

JONSSON CANCER CENTER FOUNDATION / UCLA

Financial Statements

June 30, 2020 and 2019

(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 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, 2020 and 2019, 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 respective financial position of Jonsson Cancer Center Foundation / UCLA as of June 30, 2020 and 2019, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

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, 2020

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis

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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 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, 2020 (FY20), with selected comparative information for the fiscal year ended June 30, 2019 (FY19), and the fiscal year ended June 30, 2018 (FY18). 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.

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Condensed Financial Information

	<u>2020</u>	<u>FY 2020-2019 change percentage</u>	<u>2019</u>	<u>FY 2019-2018 change percentage</u>	<u>2018</u>
Assets					
Cash	\$ 155,088	93%	\$ 80,394	-56%	\$ 184,397
Investments					
Short- Term Investments	8,509,252	10%	7,760,016	-23%	10,058,610
Long- Term Investments	8,131,389	0%	8,168,725	2%	8,013,310
Total Investments	<u>16,640,641</u>	<u>4%</u>	<u>15,928,741</u>	<u>-12%</u>	<u>18,071,920</u>
Pledges receivable, net	8,998,207	-22%	11,467,136	-18%	13,901,271
Beneficial Interest in Split Interest Agreements	106,256	-66%	317,128	-86%	2,341,830
Other assets	711,136	-12%	804,062	159%	310,371
Total assets	<u>26,611,328</u>	<u>-7%</u>	<u>28,597,461</u>	<u>-18%</u>	<u>34,809,789</u>
Liabilities					
Current liabilities	71,415	-45%	129,170	-96%	2,917,104
Total liabilities	<u>71,415</u>	<u>-45%</u>	<u>129,170</u>	<u>-96%</u>	<u>2,917,104</u>
Deferred inflow of resources					
Deferred inflow- gift receipts	255,704	-19%	317,128	-86%	2,341,830
Total deferred inflow of resources	<u>255,704</u>	<u>-19%</u>	<u>317,128</u>	<u>-86%</u>	<u>2,341,830</u>
Net Positions					
Restricted net position	15,659,579	-12%	17,746,379	-9%	19,540,600
Unrestricted net position	10,624,630	2%	10,404,784	4%	10,010,255
Total net position	<u>\$ 26,284,209</u>	<u>-7%</u>	<u>\$ 28,151,163</u>	<u>-5%</u>	<u>\$ 29,550,855</u>
Revenues and expenses					
Operating revenues					
Contributions	9,299,408	-30%	13,213,748	-20%	16,451,467
Event revenue	-	-100%	42,400	-51%	85,800
Total operating revenues	<u>9,299,408</u>	<u>-30%</u>	<u>13,256,148</u>	<u>-20%</u>	<u>16,537,267</u>
Operating expenses					
Program support	10,521,523	-26%	14,183,578	-12%	16,161,378
Fundraising	74,224	-83%	444,126	-8%	480,769
Management and general	976,679	27%	768,727	20%	640,213
Total operating expenses	<u>11,572,426</u>	<u>-25%</u>	<u>15,396,431</u>	<u>-11%</u>	<u>17,282,360</u>
Net operating loss	<u>(2,273,018)</u>	<u>6%</u>	<u>(2,140,283)</u>	<u>187%</u>	<u>(745,093)</u>
Non-operating income					
Investment income	142,285	-45%	257,738	42%	181,219
Realized gains (losses) and changes in fair value of investments, net	263,779	-45%	482,853	-27%	662,171
Total non-operating income (loss), net	<u>406,064</u>	<u>-45%</u>	<u>740,591</u>	<u>-12%</u>	<u>843,390</u>
Change in net position	<u>\$ (1,866,954)</u>	<u>33%</u>	<u>\$ (1,399,692)</u>	<u>-1524%</u>	<u>\$ 98,297</u>

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Management's Discussion and Analysis

