

JONSSON CANCER CENTER FOUNDATION / UCLA

Financial Statements

June 30, 2022 and 2021

(With Independent Auditor's Report Thereon)

JONSSON CANCER CENTER FOUNDATION / UCLA

Table of Contents

Report of Independent Auditors	1-2
Management's Discussion and Analysis (Unaudited)	3-7
Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-20



Report of Independent Auditors

To the Board of Directors of the
Jonsson Cancer Center Foundation / UCLA:

Opinion

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, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

The accompanying management's discussion and analysis on pages 3 through 7 is 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, 2022

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis

June 30, 2022 and 2021

The Jonsson Cancer Center Foundation/UCLA (JCCF or 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 and patient care conducted at UCLA in the Jonsson Comprehensive Cancer Center (JCCC) and UCLA.

The following discussion and analysis of the Foundation's financial performance presents an overview of its financial activities for the fiscal year ended June 30, 2022 (FY22), with selected comparative information for the fiscal year ended June 30, 2021 (FY21), and the fiscal year ended June 30, 2020 (FY20). 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

June 30, 2022 and 2021

Condensed Financial Information

	2022	FY 2022-2021 change percentage	2021	FY 2021-2020 change percentage	2020
Assets					
Cash	\$ 84,253	-75%	\$ 334,349	\$ 116%	\$ 155,088
Investments					
Short- Term Investments	8,860,397	-8%	9,619,355	13%	8,509,252
Long- Term Investments	9,376,215	-10%	10,387,710	28%	8,131,389
Total Investments	18,236,612	-9%	20,007,065	20%	16,640,641
Pledges receivable, net	7,761,774	6%	7,298,644	-19%	8,998,207
Beneficial Interest in Split Interest Agreements	91,073	-34%	137,072	29%	106,256
Other assets	100,905	-94%	1,557,368	119%	711,136
Total assets	26,274,617	-10%	29,334,498	10%	26,611,328
Liabilities					
Current liabilities	121,288	-85%	811,304	1036%	71,415
Total liabilities	121,288	-85%	811,304	1036%	71,415
Deferred inflow of resources					
Deferred inflow- gift receipts	91,073	-69%	297,804	16%	255,704
Total deferred inflow of resources	91,073	-69%	297,804	16%	255,704
Net Positions					
Restricted net position	14,623,943	-12%	16,592,894	6%	15,659,579
Unrestricted net position	11,438,316	-2%	11,632,496	9%	10,624,630
Total net position	\$ 26,062,259	-8%	\$ 28,225,390	7%	\$ 26,284,209
Revenues and expenses					
Operating revenues					
Contributions	14,387,565	11%	12,945,107	39%	9,299,408
Total operating revenues	14,387,565	11%	12,945,107	39%	9,299,408
Operating expenses					
Program support	14,451,280	12%	12,900,762	23%	10,521,523
Fundraising	349,588	700%	43,673	-41%	74,224
Management and general	913,965	11%	822,066	-16%	976,679
Total operating expenses	15,714,833	14%	13,766,501	19%	11,572,426
Net operating loss	(1,327,268)	62%	(821,394)	-64%	(2,273,018)
Non-operating (loss) income					
Investment income	73,075	-27%	99,973	-30%	142,285
Realized (losses) gains and changes in fair value of investments, net	(908,938)	-134%	2,662,602	909%	263,779
Total non-operating (loss) income, net	(835,863)	-130%	2,762,575	580%	406,064
Change in net position	\$ (2,163,131)	-211%	\$ 1,941,181	-204%	\$ (1,866,954)

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis

June 30, 2022 and 2021

Financial Highlights

In FY22, the Foundation's total assets decreased 10% or \$3.0 million to \$26.3 million at June 30, 2022 from \$29.3 million at June 30, 2021. The decrease in FY22 was primarily due to short and long term investments which decreased by \$759 thousand and \$1 million respectively, accompanied by a decrease in other assets of \$1.5 million. In FY21, the Foundation's total assets increased by 10% or \$2.7 million to \$29.3 million at June 30, 2021 from \$26.6 million at June 30, 2020. The increase in FY21 was primarily due to short and long term investments which increased by \$1.1 million and \$2.3 million, respectively, which was offset by a decrease in pledges receivables by \$1.7 million.

