JONSSON CANCER CENTER FOUNDATION / UCLA

Financial Statements

June 30, 2017 and 2016

(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 statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 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, 2017 and 2016, respectively, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

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.

PricewaterhouseCoopers LLP

November 9, 2017

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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 and 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, 2017 (FY17), with selected comparative information for the fiscal year ended June 30, 2016 (FY16), and the fiscal year ended June 30, 2015 (FY15). 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, 2017 and 2016

Condensed Financial Information

	2017	FY 2017-2016 change percentage	2016	FY 2016-2015 change percentage	2015
Assets					
Cash	$ 168,630	-78%	$ 782,121	315%	$ 188,260
Investments					
Short-term investments	7,467,486	16%	6,445,021	1%	6,396,378
Long-term investments	7,563,178	10%	6,867,634	185%	2,412,246
Total investments	15,030,664	13%	13,312,655	51%	8,808,624
Pledges receivable, net	15,063,808	51%	9,970,433	204%	3,278,311
Other assets	646,692	604%	91,864	-44%	163,399
Total assets	30,909,794	28%	24,157,073	94%	12,438,594
Liabilities					
Current liabilities	1,457,236	72%	847,226	45%	585,542
Total liabilities	1,457,236	72%	847,226	45%	585,542
Net position					
Restricted net position	20,441,841	37%	14,878,554	314%	3,593,764
Unrestricted net position	9,010,717	7%	8,431,293	2%	8,259,288
Total net position	$ 29,452,558	26%	$ 23,309,847	97%	$ 11,853,052
Revenues and expenses					
Operating revenues					
Contributions	$ 18,114,595	-22%	$ 23,363,080	108%	$ 11,222,441
Event revenue	78,200	45%	53,881	-20%	67,500
Total operating revenues	18,192,795	-22%	23,416,961	107%	11,289,941
Operating expenses					
Program support	11,966,742	12%	10,653,031	14%	9,328,363
Fundraising	408,752	7%	381,702	-18%	466,216
Management and general	723,371	2%	709,452	-2%	721,921
Total operating expenses	13,098,865	12%	11,744,185	12%	10,516,500
Net operating income	5,093,930	-56%	11,672,776	1409%	773,441
Non-operating income					
Investment income	90,737	-23%	117,426	1%	116,049
Realized gains (losses) and changes in fair value of investments, net	958,044	387%	(333,407)	-394%	113,292
Total non-operating income (loss), net	1,048,781	586%	(215,981)	-194%	229,341
Change in net position	$ 6,142,711	-46%	$ 11,456,795	1043%	$ 1,002,782

Financial Highlights

In FY17, the Foundation's total assets increased 28% or $6.7 million to $30.9 million at June 30, 2017 from $24.2 million at June 30, 2016. The increase in FY17 was primarily due to pledges receivable which increased by $5.1 million and investments which increased by $1.7 million. 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 due to the receipt of a $10 million pledge as well as a transfer of a gift fund from The University of California (UC) for the purpose of cancer research.

In FY17, liabilities of the Foundation increased by 72% or $610 thousand to $1.5 million from $847 thousand in FY16. In FY16, liabilities increased 45% or $262 thousand to $847 thousand from $586 thousand in FY15. Both increases were due to grants awarded in one fiscal year that were not processed until the following fiscal year, due to large donor directed gifts received in the last few days of the fiscal year or payments still in transit to the bank at fiscal year-end.

Contributions to the Foundation decreased by 22% or $5.2 million to $18.1 million in FY17 as compared to $23.4 million in FY16. This was primarily due to an exceptional $10 million dollar pledge received in FY16 partially offset by an increase in planned gifts received in FY17. Contributions to the Foundation increased by 108% or $12.1 million in FY16 as compared to FY15. The FY16 increase was mainly due to an individual donor's pledge for $10 million.