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Financial Highlights

In FY20, the Foundation's total assets decreased 7% or \$2 million to \$26.6 million at June 30, 2020 from \$28.6 million at June 30, 2019. The decrease in FY20 was primarily due to pledges receivable and split interest agreements which decreased by \$2.5 million and \$210 thousand respectively. To the former, new pledges were not received to balance the payments on current pledges. In FY19, the Foundation's total assets decreased 18% or \$6.2 million to \$28.6 million at June 30, 2019 from \$34.8 million at June 30, 2018. The decrease in FY19 was primarily due to short term investments, split interest agreements, and pledge receivables, which decreased by \$2.3 million, \$2.0 million, and \$2.4 million respectively. The short term investment account is where the Foundation holds funds designated for campus and this reduction correlates to the reduction in current liabilities.

In FY20, liabilities of the Foundation decreased by 45% or \$58 thousand to \$71 thousand from \$129 thousand in FY19. In FY19, liabilities of the Foundation decreased by 96% or \$2.8 million to \$129 thousand from \$2.9 million in FY18. The decreases in FY20 correlates to the reduction in gifts received in FY20 and the fact that most gifts received were fully processed and transferred to JCCC in the same fiscal year. The decreases in FY19 was due the fact that gifts received in FY19 were fully processed and transferred to the JCCC and other divisions/departments by the end of FY19. This decrease in liabilities in FY19 correlates to the reduction in the short term investment account, where the funds are held. Deferred inflow-gift receipts decreased by 19% or \$61 thousand to \$256 thousand at June 30, 2020 from \$317 thousand at June 30, 2019. The decrease in FY20 was due to the receipt of a deferred gift for \$210 thousand offset by the addition of deferred net revenue received of \$149 thousand from a fundraising event Taste for a Cure (TFAC) that has been postponed due to COVID-19.

Contributions to the Foundation decreased by 30% or \$3.9 million to \$9.3 million in FY20 as compared to \$13.2 million in FY19. This was primarily due to the timing of major gifts and the impact of the COVID-19 pandemic on major gift philanthropy. Contributions to the Foundation decreased by 20% or \$3.2 million to \$13.3 million in FY19 as compared to \$16.5 million in FY18. This was primarily due to the timing of major gifts and not as many major gifts committed in FY19.

Of note, in FY20 the Foundation staff were the lead in UCLA receiving an \$18 million commitment from the Simms/Mann Family Foundation for holistic care for patients facing cancer. As the gift is a true endowment, the pledge cannot be reflected in the Foundation's financials. With this pledge the Foundation staff raised more than \$27 million in FY20, the greatest revenue realized in a fiscal year.

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 FY20, the Foundation's investments increased 4% or \$711 thousand to \$16.6 million at June 30, 2020 from \$15.9 million at June 30, 2019. The increase in FY20 was due to a Regental gift received in June for \$1 million that will be processed and disbursed in early FY21. Pledges receivable decreased 22% or \$2.5 million to \$9 million (net of discount and allowance) at June 30, 2020 from \$11.5 million at June 30, 2019. This decrease is the result of the fact that new pledges in FY20 did not match or exceed pledge payments received in FY20 (which were for existing pledges booked in previous fiscal years.)

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In FY19, the Foundation's investments decreased 12% or \$2.2 million to \$15.9 million at June 30, 2019 from \$18.1 million at June 30, 2018. The decrease in FY19 was due the fact that gifts received in FY19 were fully processed and transferred to JCCC and other divisions/departments by the end of FY19 and thus the Foundation had fewer funds in the short-term investment account, where funds "in transit" are held.

In FY19, pledges receivable decreased 18% or \$2.4 million to \$11.5 million (net of discount and allowance) at June 30, 2019 from \$13.9 million at June 30, 2018. This decrease is the result of the fact that new pledges in FY19 did not match or exceed pledge payments received in FY19 (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 FY20, FY19, and FY18. In FY20, the Foundation's contribution revenue decreased by 30% or \$3.9 million to \$9.3 million from \$13.2 million in FY19. This was primarily due to the timing of major gifts and the impact of the COVID-19 pandemic on major gift philanthropy.

