



JONSSON CANCER CENTER FOUNDATION/UCLA

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

JONSSON CANCER CENTER FOUNDATION/UCLA

Table of Contents

| | Page(s) |
|---|----------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis (Unaudited) | 3-6 |
| Basic Financial Statements | |
| Statements of Net Position | 7 |
| Statements of Revenues, Expenses, and Changes in Net Position | 8 |
| Statements of Cash Flows | 9 |
| Notes to the Financial Statements | 10-14 |



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 years ended June 30, 2015 and 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 principles; 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 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 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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3–6 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
December 23, 2015

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

The Jonsson Cancer Center Foundation/UCLA (the Foundation), formerly the California Institute for Cancer Research, was established in 1956. The primary purpose of the Foundation is to raise and distribute funds for cancer research at the University of California, Los Angeles (UCLA). Donations to the Foundation come, predominantly, from individuals committed to eradicating cancer who are inspired by the high quality of cancer research conducted at UCLA in the Jonsson Comprehensive Cancer Center.

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, 2015 (FY 2015) with selected comparative information for the fiscal year ended June 30, 2014 (FY 2014) and 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 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 nonoperating 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 statements 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, 2015 and 2014

Condensed Financial Information

| | <u>2015</u> | FY 2015–2014 change percentage | <u>2014</u> | FY 2014–2013 change percentage | <u>2013</u> |
|---|---------------|---|---------------|---|---------------|
| Assets | | | | | |
| Cash | \$ 188,260 | 39% | \$ 135,062 | 124% | \$ 60,423 |
| Investments: | | | | | |
| Short-term investments | 6,396,378 | 12% | 5,688,808 | 5% | 5,422,747 |
| Long-term investments | 2,412,246 | 1% | 2,388,047 | 8% | 2,211,744 |
| Total investments | 8,808,624 | 9% | 8,076,855 | 6% | 7,634,491 |
| Pledges receivable, net | 3,278,311 | 26% | 2,597,999 | 42% | 1,827,788 |
| Other assets | 163,399 | 87% | 87,215 | 14% | 76,252 |
| Total assets | 12,438,594 | 14% | 10,897,131 | 14% | 9,598,954 |
| Liabilities | | | | | |
| Current liabilities | 585,542 | 1150% | 46,861 | 39% | 33,796 |
| Total liabilities | 585,542 | 1150% | 46,861 | 39% | 33,796 |
| Net position | | | | | |
| Restricted net position | 3,593,764 | 34% | 2,681,507 | 42% | 1,888,631 |
| Unrestricted net position | 8,259,288 | 1% | 8,168,763 | 6% | 7,676,527 |
| Total net position | \$ 11,853,052 | 9% | \$ 10,850,270 | 13% | \$ 9,565,158 |
| Revenues and expenses | | | | | |
| Operating revenues | | | | | |
| Contributions | \$ 11,222,441 | 9% | \$ 10,313,307 | -19% | \$ 12,771,896 |
| Event revenue | 67,500 | 1% | 66,964 | 19% | 56,100 |
| Total operating revenues | 11,289,941 | 9% | 10,380,271 | -19% | 12,771,896 |
| Operating expenses | | | | | |
| Program support | 9,328,363 | 10% | 8,493,717 | -23% | 11,025,396 |
| Fundraising | 466,216 | 25% | 373,526 | -10% | 413,607 |
| Management and general | 721,921 | 16% | 620,803 | 9% | 569,157 |
| Total operating expenses | 10,516,500 | 11% | 9,488,046 | -21% | 12,008,160 |
| Net operating income | 773,441 | -13% | 892,225 | 17% | 763,736 |
| Nonoperating revenues | | | | | |
| Investment income | 210,227 | -4% | 219,853 | -12% | 250,921 |
| Realized gains and changes in fair value of investments | 19,114 | -89% | 173,034 | 3% | 168,698 |
| Total nonoperating revenues, net | 229,341 | -42% | 392,887 | -6% | 419,619 |
| Change in net position | \$ 1,002,782 | -22% | \$ 1,285,112 | 9% | \$ 1,183,355 |

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

Financial Highlights

In FY 2015, the Foundation's total assets increased 14% or \$ 1.5 million to \$12.4 million at June 30, 2015 from \$10.9 million at June 30, 2014. 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. Both the FY 2015 and 2014 increases were primarily due to increases in pledges receivable and investments, as discussed below.

