

JONSSON CANCER CENTER FOUNDATION / UCLA

Financial Statements

June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

JONSSON CANCER CENTER FOUNDATION / UCLA

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Report of Independent Auditors

To the Board of Directors of
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, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation changed the manner in which it presents certain fair value hierarchy disclosures related to investments in fiscal 2016. Our opinion is not modified with respect to this matter.

Other Matters

2015 Financial Statements

The financial statements of the Foundation as of June 30, 2015 and for the year then ended, prior to the retrospective application of the change in presentation of certain fair value hierarchy disclosures related to investments, as described in Note 2, were audited by other auditors whose report dated December 23, 2015 expressed an unmodified opinion on those statements.

We also have audited the adjustments to retrospectively apply the change in presentation of certain fair value hierarchy disclosures related to investments, as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements taken as a whole.

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 6 are required by accounting principles generally accepted in the United States of America 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.

A handwritten signature in black ink, appearing to read "Priscilla Shurtz Coopers LLP".

Los Angeles, California
October 21, 2016

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

The Jonsson Cancer Center Foundation/UCLA (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, predominately, 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 (JCCC).

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, 2016 (FY16), with selected comparative information for the fiscal year ended June 30, 2015 (FY15), and the fiscal year ended June 30, 2014 (FY14). This discussion and analysis has been prepared by management and should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes.

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 are one indicator of the improvement or erosion of the Foundation's financial condition when considered in combination with other non-financial 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 non-operating. Operating revenues include current use gifts to the Foundation and operating expenses include program support. Investment results are reported as non-operating income (loss). 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, and it helps users assess an entity's ability to generate cash flows.

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

Condensed Financial Information

		FY 2016-2015 change percentage		FY 2015-2014 change percentage	
	2016		2015		2014
Assets					
Cash	\$ 782,121	315%	\$ 188,260	39%	\$ 135,062
Investments					
Short-term investments	6,445,021	1%	6,396,378	12%	5,688,808
Long-term investments	6,867,634	185%	2,412,246	1%	2,388,047
Total investments	13,312,655	51%	8,808,624	9%	8,076,855
Pledges receivable, net	9,970,433	204%	3,278,311	26%	2,597,999
Other assets	91,864	-44%	163,399	87%	87,215
Total assets	24,157,073	94%	12,438,594	14%	10,897,131
Liabilities					
Current liabilities	847,226	45%	585,542	1150%	46,861
Total liabilities	847,226	45%	585,542	1150%	46,861
Net position					
Restricted net position	14,878,554	314%	3,593,764	34%	2,681,507
Unrestricted net position	8,431,293	2%	8,259,288	1%	8,168,763
Total net position	\$ 23,309,847	97%	\$ 11,853,052	9%	\$ 10,850,270
Revenues and expenses					
Operating revenues					
Contributions	\$ 23,363,080	108%	\$ 11,222,441	9%	\$ 10,313,307
Event Revenue	53,881	-20%	67,500	1%	66,964
Total operating revenues	23,416,961	107%	11,289,941	9%	10,380,271
Operating expenses					
Program Support	10,653,031	14%	9,328,363	10%	8,493,717
Fundraising	381,702	-18%	466,216	25%	373,526
Management and general	709,452	-2%	721,921	16%	620,803
Total operating expenses	11,744,185	12%	10,516,500	11%	9,488,046
Net operating income	11,672,776	1409%	773,441	-13%	892,225
Non-operating income (loss)					
Investment Income	224,393	7%	210,227	-4%	219,853
Realized gains and changes in fair value of investments, net	(440,374)	-2404%	19,114	-89%	173,034
Total non-operating income (loss), net	(215,981)	-194%	229,341	-42%	392,887
Change in net position	\$ 11,456,795	1043%	\$ 1,002,782	-22%	\$ 1,285,112

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

Financial Highlights

In FY16, the Foundation's total assets increased 94% or \$11.7 million to \$24.2 million at June 30, 2016 from \$12.4 million at June 30, 2015. The exceptional increase in FY16 was primarily due to the receipt of a \$10 million pledge and a transfer of a gift fund from The University of California (UC) for the purpose of cancer research. In FY15, 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 due to increases in both pledges receivable and investments, as discussed below.

Liabilities of the Foundation increased by 45% or \$262 thousand to \$847 thousand in FY16 from \$586 thousand in FY15. In FY15, current liabilities increased 1150% or \$539 thousand to \$586 thousand from \$47 thousand in FY14. Both increases were due to grants awarded in one fiscal year that were not processed until the following fiscal year.