Program support decreased 26% or \$3.7 million to \$10.5 million in FY20 compared to \$14.2 million in FY19 due primarily to a reduction in major gifts received in FY20. However, within the JCCC Programmatic Support- seed grants, next generation technology, and impact grants, etc.- the Foundation was budgeted to provide \$1.6 million in support and provided \$2.2 million in support, a 39% increase beyond budget.

Fundraising costs decreased 83% or \$370 thousand to \$74 thousand in FY20 compared to \$444 thousand in FY19. This decrease was due to the postponement of the Foundation's Signature Event, Taste for a Cure, in April 2020 due to COVID-19. Management and general expenses increased 27% or \$208 thousand to \$977 thousand in FY20 compared to \$769 thousand in FY19. This increase was within the approved fiscal year budget.

Contribution revenue decreased in FY19 by 20% or \$3.2 million to \$13.3 million from \$16.5 million in FY18 due to the timing of major gifts and that not as many major gifts were committed in FY19.

Program support decreased 12% or \$2 million to \$14.2 million in FY19 compared to \$16.2 million in FY18 due primarily to a reduction in major gifts received in FY19. Fundraising costs decreased 8% or \$36 thousand to \$444 thousand in FY19 compared to \$481 thousand in FY18. This decrease was due to a reduction in expenses associated with Estates and Trusts. Management and general expenses increased 20% or \$129 thousand to \$769 thousand in FY19 compared to \$640 thousand in FY18.

Total expenses exceeded total revenue in FY20 because grants and similar amounts paid, as Program Support, included payments from pledges accrued in previous fiscal years. The Foundation did not have an operational deficit for FY20.

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Non-operating Income (Loss)

In FY20, non-operating income decreased by 45% or \$335 thousand to \$406 thousand from \$741 thousand in FY19. This was primarily due to a market correction in the third quarter which affected 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 FY20, the GEP experienced a gain of 1.2% while the EIP experienced a reduction of 4.3%.

Non-operating income in FY19 decreased by 12% or \$102 thousand to \$741 thousand from \$843 thousand in FY18. This was primarily due to a market correction in the second quarter which affected 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 FY19, the GEP experienced a gain of 3.4% while the EIP experienced a reduction of 1.1%.

Factors Impacting Future Periods

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the state, including cities and counties throughout the state. While there have been and likely will continue to be material financial impacts to the campus due to COVID-19, impact to the Foundation is uncertain. Future impact will likely depend on the timing of economic recovery in general and the status of financial markets.

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

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Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash	\$ 155,088	\$ 80,394
Short-term investments	8,509,252	7,760,016
Gift and event receipts in process	300,809	463,142
Prepaid expenses	384,475	315,287
Accrued investment income	25,852	25,633
Pledges receivable, net	<u>3,575,507</u>	<u>3,533,735</u>
Total current assets	<u>12,950,983</u>	<u>12,178,207</u>
Non-current assets:		
Long-term investments	8,131,389	8,168,725
Beneficial interest in irrevocable split interest agreements	106,256	317,128
Pledges receivable, net	<u>5,422,700</u>	<u>7,933,401</u>
Total non-current assets	<u>13,660,345</u>	<u>16,419,254</u>
Total assets	<u>\$ 26,611,328</u>	<u>\$ 28,597,461</u>
Liabilities		
Current liabilities		
Grants payable	68,738	129,014
Accounts payable and other non-operating accrued expenses	<u>2,677</u>	<u>156</u>
Total liabilities	<u>71,415</u>	<u>129,170</u>
Deferred Inflow of Resources		
Deferred inflow - gift receipts	<u>255,704</u>	<u>317,128</u>
Total deferred inflow of resources	<u>255,704</u>	<u>317,128</u>
Net position		
Restricted expendable gifts	15,659,579	17,746,379
Unrestricted	<u>10,624,630</u>	<u>10,404,784</u>
Total net position	<u>\$ 26,284,209</u>	<u>\$ 28,151,163</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Contributions	\$ 9,299,408	\$ 13,213,748
Event revenue	-	42,400
Total operating revenues	<u>9,299,408</u>	<u>13,256,148</u>
Operating expenses		
Program support	10,521,523	14,183,578
Fundraising	74,224	444,126
Management and general	976,679	768,727
Total operating expenses	<u>11,572,426</u>	<u>15,396,431</u>
Net operating loss	<u>(2,273,018)</u>	<u>(2,140,283)</u>
Non-operating income		
Investment income	142,285	257,738
Realized gains and change in fair value of investments, net	263,779	482,853
Total non-operating income, net	<u>406,064</u>	<u>740,591</u>
Decrease in net position	<u>(1,866,954)</u>	<u>(1,399,692)</u>
Net position		
Beginning of year	<u>28,151,163</u>	<u>29,550,855</u>
End of year	\$ <u>26,284,209</u>	\$ <u>28,151,163</u>