Assets

Foundation assets include cash, investments, pledges receivable, and other assets. Other assets include gift and event receipts in process and prepaid expenses to UCLA. In FY17, the Foundation's investments increased 13% or $1.7 million to $15 million at June 30, 2017 from $13.3 million at June 30, 2016. This was primarily due to positive investment returns of $1 million and contributions received in FY17 but not paid out as grants until the following fiscal year. Pledges receivable increased 51% or $5.1 million to $15.1 million (net of discount and allowance) at June 30, 2017 from $10 million at June 30, 2016. This increase is the result of new pledges booked in FY17 of $7.5 million (net of discount and allowance) offset by pledge payments of $2.1 million and pledges charged off of $365 thousand. Gift and event receipts in process increased $441 thousand due to a number of donor gift payments received immediately before or after June 30, 2017 that were intended by the donor to be gifts to the Foundation in FY17.

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. Finally, pledges receivable increased 204% or $6.7 million to $10 million at June 30, 2016 from $3.3 million at June 30, 2015. This increase in pledges receivable was the result of $10.2 million in new pledges (net of discount) offset by $3.5 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 FY17, FY16, and FY15. In FY17, the Foundation's contribution revenue decreased by 22% or $5.2 million to $18.2 million from $23.4 million in FY16. This decrease was primarily due to a very large $10 million dollar pledge received in FY16 which was partially offset by an increase in planned gifts received in FY17 of $6.2 million.

Program support increased 12% or $1.3 million to $12 million in FY17 compared to $10.7 million in FY16 due to a grant paid for with proceeds from an unrestricted estate. Fundraising costs increased 7% or $27 thousand to $409 thousand in FY17 compared to $382 thousand in FY16. This increase was largely due to an increased emphasis on estate and trust fundraising efforts and the legal fees periodically incurred to receive the funds. Management and general expenses increased 2% or $14 thousand to $723 thousand in FY17 compared to $709 thousand in FY16.

Contribution revenue increased $12.1 million in FY16 versus FY15 due to the receipt of the largest pledge in the Foundation's history ($10 million).

Reflecting the increase in contribution revenue, program support increased 14% to $10.7 million in FY16 compared to $9.3 million in FY15. Fundraising costs decreased 18% 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% to $709 thousand in FY16 compared to $722 thousand in FY15 due to office space renovations which occurred in FY15 and not repeated in FY16.

Non-operating Income (Loss)

In FY17, non-operating income increased by 586% or $1.2 million to $1 million from a loss of $216 thousand in FY16. This was primarily due to the improvement 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. In FY17, the GEP experienced a gain of 15% while the EIP returned 15.8%.

Non-operating income in FY16 declined 194% or $445 thousand becoming a loss of $216 thousand from income of $229 thousand in FY15. This was due to a decline in investment returns for both the GEP and the EIP. The GEP experienced a loss of 3.6% while the EIP returned a negative 4.1% in fiscal year 2016.

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, 2017 and 2016

		2017		2016
Assets				
Current assets				
Cash	$	168,630	$	782,121
Short-term investments		7,467,486		6,445,021
Gift and event receipts in process		495,727		54,674
Prepaid expenses		124,228		10,870
Accrued investment income		26,737		26,320
Pledges receivable, net		5,755,603		1,749,171
Total current assets		14,038,411		9,068,177
Non-current assets:				
Long-term investments		7,563,178		6,867,634
Pledges receivable, net		9,308,205		8,221,262
Total non-current assets		16,871,383		15,088,896
Total assets	$	30,909,794	$	24,157,073
Liabilities				
Current liabilities				
Grants payable		1,424,333		840,000
Accounts payable and other non-operating accrued expenses		32,903		7,226
Total liabilities		1,457,236		847,226
Net position				
Restricted expendable gifts		20,441,841		14,878,554
Unrestricted		9,010,717		8,431,293
Total net position	$	29,452,558	$	23,309,847

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

	2017	2016
Operating revenues		
Contributions	$ 18,114,595	$ 23,363,080
Event revenue	78,200	53,881
Total operating revenues	18,192,795	23,416,961
Operating expenses		
Program support	11,966,742	10,653,031
Fundraising	408,752	381,702
Management and general	723,371	709,452
Total operating expenses	13,098,865	11,744,185
Net operating income	5,093,930	11,672,776
Non-operating income		
Investment income	90,737	117,426
Realized gains (losses) and change in fair value of investments, net	958,044	(333,407)
Total non-operating income (loss), net	1,048,781	(215,981)
Increase in net position	6,142,711	11,456,795
Net position		
Beginning of year	23,309,847	11,853,052
End of year	$ 29,452,558	$ 23,309,847