In FY22, liabilities of the Foundation decreased by 85% or \$690 thousand to \$121 thousand from \$811 thousand in FY21. The decrease in FY22 correlates to an exceptionally high FY21, due to timing of when the gifts were received in FY21. To this, in FY21, liabilities of the Foundation increased by 1036% or \$740 thousand to \$811 thousand from \$71 thousand in FY20. The increase in FY21 correlates to the fact that some gifts received in June 2021 were not fully processed and transferred to the JCCC in that same fiscal year. Deferred inflow-gift receipts decreased by 69% or \$207 thousand to \$91 thousand at June 30, 2022 from \$298 thousand at June 30, 2021. The decrease in FY22 was due to the full recognition of \$161 thousand of revenue deferred in FY21 for Taste for a Cure (TFAC), a fundraising event that took place in April 2022 after COVID-19 related delays, as well as a \$46 thousand decrease of net assets in split interest agreements.

Contributions to the Foundation increased by 11% or \$1.4 million to \$14.4 million in FY22 as compared to \$12.9 million in FY21, and Contributions to the Foundation increased by 39% or \$3.6 million to \$12.9 million in FY21 as compared to \$9.3 million in FY20. In FY22 the increase was due to TFAC being held and greater estate gifts; in FY21 the increase was primarily due to major gifts.

Of note, in FY22 the Foundation Staff were the lead in UCLA receiving two endowed chairs. One for \$2 million for lymphoma and the other for \$3 million for the fight against pediatric sarcomas. Additionally, about \$1 million was raised in endowments for the Simms/Mann UCLA Center for Integrative Oncology. These three amounts total \$6 million. The Foundation staff thus raised \$20 million in FY22.

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 FY22, the Foundation's investments decreased 9% or \$1.8 million to \$18.2 million at June 30, 2022 from \$20.0 million at June 30, 2021. The decrease is mainly due to a decrease in the fair value of investments of \$1.1 million from FY21 and the timing of grants being paid out to JCCC and other departments at UCLA, from the STIP (short term investment pool).

Pledges receivable increased 6% or \$463 thousand to \$7.7 million (net of discount and allowance) at June 30, 2022 from \$7.3 million at June 30, 2021. This increase is the result of the fact that new pledges in FY22 exceeded pledge payments received in FY22 from both new and existing pledges.

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis

June 30, 2022 and 2021

In FY21, the Foundation's investments increased 20% or \$3.4 million to \$20.0 million at June 30, 2021 from \$16.6 million at June 30, 2020. The increase is mainly due to an increase in the fair value of investments of \$2.6 million from FY20 and the timing of grants being paid out to JCCC and other departments at UCLA.

Pledges receivable decreased 19% or \$1.7 million to \$7.3 million (net of discount and allowance) at June 30, 2021 from \$9.0 million at June 30, 2020. This decrease is the result of the fact that new pledges in FY21 did not match or exceed pledge payments received in FY21 (which were for existing pledges booked in previous fiscal years.)

Operating Revenues and Expenses

The condensed schedules of revenues, expenses and changes in net position summarize operating income and non-operating income (loss) for FY22, FY21, and FY20. In FY22, the Foundation's contribution revenue increased by 11% or \$1.4 million to \$14.4 million from \$12.9 million in FY21. This was due to TFAC being held and greater estate gifts; in FY21 the increase was primarily due to major gifts.