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Cash Flows

June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Contributions	\$ 11,805,844	14,485,253
Event Revenue	40,774	42,400
Program Support	(10,581,798)	(16,546,014)
Fundraising	(71,703)	(444,907)
Management and General	(1,045,867)	(932,321)
Net cash provided by (used in) operating activities	147,250	(3,395,589)
Cash flows from noncapital financing activities:		
Receipt of endowed funds	-	(400,000)
Net cash (used in) noncapital financing activities	-	(400,000)
Cash flows from investing activities:		
Proceeds from sales of investments	2,375,949	3,691,126
Purchase of investments	(2,605,454)	(339,505)
Interest and dividends on investments	156,949	339,965
Net cash (used in) provided by investing activities	(72,556)	3,691,586
Net increase (decrease) in cash	74,694	(104,003)
Cash		
Beginning of year	80,394	184,397
End of year	\$ 155,088	\$ 80,394
Reconciliation of net operating loss to net cash (used in) provided by operating activities		
Net operating loss	(2,273,016)	(2,140,283)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities		
Non-cash gifts	(233,500)	(833,027)
Provision for uncollectible pledges receivable	(118,097)	120,881
Changes in assets and liabilities		
Gift and event receipts in process	162,333	(329,603)
Prepaid expenses	(69,189)	(163,594)
Pledges receivable, net	2,587,026	2,313,254
Accounts and grants payable	(57,755)	(2,363,217)
Deferred revenue and expense	149,448	-
Net cash provided by (used in) operating activities	\$ 147,250	\$ (3,395,589)
Supplemental non-cash activities information		
Gifts of securities	233,500	833,027
Beneficial interests in irrevocable split interest agreements administered by third parties	0	92,968
See accompanying notes to financial statements.		

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

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(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 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.

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Notes to Financial Statements

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(b) Cash

The Foundation manages its cash through major banking institutions. At June 30, 2020 and 2019, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately \$155 thousand and \$80 thousand, respectively. At June 30, 2020 and 2019 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 fiscally sound banks with national recognition.

(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 (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.

(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.

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(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. One item of note is that the Foundation facilitated raising a \$2 million endowed pledge on behalf of UCLA, not reflected on these financials in pledges receivable, and will play a critical part in collecting and transferring these funds to campus.

(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 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

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Notes to Financial Statements

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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.

