

Jonsson Cancer Center Foundation/UCLA

(A California Nonprofit Corporation)

Report on Audited Financial Statements

For the Year Ended June 30, 2009

(With Summarized Financial Information

For the Year Ended June 30, 2008)

Jonsson Cancer Center Foundation/UCLA
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June 30, 2009
(With Summarized Financial Information as of June 30, 2008)

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Report of Independent Auditors

The Board of Directors of
Jonsson Cancer Center Foundation/UCLA

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Jonsson Cancer Center Foundation/UCLA (the "Foundation") at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Jonsson Cancer Center Foundation/UCLA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Jonsson Cancer Center Foundation/UCLA's 2008 financial statements, and in our report dated October 23, 2008, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

October 20, 2009

Jonsson Cancer Center Foundation/UCLA
Statement of Financial Position
June 30, 2009
(With Summarized Financial Information as of June 30, 2008)

	2009	2008
Assets		
Cash and investments		
Cash and cash equivalents	\$ 109,032	\$ 76,684
The UCLA Foundation unendowed short-term investment pool	4,989,114	3,815,492
University of California, endowed investment pool	3,355,718	4,323,029
The UCLA Foundation long-term investment pool	<u>1,890,249</u>	<u>2,547,066</u>
Total cash and investments	10,344,113	10,762,271
Accrued investment income	179,164	177,115
Accounts receivable and other assets	110,521	446,778
Contributions receivable, net	951,875	1,484,000
Contributions receivable from split-interest agreements	<u>254,846</u>	<u>262,473</u>
Total assets	<u>\$ 11,840,519</u>	<u>\$ 13,132,637</u>
Liabilities and Net Assets		
Liabilities		
Grants payable and accrued expenses	<u>\$ 1,011,302</u>	<u>\$ 180,947</u>
Total liabilities	1,011,302	180,947
Net assets		
Unrestricted	6,565,332	7,097,597
Temporarily restricted	908,167	1,531,064
Permanently restricted	<u>3,355,718</u>	<u>4,323,029</u>
Total net assets	<u>10,829,217</u>	<u>12,951,690</u>
Total liabilities and net assets	<u>\$ 11,840,519</u>	<u>\$ 13,132,637</u>

The accompanying notes are an integral part of these financial statements.

Jonsson Cancer Center Foundation/UCLA
Statement of Activities
For the Year Ended June 30, 2009
(With Summarized Financial Information as of June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenues, gains, and other support					
Contributions	\$ 1,577,004	\$ 10,709,963	\$ -	\$ 12,286,967	\$ 11,813,193
Benefits-Institute chapters	73,550	-	-	73,550	98,432
Investment income	262,495	96,565	-	359,060	470,672
Net unrealized and realized (losses) / gains	(656,817)	71,928	(967,311)	(1,552,200)	(260,808)
Change in value of split-interest agreements	19,058	(26,684)	-	(7,626)	(24,971)
Contributions released from restrictions	<u>11,474,669</u>	<u>(11,474,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains / (losses), and other support	<u>12,749,959</u>	<u>(622,897)</u>	<u>(967,311)</u>	<u>11,159,751</u>	<u>12,096,518</u>
Expenses					
Program services					
Seed grants	424,536	-	-	424,536	528,412
Other grants	<u>11,800,133</u>	<u>-</u>	<u>-</u>	<u>11,800,133</u>	<u>10,891,330</u>
Total program services	12,224,669			12,224,669	11,419,742
Fundraising	448,792	-	-	448,792	555,394
Management and general	<u>608,763</u>	<u>-</u>	<u>-</u>	<u>608,763</u>	<u>644,506</u>
Total expenses	<u>13,282,224</u>	<u>-</u>	<u>-</u>	<u>13,282,224</u>	<u>12,619,642</u>
Change in net assets	(532,265)	(622,897)	(967,311)	(2,122,473)	(523,124)
Net assets at beginning of year	<u>7,097,597</u>	<u>1,531,064</u>	<u>4,323,029</u>	<u>12,951,690</u>	<u>13,474,814</u>
Net assets at end of year	<u>\$ 6,565,332</u>	<u>\$ 908,167</u>	<u>\$ 3,355,718</u>	<u>\$ 10,829,217</u>	<u>\$ 12,951,690</u>

The accompanying notes are an integral part of these financial statements.