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Contributions	$ 12,188,524	$ 10,675,373
Event revenue	76,200	56,381
Program support	(11,382,409)	(10,356,797)
Fundraising expenses	(405,257)	(363,735)
Management and general expenses	(837,881)	(749,809)
Net cash used by operating activities	(360,823)	(738,587)
Cash flows from investing activities		
Proceeds from sale of investments	550,847	1,155,352
Purchase of investments	(1,022,465)	(48,643)
Interest and distributions on investments	218,950	225,739
Net cash (used)/provided by investing activities	(252,668)	1,332,448
Net (decrease)/increase in cash	(613,491)	593,861
Cash:		
Beginning of year	782,121	188,260
End of year	$ 168,630	$ 782,121

	2017	2016
Reconciliation of operating income to net cash used by operating activities		
Net operating income	$ 5,093,930	$ 11,672,776
Adjustments to reconcile operating income to net cash used by operating activities		
Non-cash gifts	(393,644)	(6,051,114)
Provision for uncollectible pledges receivable	386,289	24,962
Changes in assets and liabilities:		
Gift and event receipts in process	(441,053)	58,029
Prepaid expenses	(113,358)	12,160
Pledges receivable, net	(5,479,664)	(6,717,084)
Accounts and grants payable	586,677	261,684
Net cash used by operating activities	$ (360,823)	$ (738,587)
Supplemental non-cash activities information:		
Gifts of securities	347,644	6,051,114
Gifts of commodities	46,000	

See accompanying notes to financial statements.

(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 19.

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. During both FY16 and FY17, the Foundation had two independently operated chapters located in the greater Los Angeles area that assisted in the fundraising effort. At the end of FY17, one chapter remains.

(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

In March 2016 the GASB issued statement No. 81 *Irrevocable Split-Interest Agreements*, effective for the Foundation's fiscal year beginning July 1, 2017. This statement establishes standards for accounting and financial reporting of irrevocable split-interest agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts – or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interest in real estate. This statement requires that a government recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. The impact of this statement on the Foundation is still being evaluated.

(c) Cash

The Foundation manages its cash through major banking institutions. At June 30, 2017 and 2016, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately $169 thousand and $782 thousand, respectively. At June 30, 2017, the Foundation's cash in banks did not exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2016 the Foundation's cash in banks exceeded the FDIC limits by approximately $531 thousand due to distributed checks that had 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 registered with the Securities and Exchange Commission (SEC). The Foundation's investments in external investment pools are reported at net asset value (NAV) 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 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) Gift and event receipts in process

The Foundation records gift and event receipts in process when donor payments are dated prior to the fiscal year end but are not received or processed by The Foundation until after fiscal year end. Also included are credit card gift payments made by the donor in one fiscal year but not yet settled by the bank until the following fiscal year.

(f) 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 Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*. 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 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 expenditures, as well as all pledges for endowment purposes, are recognized when the conditions are substantially met.

(g) 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.

(h) Classification of Revenues and Expenses

Operating revenues include contributions from various donors and guild chapters as well as event revenue representing the 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.

(i) Non-Monetary Transactions

From time to time the Foundation receives gifts or pledge payments in the form of stocks or securities. The Foundation uses the brokerage accounts and services of The UCLA Foundation acting as agent to receive and sell these securities. It is the policy of the Foundation to liquidate investment securities as soon as is practicable from the date of receipt. Gifts of stocks and securities are valued at the average (high and low) market price on the date of transfer and recorded as contribution revenue or as a reduction of pledges receivable, if applicable. The difference between the gift value and actual proceeds received (net of brokerage fees) is recorded as realized gains (losses) on the Statements of Revenues, Expenses, and Changes in Net Position.

(j) 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.

(k) 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.