Program support increased 12% or \$1.6 million to \$14.5 million in FY22 compared to \$12.9 million in FY21 due primarily due to TFAC being held and greater estate gifts. More specifically, the JCCF was budgeted to deliver \$9 million in donor directed grants to the JCCC and other departments at UCLA. However, JCCF actually transferred an additional \$3.8 million for a total of \$12.8 million of donor directed grants in FY22, a 42% increase over budget. Overall, for FY22 the JCCF was budgeted to provide \$1.5 million in program support and, as noted above, provided \$1.6 million, a 6% increase over budget.

Fundraising costs increased 700% or \$306 thousand to \$350 thousand in FY22 compared to \$44 thousand in FY21. Management and general expenses increased 11% or \$92 thousand to \$914 thousand in FY22 compared to \$822 thousand in FY21. The increase in Fundraising costs is due to the fact that in 2022 the JCCF held its annual Taste for the Cure Fundraiser which had not been held in the previous year due to COVID-19. Management and general expenses also increased slightly as staff are working from the office more, thus, increasing office supplies and the like.

In FY21, the Foundation's contribution revenue increased by 39% or \$3.6 million to \$12.9 million from \$9.3 million in FY20. This was primarily due to the timing of major gifts in FY21 and the impact of the COVID-19 pandemic on major gift philanthropy in FY20.

Program support increased 23% or \$2.4 million to \$12.9 million in FY21 compared to \$10.5 million in FY20 due primarily to an increase in major gifts received in FY21. More specifically, the JCCF was budgeted to deliver \$8.8 million in donor directed grants to JCCC and other departments at UCLA. However, JCCF actually transferred \$11.5 million of donor directed grants in FY21, a 30% increase over budget.

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis

June 30, 2022 and 2021

Fundraising costs decreased 41% or \$30 thousand to \$44 thousand in FY21 compared to \$74 thousand in FY20. Management and general expenses decreased 16% or \$155 thousand to \$822 thousand in FY21 compared to \$977 thousand in FY20. This decrease is attributed UCLA's work from home restrictions which limited board meeting expenses and office supply expenses. In addition, the JCCF had some staff vacancies which also contributed to the decrease in management and general expenses.

Total expenses exceeded total revenue in FY22 because grants and similar amounts paid, as program support, included payments from pledges or gifts accrued in previous fiscal years. More specifically, an estate gift of \$1.2 million was recorded as revenue in FY21 but not shown as a Program expense until FY22 due to leadership determining where those funds should be directed. As such, the Foundation's net operating loss for the year is driven by the timing of Program support payments and not general expenses. As the Foundation's general expenses were fully covered, it did not have an administrative deficit for FY22 or FY21. As such, the Foundation had sufficient liquidity to operate in FY22.

Non-operating Income (Loss)

In FY22, non-operating loss was \$836 thousand which was a decrease of 130% or \$3.6 million from \$2.8 million non-operating income in FY21. This was primarily due to decreases in fair value in JCCF's General Endowment Pool (GEP) managed by the UC Regents and the Endowed Investment Pool (EIP) managed by the UCLA Investment Company. In FY22, the GEP experienced a loss of 7.8% while the EIP also experienced a loss of 14.3%.