Contributions to the Foundation increased by 108% or \$12.1 million to \$23.4 million in FY16 as compared to \$11.2 million in FY15. This increase was primarily due to an individual donor's pledge for \$10 million. Contributions to the Foundation increased by 9% or \$909 thousand in FY15 as compared to FY14. This increase was due to greater support across a variety of areas: estate gifts, gifts in honor of patients and doctors, and a record-breaking year for an annual fundraising event.

Assets

Foundation assets include cash, investments, pledges receivable, and other assets. In FY16, the Foundation's investments increased 51% or \$4.5 million to \$13.3 million at June 30, 2016 from \$8.8 million at June 30, 2015. This was primarily due to the transfer of ownership of the Evelyn Hamburger fund from the University of California, worth approximately \$4.7 million as of June 30, 2016. This quasi-endowment provides a source of funding for seed grants and other initiatives to UCLA which fuel cutting edge cancer research. Pledges receivable increased 204% or \$6.7 million to \$10 million at June 30, 2016 from \$3.3 million at June 30, 2015. The increase in pledges receivable is largely the result of \$10.2 million in new pledges (net of discount) offset by \$3.5 million in pledge payments.

In FY15, 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 FY15 from a charitable remainder trust for \$544 thousand. Finally, pledges receivable increased 26% or \$680 thousand to \$3.3 million at June 30, 2015 from \$2.6 million at June 30, 2014. This increase in pledges receivable was the result of \$2.0 million in new pledges offset by \$1.3 million in pledge payments.

Operating Revenues and Expenses

The condensed schedules of revenues, expenses and changes in net position summarize operating income and non-operating income (loss) for FY16, FY15 and FY14. In FY16, the Foundation's contribution revenue increased by 108% or \$12.1 million to \$23.4 million from \$11.2 million in FY15. This increase was primarily due to the largest pledge ever received in the Foundation's history (\$10 million).

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Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

In response to the increase in donor contributions, program support increased 14% or \$1.3 million to \$10.7 million in FY16 compared to \$9.3 million in FY15. Fundraising costs decreased 18% or \$85 thousand to \$382 thousand in FY16 compared to \$466 thousand in FY15. This decrease was due, predominantly, to a drop in expenses related to fundraising events. Management and general expenses decreased 2% or \$12 thousand to \$709 thousand in FY16 compared to \$722 thousand in FY15. This decrease was principally due to office space renovations which occurred in FY15 and not repeated in FY16.

Contribution revenue increased \$909 thousand in FY15 versus FY14 due to greater support across a variety of areas. 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.

Reflecting the increase in contribution revenue, program support increased to \$9.3 million in FY15 compared to \$8.5 million in FY14. Fundraising costs increased 25% to \$466 thousand in FY15 compared to \$374 thousand in FY14 due to expenses related to an annual fundraising event that had a record-breaking year for contributions. Management and general expenses increased 16% to \$722 thousand in FY15 compared to \$621 thousand in FY14 primarily due to changes in Foundation office space that required the purchase of furniture/modular walls as well as facilities' staff time.

Non-operating Income (Loss)

In FY16, non-operating income (loss) declined by 194% or \$445 thousand, becoming a loss of \$216 thousand from income of \$229 thousand in FY15. This was primarily due to the decline in investment performance for both the General Endowment Pool (GEP) managed by the UC Regents as well as the Endowed Investment Pool (EIP) managed by the UCLA Investment Company. The GEP experienced a loss of 3.6% while the EIP returned a negative 4.1% in fiscal year 2016.

Non-operating income in FY15 declined 42% or \$164 thousand to \$229 thousand from \$393 thousand in FY14. This was due to a decline in performance of the Foundation's investment in EIP which returned 6.4% in FY15 versus 13.9% in FY14.