Current liabilities of the Foundation increased by 1150% or \$539 thousand to \$586 thousand in FY 2015 from \$47 thousand in FY 2014. This change was predominantly due to one grant awarded that was not processed until the following month. In FY 2014, current liabilities increased 39% or \$13 thousand to \$47 thousand from \$34 thousand in FY 2013. This was due to two small grants to UCLA that were not processed until the following month.

Contributions to the Foundation increased by 9% or \$909 thousand to \$11.2 million in FY 2015 as compared to \$10.3 million in FY 2014. This increase was due to greater support across a variety of areas: more estate gifts, a greater number of gifts in honor of patients and/or doctors, and a record-breaking year for an annual fundraising event. Contributions to the Foundation decreased by 19% or \$2.4 million in FY 2014 as compared to 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. This decline in contribution revenue was offset by a decrease in program support of 23% or \$2.5 million.

Assets

Foundation assets include cash, investments, pledges receivable, net, and other assets. In FY 2015, the Foundation's investments increased 9% or \$732 thousand to \$8.8 million at June 30, 2015 from \$8.1 million at June 30, 2014. This was primarily due to a contribution received in FY 2015 from a charitable remainder trust for \$544 thousand. This distribution was the source of funding for a grant to UCLA for pancreatic cancer research that was processed in July 2015 (FY 2016). Pledges receivable, net, increased 26% or \$680 thousand to \$3.3 million at June 30, 2015 from \$2.6 million at June 30, 2014. The increase in pledges receivable, net, is the result of \$2 million in new pledges offset by \$1.3 million in payments.

In FY 2014, the Foundation's investments increased 6% or \$442 thousand to \$8.1 million at June 30, 2014 from \$7.6 million at June 30, 2013. This was primarily due to positive investment returns in FY 2014 of \$393 thousand. Finally, pledges receivable, net, increased 42% or \$770 thousand to \$2.6 million at June 30, 2014 from \$1.8 million at June 30, 2013. This increase in pledges receivable, net, is the result of \$2.2 million in new pledges offset by \$1.4 million in pledge payments.

Operating Revenues and Expenses

In 2015, the Foundation's operating revenue consisted of donor contributions and fundraising event revenue, which increased by 9% or \$910 thousand to \$11.3 million in FY 2015 from \$10.4 million in FY 2014. This increase was due to greater support across a variety of areas: more estate gifts, a greater number of gifts in honor of patients and/or doctors, and a record-breaking year for an annual fundraising event.

JONSSON CANCER CENTER FOUNDATION/UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

In response to the increase in donor contributions, program support increased 10% or \$835 thousand to \$9.3 million in FY 2015 compared to \$8.5 million in FY 2014. Fundraising costs increased 25% or \$92 thousand to \$466 thousand in FY 2015 compared to \$374 thousand in FY 2014. This increase was due, predominantly, to expenses related to an annual fundraising event that had a record-breaking year for contributions. Management and general expenses increased 16% or \$101 thousand to \$722 thousand in FY 2015 compared to \$621 thousand in FY 2014. This increase was due primarily to changes in Foundation office space that required the purchase of furniture/modular walls and facilities staff time.

In 2014, the Foundation's operating revenue primarily consisted of donor contributions, which declined to \$10.4 million in FY 2014 from \$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 mostly in staff salaries; a position dedicated to financial operations was created to maintain quality control of those operations while allowing a current position to focus more on fundraising.

Nonoperating revenues

In FY 2015, nonoperating revenues declined by 42% or \$164 thousand to \$229 thousand from \$393 thousand in FY 2014. This was primarily due the decline in performance of the Foundation's investment in The UCLA Foundation's Endowed Investment Pool (EIP), which returned 6.4% in FY 2015 versus 13.9% in FY 2014.

Nonoperating income in FY 2014 declined 6% or \$27 thousand to \$393 thousand from \$420 thousand in FY 2013. This was due to a small drop in performance of the Foundation's investment in EIP, which returned 13.9% in FY 2015 versus 15.2% in FY 2014.

