Comprehensive Cancer Center serves as the president of the Foundation. In the event of the dissolution of the Jonsson Cancer Center Foundation/UCLA, any and all assets held in its name shall be distributed to UCLA for use in the investigation of the causes, treatment and cure of the diseases known as cancer, under the direction of the Dean of the School of Medicine. Accordingly, the Foundation is considered a governmental not-for-profit organization, subject to reporting under the Governmental Accounting Standards Board (GASB).

UCLA provides the facilities and the staff for the operation and administration of the Foundation's activities. The Foundation transfers gift funds to UCLA or The UCLA Foundation, which assumes responsibility for actual disbursement in accordance with the donor's wishes. The Foundation has two independently operated chapters located throughout the greater Los Angeles area that assist in the fundraising effort.

(2) **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of these financial statements is presented below:

(a) ***Basis of Accounting***

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

(b) ***Cash***

The Foundation manages its cash through major banking institutions. At June 30, 2014, the carrying amount of the Foundation's general ledger cash held in nationally recognized banking institutions was approximately \$135 thousand. At June 30, 2014, the Foundation had cash in bank in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits of approximately \$1.5 million due to checks distributed but not yet cleared. To mitigate custodial risk, the Foundation conducts business with fiscally sound banks with national recognition.

(c) ***Investments***

The Foundation participates in the endowed and unendowed investment pools managed by The UCLA Foundation, which are external investment pools and are not SEC registered. The Foundation's investments in these pools are reported at fair value based on the value of each participating unit.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2014

(d) Pledges Receivable

Pledges are written unconditional promises to make future payments. The Foundation recognizes a receivable and revenue at the time the pledge is made by the donor if the pledge is verifiable, measurable, probable of collection and meets all applicable eligibility requirements. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and reported as additional contribution revenue in accordance with donor imposed restrictions, if any. In addition, pledges are reported net of an allowance, which is a general reserve based on the Foundation's 3-year rolling average loss experience.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event such as matching gifts from other donors or time restrictions on expenditure, plus all pledges for endowment purposes, are recognized when the conditions are substantially met.

(e) Net Position

When possible, the Foundation uses restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Net position comprises the following:

Restricted expendable gifts – are donations to the Foundation that are restricted by the donor for a specific purpose or pledges receivable net of discount and allowance.

Unrestricted – is the net position of the Foundation that is not subject to donor-imposed restrictions.

(f) Classification of Revenues and Expenses

Operating revenues include contributions from various donors and guild chapters. Operating expenses include program support, fundraising, and management and general. Program support is disbursed to UCLA or The UCLA Foundation in support of activities consistent with the donor's wishes or, in the case of unrestricted funds, in support of UCLA programs selected by Foundation management in consultation with the Jonsson Comprehensive Cancer Center academic leadership. Non-operating revenues and expenses include interest and investment distributions, net realized gains (losses) on the sale of investments, and change in unrealized appreciation/(depreciation) in the fair value of investments held at the end of the period.

(g) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

(h) Income Taxes

The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2014

to federal or state income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption, also known as unrelated business income. The Foundation did not engage in unrelated business activities and therefore did not record an income tax provision.

(3) Restatement

During the year ended June 30, 2014, management of the Foundation determined that certain assets should not have been reported on its financial statements. Specifically, the Foundation's beneficial interests held in trust by third parties, totaling approximately \$408 thousand, do not meet the asset recognition standards under U.S. generally accepted accounting principles. Further, investments totaling approximately \$4.4 million are not owned by the Foundation and should not have been recorded on its financial statements. Accordingly, beginning net position of the Foundation as of June 30, 2013 has been restated as follows:

Beginning net position, as previously reported	\$ 14,323,517
Beneficial Interests Held in Trust by third-parties	(407,679)
Assets not owned by the Foundation	<u>(4,350,680)</u>
Beginning net position, as restated	<u>\$ 9,565,158</u>

In addition, the change in net assets on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2013 would have been reduced by \$460 thousand.

(4) Investments

The Foundation's investment policy requires that all funds be invested with the University of California through The UCLA Foundation or the UC Regents. For the year ended June 30, 2014, all Foundation investments were held by The UCLA Foundation. The UCLA Foundation invests in equity securities, private equity funds, multistrategy funds, as well as credit, real asset, and real estate investment funds. The UCLA Foundation investment guidelines permit alternative investments primarily in partnerships where The UCLA Foundation is a limited partner relying upon the expertise of experienced general partners. All limited partnerships in which The UCLA Foundation invests are subject to annual audits. The investment guidelines also permit direct investments in equity or other instruments.

As of June 30, 2014, the Foundation reported an investment of \$5.7 million in The UCLA Foundation's unendowed investment pool and an investment of \$2.4 million in The UCLA Foundation's endowed investment pool. Neither the unendowed or endowed investment pool at The UCLA Foundation are rated. The unendowed and endowed investment pools at The UCLA Foundation have an effective duration of 2.21 years and 5.10 years, respectively.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2014

(5) Pledges Receivable

Pledges receivable consist of the following at June 30, 2014:

Gross pledges receivable	\$	2,651,627
Less:		
Allowance for uncollectible pledges		(19,448)
Discount for future payments		(34,180)
Pledges receivable, net	\$	2,597,999
Current pledges receivable, net	\$	1,118,256
Noncurrent pledges receivable, net		1,479,743
	\$	2,597,999

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision expense of \$4 thousand in FY14 which has been recorded as a reduction in contributions. Pledges due beyond one year have been discounted using rates ranging from 2.40% to 1.45%. Eighty-four percent of the pledges receivable, net of discount, are from five donors at June 30, 2014.

(6) Program Support

Grants made in support of Foundation programs are as follows:

Donor directed grants	\$	6,898,717
Seed grants		250,000
JCCC programmatic support:		
Clinical/translational research		250,000
Director's discovery		50,000
Impact grants		750,000
Information/outreach		35,000
Next generation technology		125,000
Program areas		35,000
Strategic investment in innovative faculty		100,000
Total	\$	8,493,717

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2014

(7) Related Parties

The Foundation exists for the sole purpose of supporting cancer research at UCLA and has the following organizational relationship with the University:

(a) Administrative Costs

The Foundation has a Board of Directors and designated officers; however the Foundation does not have direct employees. All functions and activities of the Foundation are conducted by employees of UCLA. These UCLA employees are covered by the Regents' pension plan and postretirement healthcare plan. The Foundation reimburses UCLA for these costs. These personnel expenses are included in management and general expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

All of the Foundation's office space is provided by the University. Accordingly, the costs of the office space are not included in the accompanying financial statements.

(b) Gift Fees

In accordance with relevant UCLA policies, gift fees are assessed by the University for the purpose of partially defraying the costs of its overall operation. The standard gift fee is computed as 6.5% of the gift amount. Accordingly, the gift fee is included in program expenses in the accompanying financial statements and totaled \$565 thousand for the year ended June 30, 2014.