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

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash	\$ 782,121	\$ 188,260
Short-term investments	6,445,021	6,396,378
Accounts and other receivables	65,544	135,733
Accrued investment income	26,320	27,666
Pledges receivable, net	<u>1,749,171</u>	<u>2,221,991</u>
Total current assets	<u>9,068,177</u>	<u>8,970,028</u>
Non-current assets:		
Long-term investments	6,867,634	2,412,246
Pledges receivable, net	<u>8,221,262</u>	<u>1,056,320</u>
Total non-current assets	<u>15,088,896</u>	<u>3,468,566</u>
Total assets	<u>\$ 24,157,073</u>	<u>\$ 12,438,594</u>
Liabilities		
Current liabilities		
Accounts and grants payable	847,226	585,542
Total liabilities	<u>847,226</u>	<u>585,542</u>
Net position		
Restricted expendable gifts	14,878,554	3,593,764
Unrestricted	8,431,293	8,259,288
Total net position	<u>\$ 23,309,847</u>	<u>\$ 11,853,052</u>

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Contributions	\$ 23,363,080	\$ 11,222,441
Event revenue	53,881	67,500
Total operating revenues	<u>23,416,961</u>	<u>11,289,941</u>
Operating expenses		
Program support	10,653,031	9,328,363
Fundraising	381,702	466,216
Management and general	709,452	721,921
Total operating expenses	<u>11,744,185</u>	<u>10,516,500</u>
Operating income	<u>11,672,776</u>	<u>773,441</u>
Non-operating income (loss)		
Investment income	224,393	210,227
Realized gains (losses) and change in fair value of investments, net	<u>(440,374)</u>	<u>19,114</u>
Total non-operating income (loss), net	<u>(215,981)</u>	<u>229,341</u>
Increase in net position	11,456,795	1,002,782
Net position		
Beginning of year	<u>11,853,052</u>	<u>10,850,270</u>
End of year	<u>\$ 23,309,847</u>	<u>\$ 11,853,052</u>

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Contributions	\$ 10,675,373	\$ 9,757,683
Event revenue	56,381	67,500
Program support	(10,356,797)	(8,829,616)
Fundraising expenses	(363,735)	(466,391)
Management and general expenses	<u>(749,809)</u>	<u>(700,237)</u>
Net cash used by operating activities	<u>(738,587)</u>	<u>(171,061)</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,155,352	721,882
Purchase of investments	(48,643)	(707,569)
Interest and dividends on investments	<u>225,739</u>	<u>209,946</u>
Net cash provided by investing activities	<u>1,332,448</u>	<u>224,259</u>
Net increase in cash	593,861	53,198
Cash:		
Beginning of year	<u>188,260</u>	<u>135,062</u>
End of year	\$ <u><u>782,121</u></u>	\$ <u><u>188,260</u></u>
Reconciliation of operating income to net cash used by operating activities		
Operating income	\$ 11,672,776	\$ 773,441
Adjustments to reconcile operating income to net cash used by operating activities		
Non-cash gifts	(6,051,114)	(726,968)
Changes in assets and liabilities:		
Accounts and other receivables	70,189	(75,903)
Pledges receivable, net	(6,692,122)	(680,312)
Accounts and grants payable	<u>261,684</u>	<u>538,681</u>
Net cash used by operating activities	\$ <u><u>(738,587)</u></u>	\$ <u><u>(171,061)</u></u>
Supplemental non-cash activities information:		
Gifts of securities	6,051,114	726,968

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2016 and 2015

(1) Organization

The Jonsson Cancer Center Foundation / UCLA (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 designated by the donor for research being undertaken by a specific doctor, 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 funds for cancer research, such as seed grants, next generation technology, and impact grants which support collaboration between researchers. This information is detailed further in footnote (6) Program Support on page 18.

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 David Geffen 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 in 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 including all applicable effective standards of the GASB. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

(b) Recently Adopted New Accounting Pronouncement

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2016 and 2015

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for The Foundation's fiscal year beginning July 1, 2015. This Statement establishes standards for accounting and financial reporting for fair value measurements. The Statement requires investments to be measured at fair value and permits the use of net asset value as the fair value of the shares held when an investment does not have a readily determinable fair value. Fair value is defined as 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. Statement No. 72 also requires certain disclosures related to all fair value measurements.

(c) Cash

The Foundation manages its cash through major banking institutions. At June 30, 2016 and 2015, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately \$782 thousand and \$188 thousand, respectively. At June 30, 2016 and 2015, the Foundation had cash in banks exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limits by approximately \$531 thousand and \$1.3 million due to distributed checks not yet cleared. To mitigate custodial risk, the Foundation conducts business with fiscally sound banks with national recognition.

(d) Investments

Investments are measured and recorded at fair value. The Foundation's investment policy requires that all funds be invested with the University of California (UC) through The UCLA Foundation or the UC Regents. The Foundation participates in several external investment pools sponsored by either the UC Regents or The UCLA Foundation. These investment pools are not SEC registered. The Foundation's investments in external investment pools are reported at net asset value as determined by the pool's respective manager (the UC Regents or The UCLA Foundation). As such, these investments are excluded from the fair value level hierarchy. Management believes that net asset value (NAV) is a practical expedient to estimating fair value. The basis for determining the fair value of pooled funds is determined as the number of units held in the pool multiplied by the price-per-unit share.