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

Statements of Net Position

Years Ended June 30, 2015 and 2014

| Assets | 2015 | 2014 |
|--------------------------------|----------------------|-------------------|
| | <u> </u> | <u> </u> |
| Current assets: | | |
| Cash | \$ 188,260 | 135,062 |
| Short-term investments | 6,396,378 | 5,688,808 |
| Accounts and other receivables | 135,733 | 59,830 |
| Accrued investment income | 27,666 | 27,385 |
| Pledges receivable, net | <u>2,221,991</u> | <u>1,118,256</u> |
| Total current assets | <u>8,970,028</u> | <u>7,029,341</u> |
| Noncurrent assets: | | |
| Long-term investments | 2,412,246 | 2,388,047 |
| Pledges receivable, net | <u>1,056,320</u> | <u>1,479,743</u> |
| Total noncurrent assets | <u>3,468,566</u> | <u>3,867,790</u> |
| Total assets | <u>12,438,594</u> | <u>10,897,131</u> |
| | | |
| | Liabilities | |
| Current liabilities: | | |
| Accounts and grants payable | <u>585,542</u> | <u>46,861</u> |
| Total liabilities | <u>585,542</u> | <u>46,861</u> |
| | | |
| | Net position | |
| Restricted expendable gifts | 3,593,764 | 2,681,507 |
| Unrestricted | <u>8,259,288</u> | <u>8,168,763</u> |
| Total net position | <u>\$ 11,853,052</u> | <u>10,850,270</u> |

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---------------|-------------|
| Operating revenues: | | |
| Contributions | \$ 11,222,441 | 10,313,307 |
| Event revenue | 67,500 | 66,964 |
| Total operating revenues | 11,289,941 | 10,380,271 |
| Operating expenses: | | |
| Program support | 9,328,363 | 8,493,717 |
| Fundraising | 466,216 | 373,526 |
| Management and general | 721,921 | 620,803 |
| Total operating expenses | 10,516,500 | 9,488,046 |
| Operating income | 773,441 | 892,225 |
| Nonoperating revenues: | | |
| Investment income | 210,227 | 219,853 |
| Realized and unrealized gain on investments | 19,114 | 173,034 |
| Total nonoperating revenues | 229,341 | 392,887 |
| Increase in net position | 1,002,782 | 1,285,112 |
| Net position: | | |
| Beginning of year | 10,850,270 | 9,565,158 |
| End of year | \$ 11,853,052 | 10,850,270 |

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA

Statements of Cash Flows

Years ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Contributions | \$ 9,757,683 | 8,578,242 |
| Event revenue | 67,500 | 66,964 |
| Program support | (8,829,616) | (8,479,917) |
| Fundraising, management, and general expenses | <u>(1,166,628)</u> | <u>(979,902)</u> |
| Net cash used in operating activities | <u>(171,061)</u> | <u>(814,613)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 721,882 | 935,229 |
| Purchase of investments | (707,569) | (266,060) |
| Interest and dividends on investments | <u>209,946</u> | <u>220,083</u> |
| Net cash provided by investing activities | <u>224,259</u> | <u>889,252</u> |
| Net increase in cash | 53,198 | 74,639 |
| Cash: | | |
| Beginning of year | <u>135,062</u> | <u>60,423</u> |
| End of year | \$ <u><u>188,260</u></u> | \$ <u><u>135,062</u></u> |
| Reconciliation of operating income to net cash used in operating activities: | | |
| Operating income | \$ 773,441 | 892,225 |
| Adjustments to reconcile operating income to net cash used in operating activities: | | |
| Noncash gifts | (726,968) | (938,499) |
| Changes in assets and liabilities: | | |
| Accounts and other receivables | (75,903) | (11,193) |
| Pledges receivable, net | (680,312) | (770,211) |
| Accounts and grants payable | <u>538,681</u> | <u>13,065</u> |
| Net cash used in operating activities | \$ <u><u>(171,061)</u></u> | \$ <u><u>(814,613)</u></u> |
| Supplemental noncash activities information: | | |
| Gifts of securities | 726,968 | 938,499 |

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2015 and 2014

(1) Organization

The Jonsson Cancer Center Foundation/UCLA (the Foundation), formerly the California Institute for Cancer Research, was established in 1956. 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 raises funds in two broad areas: Donor-directed grants and programmatic support for the Jonsson Comprehensive Cancer Center (JCCC) at UCLA. Donor-directed grants are typically for research being undertaken by a specific doctor, designated by the donor, or for a particular project. JCCC programmatic support donations are, in turn, unrestricted by the donor. The Foundation pools these unrestricted gifts to accumulate significant sources of funding for cancer research, such as for seed grants, next generation technology, and impact grants that support collaboration between researchers. This information is detailed further in footnote 5, Program Support, on page 13.