In FY21, non-operating income increased by 580% or \$2.4 million to \$2.8 million from \$406 thousand in FY20. This was primarily due to increases in the realized gains and fair value increases in JCCF's General Endowment Pool (GEP) managed by the UC Regents and the Endowed Investment Pool (EIP) managed by the UCLA Investment Company. In FY21, the GEP experienced a gain of 27.8% while the EIP also experienced a gain of 27.6%.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 84,253	\$ 334,349
Short-term investments	8,860,397	9,619,355
Gift and event receipts in process	11,605	1,203,420
Prepaid expenses	60,119	321,661
Accrued investment income	29,181	32,287
Pledges receivable, net	<u>3,860,453</u>	<u>2,593,314</u>
Total current assets	<u>12,906,008</u>	<u>14,104,386</u>
Non-current assets:		
Long-term investments	9,376,215	10,387,710
Beneficial interest in irrevocable split interest agreements	91,073	137,072
Pledges receivable, net	<u>3,901,321</u>	<u>4,705,330</u>
Total non-current assets	<u>13,368,609</u>	<u>15,230,112</u>
Total assets	<u>\$ 26,274,617</u>	<u>\$ 29,334,498</u>
Liabilities		
Current liabilities		
Grants payable	102,414	810,607
Accounts payable and other non-operating accrued expenses	<u>18,874</u>	<u>697</u>
Total liabilities	<u>121,288</u>	<u>811,304</u>
Deferred Inflow of Resources		
Deferred inflow - gift receipts	<u>91,073</u>	<u>297,804</u>
Total deferred inflow of resources	<u>91,073</u>	<u>297,804</u>
Net position		
Restricted expendable gifts	14,623,943	16,592,894
Unrestricted	<u>11,438,316</u>	<u>11,632,496</u>
Total net position	<u>\$ 26,062,259</u>	<u>\$ 28,225,390</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Contributions, net of \$2,000 increase and \$24,000 decrease in provision in 2022 and 2021, respectively	\$ 14,387,565	\$ 12,945,107
Total operating revenues	<u>14,387,565</u>	<u>12,945,107</u>
Operating expenses		
Program support	14,451,280	12,900,762
Fundraising	349,588	43,673
Management and general	913,965	822,066
Total operating expenses	<u>15,714,833</u>	<u>13,766,501</u>
Net operating loss	<u>(1,327,268)</u>	<u>(821,394)</u>
Non-operating (loss) income		
Investment income	73,075	99,973
Realized (losses) gains and change in fair value of investments, net	<u>(908,938)</u>	<u>2,662,602</u>
Total non-operating (loss) income, net	<u>(835,863)</u>	<u>2,762,575</u>
Change in net position	(2,163,131)	1,941,181
Net position		
Beginning of year	<u>28,225,390</u>	<u>26,284,209</u>
End of year	<u>\$ 26,062,259</u>	<u>\$ 28,225,390</u>

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Cash Flows

June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Contributions	\$ 14,556,757	\$ 11,583,103
Program Support	(15,159,472)	(12,158,894)
Fundraising	(349,588)	(43,673)
Management and General	(654,406)	(761,231)
Net cash used in operating activities	<u>(1,606,709)</u>	<u>(1,380,696)</u>
Cash flows from noncapital financing activities:		
Receipt of endowed funds	<u>20,159</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>20,159</u>	<u>-</u>
Cash flows from investing activities:		
Proceeds from sales of investments	7,317,124	6,017,497
Purchase of investments	(6,025,411)	(4,531,014)
Interest and dividends on investments	<u>44,741</u>	<u>73,473</u>
Net cash provided by investing activities	<u>1,336,454</u>	<u>1,559,956</u>
Net (decrease) increase in cash	(250,096)	179,260
Cash		
Beginning of year	334,349	155,088
End of year	<u>\$ 84,253</u>	<u>\$ 334,349</u>
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	(1,327,268)	(821,394)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Non-cash gifts	(398,761)	(2,170,241)
Provision for uncollectible pledges receivable	1,728	(24,290)
Changes in assets and liabilities		
Gift and event receipts in process	1,191,815	(902,610)
Prepaid expenses	261,542	62,814
Pledges receivable, net	(464,858)	1,723,855
Accounts and grants payable	(710,174)	739,886
Deferred revenue and expense	<u>(160,732)</u>	<u>11,284</u>
Net cash used in operating activities	<u>\$ (1,606,709)</u>	<u>\$ (1,380,696)</u>
Supplemental non-cash activities information		
Gifts of securities	398,761	2,170,241

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(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 or the University). The Foundation is a component unit of the University of California (UC).