(e) 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 on the basis that the pledge is verifiable, measurable, probable of collection, and meets all applicable eligibility requirements according to GASB No. 33. 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 includes specific reserves for items that are past due in payments, if applicable, as well as a

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2016 and 2015

general reserve which is 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.

(f) 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.

(g) 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, 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. Non-operating income and loss include interest and investment distributions, net realized gains (losses) on the sale of investments, and change in the fair value of investments held at the end of the period.

(h) 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

(i) 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

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Notes to Financial Statements

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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.

(3) Investments

For the year ended June 30, 2016, the Foundation held investments with both the UC Regents and The UCLA Foundation. For the year ended June 30, 2015, all Foundation investments were held with The UCLA Foundation. The UC Regents, as the governing board, is responsible for the oversight of its investments and establishes an investment policy which is carried out by the Chief Investment Officer. Oversight for The UCLA Foundation's investments is provided by the UCLA Investment Company and The UCLA Foundation boards of directors.

Composition of Investments (as classified on the Statements of Net Position)

	<u>2016</u>	<u>2015</u>
Short-term		
The UCLA Foundation Unendowed Investment Pool	\$ 6,407,503	\$ 6,396,378
University of California Regents' Short Term Investment Pool	<u>37,518</u>	<u>-</u>
Subtotal: Short-term investments	6,445,021	6,396,378
Long-term		
University of California Regents' General Endowment Pool	4,676,632	-
The UCLA Foundation Endowed Investment Pool	<u>2,191,002</u>	<u>2,412,246</u>
Subtotal: Long-term investments	<u>6,867,634</u>	<u>2,412,246</u>
Total investments	<u>\$ 13,312,655</u>	<u>\$ 8,808,624</u>

The UCLA Foundation's Unendowed Investment Pool (UIP) is invested in the UC Regents' Short Term Investment Pool (STIP). The University of California Regents' STIP authorized investments include fixed-income securities with a maximum maturity of five and one-half years. In addition, The Regents have also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

The University of California Regents' General Endowment Pool (GEP) asset allocation policy currently allows the portfolio to be invested as 32.5%-52.5% equity securities, 7.5%-17.5% fixed income securities, and 30%-60% alternatives.

The UCLA Foundation's Endowed Investment Pool (EIP) asset allocation policy allows the portfolio to be invested in 30%-75% equity securities, 0-25% private equity/venture capital, 5%-20% multi-strategy, 0-15% credit and 0-10% each of cash, real assets, and real estate.

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Notes to Financial Statements

June 30, 2016 and 2015

Composition of Investments (by investment type)

	<u>2016</u>	<u>2015</u>
Commingled money market funds	\$ 6,445,021	\$ 6,396,378
Commingled balanced funds	6,867,634	2,412,246
Total investments	<u>\$ 13,312,655</u>	<u>\$ 8,808,624</u>

Investments are exposed to several risks, such as market, credit, foreign currency, and interest rate risk, which can affect the value of the investments.

(a) Credit Risk

Fixed income securities are subject to credit risk, which is the probability that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Neither the UC Regents' STIP nor The UCLA Foundation's UIP are rated by credit rating agencies.

(b) Custodial Risk

Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be returned. The Foundation invests in the various pooled investment vehicles managed by the UC Regents and The UCLA Foundation. These pools are considered to be investments in external pools and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

(c) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The UC Regents investment guidelines addressing concentration of credit risk related to the investment grade fixed-income portion of the portfolios include a limit of no more than 3% of each portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies). The UCLA Foundation's allocation to the credit portfolio is diversified across credit asset classes and holds a mixture of investment grade and high yield securities of performing and non-performing debt. Accordingly, there are no investments in any one issuer that represents 5% or more of total fixed income investments.

(d) Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Foundation measures interest rate risk using the effective duration method.

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Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The interest rate risk schedule summarizes the average effective duration of its portfolio:

	<u>2016</u>	<u>2015</u>
	<i>(effective duration in years)</i>	
Commingled money market funds	1.3	1.7
Commingled balanced funds	3.7	5.6

(e) Foreign Currency Risk

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Regent's strategic asset allocation policy for GEP includes an allocation to non-US equities. These equity investments are not hedged; therefore, foreign currency risk is an essential part of the investment strategy. The Regent's portfolio guidelines for fixed-income securities also allow exposure to non-U.S. dollar-denominated bonds up to 10% of total the portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage.