(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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Short-term		
The UCLA Foundation Unendowed Investment Pool	\$8,483,585	\$7,733,720
University of California Regents' Short Term Investment Pool	25,667	26,296
Short-term investments	<u>8,509,252</u>	<u>7,760,016</u>
Long-term		
University of California Regents' General Endowment Pool	5,726,058	5,655,536
The UCLA Foundation Endowed Investment Pool	2,405,331	2,513,189
Long-term investments	<u>8,131,389</u>	<u>8,168,725</u>
Total Investments	<u>\$16,640,641</u>	<u>\$15,928,741</u>

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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 Cancer Center and other departments/divisions are held in the STIP account until the transfer is complete. The increase of the STIP in FY20 was due the fact that gifts received in June of FY20 were not fully processed and transferred to the Cancer Center and other divisions/departments by the end of FY20. 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 35%-70% equity securities, 10%-30% private equity, 10%-40% independent return, 5%-30% real assets, 0-10% each of cash/fixed income.

Composition of Investments (by investment type)

	<u>2020</u>	<u>2019</u>
Commingled money market funds	\$8,509,252	\$7,760,016
Commingled balanced funds	8,131,389	8,168,725
Total Investments	<u>\$16,640,641</u>	<u>\$15,928,741</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.

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(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>2020</u>	<u>2019</u>
	<i>(effective duration in years)</i>	
Commingled money market funds	0.4	1.2
Commingled balanced funds	1.0	3.1

(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:

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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 2020 Annual Financial Report of the University of California. Additional information on The UCLA Foundation investment pool can be obtained from its 2020 Financial Statements. The following tables summarize JCCF's commingled funds at June 30, 2020 and June 30, 2019:

As of 6/30/20	Fair Value Measurements Using					Total
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled	
Commingled funds	-	-	-	16,640,641		16,640,641
Total Investments	-	-	-	\$16,640,641	-	\$16,640,641
Beneficial interests in irrevocable split interest agreements			106,256			

As of 6/30/19	Fair Value Measurements Using					Total
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled	
Commingled funds	-	-	-	15,928,741		15,928,741
Total Investments	-	-	-	\$15,928,741	-	\$15,928,741
Beneficial interests in irrevocable split interest agreements			317,128			

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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, 2020, and June 30, 2019.

As of 6/30/2020

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.	\$ 8,509,252	-	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	8,131,389	-	Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 16,640,641				

As of 6/30/2019

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.	\$ 7,760,016	-	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	8,168,725	-	Not Applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not Applicable
Total		\$ 15,928,741				

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(5) Pledges Receivable

Pledges receivable are unconditional promises to pay a specific amount and consist of the following at June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Pledges Receivable, Gross	\$9,217,436	\$11,904,488
Less:		
Allowance for uncollectible pledges	(29,959)	(148,056)
Discount on future pledges	(189,270)	(289,296)
	<u>\$8,998,207</u>	<u>\$11,467,136</u>
Current pledges receivable, net	3,575,507	3,533,735
Non-current pledges receivable, net	<u>5,422,700</u>	<u>7,933,401</u>
	<u>\$8,998,207</u>	<u>\$11,467,136</u>

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision reduction of \$118 thousand in FY20 and a loss provision of \$27 thousand in FY19. 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 FY20 of \$100 thousand and \$36 thousand in FY19. Pledges due beyond one year have been discounted using rates ranging from 1.7% in June 30, 2020 to 2.4% in June 30, 2019. Ninety-five percent of pledges receivable, net of discount, are from seven donors in fiscal year 2020 as compared to ninety-three percent in fiscal year 2019.

(6) Program Support

Grants made in support of Foundation programs are as follows:

	<u>2020</u>	<u>2019</u>
Donor directed grants	\$8,346,887	\$11,375,898
JCCC programmatic support:		
Seed and Impact Grants	461,119	450,000
Clinical/translational research	253,517	246,401
Director's discovery	1,150,000	1,801,279
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	<u>100,000</u>	<u>100,000</u>
Total	<u>\$10,521,523</u>	<u>\$14,183,578</u>

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(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 \$684 thousand for the year ended June 30, 2020 and \$918 thousand for the year ended June 30, 2019.

(8) COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the state. On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. State orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. Given the difficulty in predicting the duration and severity of the coronavirus on the economy and the financial markets, the ultimate impact to the Foundation in 2021 and potentially beyond is uncertain.