Jonsson Cancer Center Foundation/UCLA
Statement of Cash Flows
For the Year Ended June 30, 2009
(With Summarized Financial Information as of June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (2,122,473)	\$ (523,124)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized losses on investments	1,552,200	260,808
Changes in assets and liabilities		
Accrued investment income	(2,049)	(55,987)
Accounts receivable and other assets	336,257	(266,470)
Contributions receivable, net	532,125	540,727
Contributions receivable from split-interest agreements	7,627	24,971
Grants payable and accrued expenses	<u>830,355</u>	<u>178,394</u>
Net cash provided by operating activities	<u>1,134,042</u>	<u>159,319</u>
Cash flows from investing activities		
Proceeds from sales of investments	11,186,085	7,312,242
Purchase of investments	<u>(12,287,779)</u>	<u>(7,958,382)</u>
Net cash used in investing activities	<u>(1,101,694)</u>	<u>(646,140)</u>
Cash flows from financing activities		
Cash received for long-term contribution	1,005,450	3,512,613
Cash transferred to UCLA Foundation	<u>(1,005,450)</u>	<u>(3,512,613)</u>
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net increase / (decrease) in cash and cash equivalents	32,348	(486,821)
Cash and cash equivalents, beginning of year	<u>76,684</u>	<u>563,505</u>
Cash and cash equivalents, end of year	<u>\$ 109,032</u>	<u>\$ 76,684</u>

The accompanying notes are an integral part of these financial statements.

Jonsson Cancer Center Foundation/UCLA

Notes to Financial Statements

June 30, 2009

1. Organization

The Jonsson Cancer Center Foundation/UCLA (the "Foundation") is a nonprofit corporation whose primary purpose is to raise and distribute funds for cancer research at UCLA. The University provides the facilities and the staff for the operation and administration of the Foundation's activities. The Foundation has two independently operated chapters located throughout the greater Los Angeles area that assist in the fund raising effort.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with the AICPA Audit and Accounting Guide "Not-for-Profit Organizations".

Recently Adopted New Accounting Pronouncements

The Foundation adopted Financial Accounting Standards Board ("FASB") Statement No. 157 ("SFAS 157"), *"Fair Value Measurements"* effective July 1, 2008. SFAS 157 applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. SFAS 157 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date, in the principal or most advantageous market for that asset or liability.

In addition, SFAS 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Pricing inputs are unobservable for the investment.

In August 2008, the FASB issued FASB Staff Position (FSP FAS 117-1), *"Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds."* FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA). California adopted UPMIFA in September 2008, with an effective date of January 1, 2009. The adoption of FSP FAS 117-1 did not have a material impact on The Foundation's financial statements.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

Jonsson Cancer Center Foundation/UCLA
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Use of Estimates (continued)

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net value. Unconditional promises to give that are expected to be collected in future years are recorded at their estimated fair value. To determine fair value, an annual discount rate between 5 and 7 percent was applied to future payments. Amortization of these discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Contributions Receivable from Split Interest Agreements

Contributions receivable from split interest agreements are recorded at fair value when the Foundation is aware of an interest in an irrevocable split interest agreement.

Net Assets

The assets, liabilities, and net assets of the Foundation are reported within categories as follows:

Permanently Restricted Net Assets

The portion of net assets resulting (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, and (b) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Temporarily Restricted Net Assets

The portion of net assets resulting (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, and (b) from reclassification to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations. Temporarily restricted net assets are to be used solely for cancer research.

Unrestricted Net Assets

The portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Unrestricted net assets include Board designated funds.

Jonsson Cancer Center Foundation/UCLA

Notes to Financial Statements

June 30, 2009

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, including the fair value of unconditional pledges, are recorded as revenues when received. Investment income and realized gains or losses are recognized as revenues when earned or realized, respectively. Unrealized investment gains or losses are recorded in the Statement of Activities as a result of changes in fair value.

Income Taxes

The Foundation is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a public charity described in Section 501(a)(2) and corresponding California Revenue and Taxation Code sections.

Subsequent Events

Subsequent events have been evaluated through October 20, 2009, which is the date the financial statements were available to be issued.