The Foundation is governed by a Board of Directors and the director of the JCCC serves as the president of the Foundation. In the event of the dissolution of the Foundation, 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, 2015 and 2014, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately \$188 thousand and \$135 thousand, respectively. At June 30, 2015 and 2014, the Foundation had cash in bank in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits of approximately \$1.3 million and \$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.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2015 and 2014

(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.

(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, and 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 three-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 – donations to the Foundation that are restricted by the donor for a specific purpose or pledges receivable net of discount and allowance.

Unrestricted – 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 as well as event revenue representing the fair value of tickets and other items sold at fundraising events. Operating expenses include program support, fundraising, and management and general. Program support is disbursed to UCLA or The UCLA Foundation in support of cancer research 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 JCCC academic leadership. Nonoperating 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

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2015 and 2014

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 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.

(i) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) 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, 2015, 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, 2015 and 2014, the Foundation reported an investment of \$6.4 and \$5.7 million in The UCLA Foundation's unendowed investment pool. In addition, the Foundation had an investment valued at \$2.4 million in The UCLA Foundation's endowed investment pool at both June 30, 2015 and 2014. Neither the unendowed nor endowed investment pool at The UCLA Foundation is rated. At June 30, 2015 and 2014, the unendowed and endowed investment pools at The UCLA Foundation had an effective duration of 1.7 and 2.21 years, and 5.62 and 5.10 years, respectively.

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2015 and 2014

(4) Pledges Receivable, net

Pledges receivable, net, consist of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|---------------------|---------------------|
| Pledges receivable | \$ 3,310,280 | \$ 2,651,624 |
| Less: | | |
| Allowance for uncollectible pledges | (12,228) | (19,448) |
| Discount for future payments | <u>(19,741)</u> | <u>(34,180)</u> |
| Pledges receivable, net | \$ <u>3,278,311</u> | \$ <u>2,597,996</u> |
| Current pledges receivable, net | \$ 2,221,991 | \$ 1,118,256 |
| Noncurrent pledges receivable, net | <u>1,056,320</u> | <u>1,479,743</u> |
| | \$ <u>3,278,311</u> | \$ <u>2,597,999</u> |

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded loss provision reversals of \$7 thousand in FY15 and \$4 thousand in FY14. Both amounts were recorded as adjustments to contribution revenue. Pledges due beyond one year have been discounted using rates ranging from 2.4% to 1.2%. Eighty-three percent of pledges receivable, net of discount, are from five donors in fiscal year 2015 as compared to 84% in fiscal year 2014.

(5) Program Support

Grants made in support of Foundation programs are as follows:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Donor-directed grants | \$ 7,833,363 | \$ 6,898,717 |
| JCCC programmatic support | | |
| Seed grants | 100,000 | 250,000 |
| Clinical/translational research | 250,000 | 250,000 |
| Director's discovery | 500,000 | 50,000 |
| Impact grants | 350,000 | 750,000 |
| Information/outreach | 35,000 | 35,000 |
| Next-generation technology | 125,000 | 125,000 |
| Other program areas | 35,000 | 35,000 |
| Strategic investment and innovative faculty | <u>100,000</u> | <u>100,000</u> |
| Total | \$ <u>9,328,363</u> | \$ <u>8,493,717</u> |

JONSSON CANCER CENTER FOUNDATION/UCLA

Notes to the Financial Statements

June 30, 2015 and 2014

(6) 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 \$611 thousand for the year ended June 30, 2015 and \$565 thousand for the year ended June 30, 2014.

(7) Subsequent Event

Effective July 1, 2015, the President of the University of California transferred ownership of a fund functioning as an endowment of \$4,893,395 to the Foundation to replace funds previously held by the Regents on behalf of the Foundation. The Foundation now has control over such funds and will report contribution revenue to recognize the transfer during the year ending June 30, 2016. The Foundation invested such amounts in the Regent's General Endowment Pool.