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 or patient care 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 the UC Regents or The UCLA Foundation, which assumes responsibility for actual disbursement in accordance with the donor's wishes. The Foundation has one independently operated chapter located in the greater Los Angeles area that assisted 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) Cash

The Foundation manages its cash through major banking institutions. At June 30, 2022 and 2021, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately \$84 thousand and \$334 thousand, respectively. At June 30, 2022 and 2021 the Foundation's cash in banks did not exceed the Federal Deposit Insurance Corporations (FDIC) insurance limits. To mitigate custodial risk, the Foundation conducts business with banks with national recognition.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(c) Investments

Investments are measured and recorded at fair value. As a component of the University of California, the Foundation's investment policy requires that all funds be invested with the University of California 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.

(d) 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.

(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 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.

(f) Endowed Funds Payable

The Foundation collects endowed funds for endowments on campus. These funds are paid soon after receipt to the designated fund. These funds are not recorded as revenue since they are permanently restricted assets for another organization. All endowed assets received by the Foundation are considered a liability to the University until paid.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(g) *Deferred Inflows*

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Foundation classifies changes in irrevocable split-interest agreements as deferred inflows of resources. These amounts will be recognized as revenue at the termination of the split-interest agreements. Deferred inflows also include contributions received from donors which do not yet meet the time requirements to be recorded as revenue under government accounting standards. These amounts will be reclassified to gift revenue when all time requirements have been met.

(h) *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.

(i) *Classification of Revenues and Expenses*

Operating revenues include contributions from various donors including pledges net of allowances and the guild chapter 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 the UC Regents or The UCLA Foundation in support of cancer research and care 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.

(j) *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.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(k) 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.

(l) 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.

(3) Investments

For the years ended June 30, 2022 and 2021, 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)

	<u>2022</u>	<u>2021</u>
Short-term		
The UCLA Foundation Unendowed Investment Pool	\$8,797,932	\$9,579,729
University of California Regents' Short Term Investment Pool	62,465	39,626
Short-term investments	<u>8,860,397</u>	<u>9,619,355</u>
Long-term		
University of California Regents' General Endowment Pool	6,746,179	7,319,533
The UCLA Foundation Endowed Investment Pool	2,630,036	3,068,177
Long-term investments	<u>9,376,215</u>	<u>10,387,710</u>
Total Investments	<u>\$18,236,612</u>	<u>\$20,007,065</u>

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

JCCF holds investments directly with the UC Regents' Short-Term Investment Pool (STIP) as well as indirectly through The UCLA Foundation's Unendowed Investment Pool (UIP). The UCLA Foundation's Unendowed Investment Pool (UIP) is invested in the UC Regents' Short-Term Investment Pool (STIP). Funds for gifts "in transit" to the JCCC and other departments/divisions are held in the STIP account until the transfer is complete. The decrease of the STIP in FY22 was due to the fact that gifts received in June of FY21 were fully processed and transferred to the JCCC and other divisions/departments by the end of FY22. 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 30%-50% equity securities, 5%-15% fixed income, 10%-30% private equity, 0-8% real assets, 4%-12% real estate, 0-6% private credit, 5%-15% absolute return and 1% -5% cash.

The UCLA Foundation's Endowed Investment Pool (EIP) asset allocation policy allows the portfolio to be invested in 15%-45% equity securities, 10%-30% private equity, 10%-30% independent return, 5%-15% real assets, 0-10% each of cash/fixed income and 0%-3% portfolio insurance.

Composition of Investments (by investment type)

	2022	2021
Commingled money market funds	\$8,860,397	\$9,619,355
Commingled balanced funds	9,376,215	10,387,710
Total Investments	<u>\$18,236,612</u>	<u>\$20,007,065</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.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(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%. 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:

	<u>2022</u>	<u>2021</u>
	<i>(effective duration in years)</i>	
Commingled money market funds	0.0	0.1
Commingled balanced funds	2.3	2.2

(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:

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

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 and beneficial interest in irrevocable split interest agreements 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 and beneficial interest in irrevocable split interest agreements are based upon the best information in the circumstance and may require significant management judgment. Level 3 financial instruments include real estate, and beneficial interest in irrevocable split interest agreements. The Foundation uses the market approach to fair value the beneficial interest in split interest agreements. Real estate, as part of the beneficial interest in irrevocable split interest agreements, is fair valued using the market approach to valuation.