The UCLA Foundation may utilize derivatives, exchange-traded funds or fixed income instruments in order to manage the risk. The following risk schedule summarizes the allocation of the portfolio to foreign currency:

	<u>2016</u>	<u>2015</u>
Commingled balanced funds	\$ 1,338,909	-

(4) Fair Value

Fair value is defined in accounting standards as 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. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1.

Level 2 – Quoted prices in the markets that are not considered to be active, dealer quotations, or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

Net Asset Value (NAV) – Investments which use NAV as a practical expedient to determine fair value are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV.

The Foundation invests in various external investment pools managed either by the University of California or The UCLA Foundation. Each of these pools (see footnote 3) transacts at a share price or net asset value as determined by the University of California (UC) or The UCLA Foundation based upon the underlying fair values of the pooled investments. Additional information on the UC investment pools can be obtained from the 2016 Annual Financial Report of the University of California. Additional information on The UCLA Foundation investment pool can be obtained from its 2016 Financial Statements. The following tables summarize JCCF's commingled funds at June 30, 2016 and June 30, 2015:

As of 6/30/2016

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled	Total
Commingled funds	-	-	-	13,312,655	-	13,312,655
Total investments	-	-	-	13,312,655	-	13,312,655

As of 6/30/2015

(in thousands of dollars)

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled	Total
Commingled funds	-	-	-	8,808,624	-	8,808,624
Total investments	-	-	-	8,808,624	-	8,808,624

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As of 6/30/2016

(In thousands of dollars)

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
Commingled funds money market funds	Investments in external commingled funds that invest in high quality money market and fixed income instruments with the objective to maximize returns consistent with safety of principal, liquidity, and cash flow requirements.	\$ 6,445,021	-	Not Applicable	48 hours notice	Not Applicable
Commingled funds balanced funds	Investments in external commingled funds that have an asset allocation to equity securities, alternative investments and fixed income instruments	6,867,634	-	Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 13,312,655	\$ -			

As of 6/30/2015

(In thousands of dollars)

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
Commingled funds money market funds	Investments in external commingled funds that invest in high quality money market and fixed income instruments with the objective to maximize returns consistent with safety of principal, liquidity, and cash flow requirements.	\$ 6,396,378	-	Not Applicable	48 hours notice	Not Applicable
Commingled funds balanced funds	Investments in external commingled funds that have an asset allocation to equity securities, alternative investments and fixed income instruments	2,412,246	-	Not Applicable	Redemption may be made quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 8,808,624	\$ -			

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(5) Pledges Receivable

Pledges receivable are unconditional promises to pay a specific amount and consist of the following at June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Pledges receivable, gross	\$ 10,440,696	\$ 3,310,280
Less:		
Allowance for uncollectible pledges	(37,191)	(12,228)
Discount for future payments	(433,072)	(19,741)
Pledges receivable, net	<u>\$ 9,970,433</u>	<u>\$ 3,278,311</u>
Current pledges receivable, net	\$ 1,749,171	\$ 2,221,991
Non-current pledges receivable, net	<u>8,221,262</u>	<u>1,056,320</u>
	<u>\$ 9,970,433</u>	<u>\$ 3,278,311</u>

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision of \$25 thousand in FY16 and a reversal of \$7 thousand in FY15. Both amounts were recorded as adjustments to contribution revenue. In addition, the Foundation recorded a reduction in contribution revenue due to present value adjustments in FY16 of \$413 thousand and present value accretion of \$14 thousand in FY15. Pledges due beyond one year have been discounted using rates ranging from 2.4% to 1.2%. Ninety-three percent of pledges receivable, net of discount, are from five donors in fiscal year 2016 as compared to eighty-three percent in fiscal year 2015.

(6) Program Support

Grants made in support of Foundation programs are as follows:

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	<u>2016</u>	<u>2015</u>
Donor directed grants	\$ 9,558,030	\$ 7,833,363
JCCC programmatic support:		
Seed grants	250,000	100,000
Clinical/translational research	250,001	250,000
Director's discovery	100,000	500,000
Impact grants	200,000	350,000
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	100,000	100,000
	<u>\$ 10,653,031</u>	<u>\$ 9,328,363</u>
Total		

(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 \$679 thousand for the year ended June 30, 2016 and \$611 thousand for the year ended June 30, 2015.