3. Investment Pools

The Foundation invests its funds in the University of California Regents' ("UC Regents") General Endowment Pool ("GEP") as well as the UCLA Foundation's endowed and unendowed investment pools ("EIP" and "UIP", respectively) in order to maximize its investment returns.

Both the UC Regents' and the UCLA Foundation's endowed investment pools have a long-term investment horizon and hold investments in equity securities, alternative investments and fixed income instruments. Alternative investments include hedge funds, private equity, and venture capital.

The UCLA Foundation's EIP allocates investment income and gains and losses to the Foundation based on "market value unit method," per UCLA Foundation policy. The Foundation is assigned a number of units based on the relationship of the market value of its assets to that of all assets at the time of entry into the UCLA Foundation Pool.

The UCLA Foundation's UIP has a short-term investment horizon and consists principally of investments in the UC Regents' short-term investment pool ("STIP"). The UC Regents' STIP is invested 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. The UCLA Foundation does not place any restrictions on amounts or frequency of trades for entities invested in its UIP. This pool is not unitized.

The Foundation is exposed to credit risk for the amount of the investments in the event of nonperformance by the other parties to the investment transactions. To minimize any potential risk, both the UC Regents and the UCLA Foundation maintain investment guidelines.

4. Valuation of Investments

The following is a description of the valuation methodologies used for investments measured at fair value:

Short-term investment pool: This is a highly liquid asset similar to a money market fund. It is valued at its net asset value of \$1.

Long-term investment pools: Valued at net unit value as determined by the pool's manager (The Regents of the University of California or The UCLA Foundation).

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Notes to Financial Statements
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4. Valuation of Investments (continued)

The following table summarizes the valuation of The Foundation's investments by the SFAS 157 fair value hierarchy as of June 30, 2009:

Investments	Total	Level 2	Level 3
The UCLA Foundation's UIP	\$ 4,989,114	\$ 4,989,114	\$ –
The UC Regents' GEP	3,355,718	–	3,355,718
The UCLA Foundation's EIP	1,890,249	–	1,890,249
Total	<u>\$10,235,081</u>	<u>\$ 4,989,114</u>	<u>\$ 5,245,967</u>

The following table summarizes the cost of The Foundation's investments as of June 30, 2009 and 2008, respectively:

Investments	2009	2008
The UCLA Foundation's UIP	\$ 4,989,114	\$ 3,815,492
The UC Regents' GEP	945,359	969,987
The UCLA Foundation's EIP	1,992,048	2,158,669
Total	<u>\$ 7,926,521</u>	<u>\$ 6,944,148</u>

The following table summarizes the Jonsson Cancer Center Foundation's level 3 investment reconciliation by the SFAS 157 standards as of June 30, 2009:

Investments	Total Investments	The UC Regent's GEP	The UCLA Foundation's EIP
Balance at 6/30/2008	\$ 6,870,095	\$ 4,323,029	\$ 2,547,066
Realized & unrealized losses	(1,552,200)	(895,383)	(656,817)
Sales proceeds	(71,928)	(71,928)	
Balance at 6/30/2009	<u>\$ 5,245,967</u>	<u>\$ 3,355,718</u>	<u>\$ 1,890,249</u>

Total unrealized losses in level 3 assets that were included in earnings related to assets held at the reporting date are (\$1,432,879).

5. Contributions Receivable

Contributions receivable includes the following at June 30, 2009:

Less than one year	\$ 570,938
One to five years	<u>412,500</u>
Total	983,438
Less: Unamortized discount	(29,640)
Less: Allowance for uncollectible pledges	<u>(1,923)</u>

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Notes to Financial Statements
June 30, 2009

6. **Other Grants** Total contributions receivable, net \$ 951,875

Other Grants for the year ended June 30, 2009 were made to UCLA programs as follows:

Restricted Research Support	\$ 7,837,464
Programmatic Initiatives	2,750,604
STOP CANCER	505,000
JCCC Programmatic Support	
Clinical/Translational Support	262,065
Transdisciplinary Grants	150,000
Information/Outreach	35,000
Program Areas	35,000
Recruitment/Retention	<u>225,000</u>
Total	<u>\$ 11,800,133</u>