(l) Reclassification

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

(3) Investments

For the years ended June 30, 2017 and 2016, the Foundation held investments with both the UC Regents and 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)

	2017	2016
Short-term		
The UCLA Foundation Unendowed Investment Pool	$ 7,425,808	$ 6,407,503
University of California Regents' Short Term Investment Pool	41,678	37,518
Short-term investments	7,467,486	6,445,021
Long-term		
University of California Regents' General Endowment Pool	5,153,698	4,676,632
The UCLA Foundation Endowed Investment Pool	2,409,480	2,191,002
Long-term investments	7,563,178	6,867,634
Total investments	$ 15,030,664	$ 13,312,655

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, 0-15% real assets, 0-10% each of cash and real estate.

Composition of Investments (*by investment type*)

	2017	2016
Commingled money market funds	$ 7,467,486	$ 6,445,021
Commingled balanced funds	7,563,178	6,867,634
Total investments	$ 15,030,664	$ 13,312,655

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). For high-yield and emerging market debt, the corresponding limit is 5 percent. The UCLA Foundation investment pools' 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. 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:

	2017	2016
	(effective duration in years)	
Commingled money market funds	1.5	1.3
Commingled balanced funds	4.0	3.7

(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.

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 NAV 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 2017 Annual Financial Report of the University of California. Additional information on The UCLA Foundation investment pool can be obtained from its 2017 Financial Statements. The following tables summarize JCCF's commingled funds at June 30, 2017 and June 30, 2016:

As of 6/30/2017

(in thousands of dollars)	**Fair Value Measurements Using**					
	Quoted Prices in Active Markets for identical Assets	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Net Asset Value**	**Not Leveled**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**(NAV)**		**Total**
Commingled funds	-	-	-	$ 15,030,664	-	$ 15,030,664
Total investments	-	-	-	$ 15,030,664	-	$ 15,030,664

As of 6/30/2016

(in thousands of dollars)	**Fair Value Measurements Using**					
	Quoted Prices in Active Markets for identical Assets	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Net Asset Value**	**Not Leveled**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**(NAV)**		**Total**
Commingled funds	-	-	-	$ 13,312,655	-	$ 13,312,655
Total investments	-	-	-	$ 13,312,655	-	$ 13,312,655

The Foundation uses the NAV as a practical expedient to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments by major category for the years ending June 30, 2017, and June 30, 2016.

As of 6/30/2017

(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.	$ 7,467,486	-	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	7,563,178	-	Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		**$ 15,030,664**	**$ -**			

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**	**$ -**			

(5) Pledges Receivable

Pledges receivable are unconditional promises to pay a specific amount and consist of the following at June 30, 2017 and June 30, 2016:

	2017	2016
Pledges receivable, gross	$ 15,503,034	$ 10,440,696
Less:		
Allowance for uncollectible pledges	(58,706)	(37,191)
Discount for future payments	(380,520)	(433,072)
Pledges receivable, net	$ 15,063,808	$ 9,970,433
Current pledges receivable, net	$ 5,755,603	$ 1,749,171
Non-current pledges receivable, net	9,308,205	8,221,262
	$ 15,063,808	$ 9,970,433

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision of $386 thousand in FY17 and a loss provision of $25 thousand in FY16. Both amounts were recorded as adjustments to contribution revenue. In addition, the Foundation recorded an increase in contribution revenue due to present value accretion in FY17 of $53 thousand and present value adjustments of $413 thousand in FY16. Pledges due beyond one year have been discounted using rates ranging from 2.1% to 1.2%. Ninety-four percent of pledges receivable, net of discount, are from five donors in fiscal year 2017 as compared to ninety-three percent in fiscal year 2016.

(6) Program Support

Grants made in support of Foundation programs are as follows:

	2017	2016
Donor directed grants	$ 9,044,172	$ 9,558,030
JCCC programmatic support:		
Seed grants	520,570	250,000
Clinical/translational research	242,000	250,001
Director's discovery	1,225,000	100,000
Impact grants	400,000	200,000
Information/outreach	100,000	35,000
Next generation technology	165,000	125,000
Other program areas	70,000	35,000
Strategic investment and innovative faculty	200,000	100,000
Total	$ 11,966,742	$ 10,653,031

(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 $645 thousand for the year ended June 30, 2017 and $679 thousand for the year ended June 30, 2016.