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 2022 Annual Financial Report of the University of California. Additional information on The UCLA Foundation investment pool can be obtained from its 2022 Financial Statements. The following tables summarize JCCF's commingled funds at June 30, 2022 and June 30, 2021:

As of 6/30/22	Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value	Not Levelled
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Commingled funds	-	-	-	18,236,612	18,236,612
Total Investments	-	-	-	\$18,236,612	\$18,236,612

Beneficial interests in irrevocable split interest agreements	\$	91,073			
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As of 6/30/21	Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value	Not Levelled
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
	(Level 1)	(Level 2)	(Level 3)	(NAV)	Total
Commingled funds	-	-	-	20,007,065	20,007,065
Total Investments	-	-	-	\$20,007,065	\$20,007,065

Beneficial interests in irrevocable split interest agreements	\$	137,072			
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JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022, and June 30, 2021.

As of 6/30/2022

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 money market and fixed income instruments with the objective to maximize returns consistent with safety of principal, liquidity, and cash flow requirements.	\$ 8,860,397		- 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	9,376,215		- Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 18,236,612				

As of 6/30/2021

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 money market and fixed income instruments with the objective to maximize returns consistent with safety of principal, liquidity, and cash flow requirements.	\$ 9,619,355		- 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	10,387,710		- Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 20,007,065				

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(5) Pledges Receivable

Pledges receivable are unconditional promises to pay a specific amount and consist of the following at June 30, 2022 and June 30, 2021:

	<u>2022</u>	<u>2021</u>
Pledges Receivable, Gross	\$7,822,969	\$7,432,900
Less:		
Allowance for uncollectible pledges	(7,396)	(5,668)
Discount on future pledges	<u>(53,799)</u>	<u>(128,588)</u>
	<u>\$7,761,774</u>	<u>\$7,298,644</u>
Current pledges receivable, net	3,860,453	2,593,314
Non-current pledges receivable, net	<u>3,901,321</u>	<u>4,705,330</u>
	<u>\$7,761,774</u>	<u>\$7,298,644</u>

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision increase of \$2 thousand in FY22 and a loss provision reduction of \$24 thousand in FY21. 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 FY22 of \$75 thousand and \$61 thousand in FY21. Pledges due beyond one year have been discounted using rates ranging from 0.38% in June 30, 2022 to 0.80% in June 30, 2021. Eighty-six percent of pledges receivable, net of discount, are from seven donors in fiscal year 2022 as compared to ninety-six percent in fiscal year 2021.

(6) Program Support

Grants made in support of Foundation programs are as follows:

	<u>2022</u>	<u>2021</u>
Donor directed grants	\$12,791,279	\$11,540,762
JCCC programmatic support:		
Seed and Impact Grants	450,000	450,000
Clinical/translational research	250,001	250,000
Director's discovery	650,000	350,000
Information/outreach	50,000	50,000
Next generation technology	125,000	125,000
Other program areas	35,000	35,000
Strategic investment and innovative faculty	100,000	100,000
Total	<u>\$14,451,280</u>	<u>\$12,900,762</u>

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2022 and 2021

(7) Related Parties

The Foundation exists for the sole purpose of supporting cancer research at UCLA and has the following organizational relationships 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 support in the accompanying financial statements and totaled \$939 thousand for the year ended June 30, 2022 and \$837 thousand for the year ended June 30, 2021.

(8) Subsequent Event

The Foundation has evaluated subsequent events from the net position date through November 9, 2022, the date which the financial statements were available to be issued, and determined there are no items to disclose.