

JONSSON CANCER CENTER FOUNDATION / UCLA

Financial Statements

June 30, 2024 and 2023

(With Report of Independent Auditors Thereon)

JONSSON CANCER CENTER FOUNDATION / UCLA

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Report of Independent Auditors

To the Board of Trustees 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, 2024 and 2023, 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, which collectively comprise the Foundation’s basic 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, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplemental 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

San Francisco, California
November 14, 2024

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

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, 2024 (FY24), with selected comparative information for the fiscal year ended June 30, 2023 (FY23), and the fiscal year ended June 30, 2022 (FY22). 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, fundraising, management and general expenses. Investment results are reported as non-operating income (loss). These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Another way to assess the financial health of the Foundation is to look at the Statements of Cash Flows. Its primary purpose is to provide relevant information about the sources and uses of cash of an entity during a given period, and it helps users assess an entity's ability to generate cash flows.

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Condensed Financial Information

	2024	FY 2024 - 2023 change percentage	2023	FY 2023 - 2022 change percentage	2022
Assets					
Cash	\$ 291,516	89%	\$ 154,129	83%	\$ 84,253
Investments					
Short-term investments	10,435,685	10%	9,474,354	7%	8,860,397
Long-term investments	9,947,335	7%	9,288,382	-1%	9,376,215
Total Investments	20,383,020	9%	18,762,736	3%	18,236,612
Pledges receivable, net	8,104,266	39%	5,840,383	-25%	7,761,774
Beneficial Interest in Split Interest Agreements	616,956	21%	510,505	461%	91,073
Other assets	886,120	309%	216,463	115%	100,905
Total assets	30,281,878	19%	25,484,216	-3%	26,274,617
Liabilities					
Current liabilities	239,756	-34%	363,333	200%	121,288
Total liabilities	239,756	-34%	363,333	200%	121,288
Deferred inflow of resources					
Deferred inflow- gift receipts	616,956	21%	510,505	461%	91,073
Total deferred inflow of resources	616,956	21%	510,505	461%	91,073
Net Positions					
Restricted net position	16,549,853	29%	12,833,684	-12%	14,623,943
Unrestricted net position	12,875,312	9%	11,776,694	3%	11,438,316
Total net position	29,425,165	20%	24,610,378	-6%	26,062,259
Revenues and expenses					
Operating revenues					
Contributions	14,327,960	95%	7,362,274	-49%	14,387,565
Total operating revenues	\$ 14,327,960	95%	\$ 7,362,274	-49%	\$ 14,387,565
Operating expenses					
Program support	9,899,417	18%	8,398,853	-42%	14,451,280
Fundraising	414,219	9%	380,097	9%	349,588
Management and general	849,399	-9%	937,519	3%	913,965
Total operating expenses	11,163,035	15%	9,716,469	-38%	15,714,833
Net operating income (loss)	3,164,925	234%	(2,354,195)	-77%	(1,327,268)
Non-operating income (loss)					
Investment income	683,294	138%	287,036	293%	73,075
Realized (losses) gains and changes in fair value of investments, net	966,568	57%	615,278	168%	(908,938)
Total non-operating income (loss), net	\$ 1,649,862	83%	\$ 902,314	208%	\$ (835,863)
Change in net position	\$ 4,814,787	432%	\$ (1,451,881)	33%	\$ (2,163,131)

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Financial Highlights

In FY24, the Foundation's total assets increased 19% or \$4.8 million to \$30.3 million at June 30, 2024 from \$25.5 million at June 30, 2023. The increase in FY24 was primarily due to an increase in pledges of \$2.3 million. In FY23, the Foundation's total assets decreased by 3% or \$800 thousand to \$25.5 million at June 30, 2023 from \$26.3 million at June 30, 2022. The decrease in FY23 was primarily due to pledges which decreased by \$2 million.

In FY24, liabilities of the Foundation decreased by 34% or \$123 thousand to \$240 thousand from \$363 thousand in FY23. The decrease in FY24 is due to timing of when the gifts were received in FY24. The liabilities as of June 2024 were lower, nevertheless, because some gifts were not fully processed and transferred to the JCCC in that same fiscal year. Conversely, in FY23, liabilities of the Foundation increased by 200% or \$242 thousand to \$363 thousand from \$121 thousand in FY22. The increase in FY23 correlates to the fact that the value of gifts received in June 2023 that were not fully processed and transferred to the JCCC that same fiscal year were greater than in FY22.

Contributions to the Foundation increased by 95% or \$7 million to \$14.3 million in FY24 as compared to \$7.4 million in FY23, and Contributions to the Foundation decreased by 49% or \$7 million to \$7.4 million in FY23 as compared to \$14.4 million in FY22. In FY24 the increase was due to new major gift pledges, other major gifts, and an increase in Estate gifts. The decrease from in FY23 as compared to FY22 is due to lower Estate gifts and Major Gifts.

Assets

Foundation assets include cash, investments, pledges receivable, beneficial interest in split interest agreements and other assets. Other assets include gift and event receipts in process and prepaid expenses to UCLA. In FY24, the Foundation's investments increased 9% or \$1.6 million to \$20.4 million at June 30, 2024 from \$18.8 million at June 30, 2023. The increase is mainly due to the addition of pledges and an increase in the fair value of investments.

Pledges receivable increased 39% or \$2.3 million to \$8.1 million (net of discount and allowance) at June 30, 2024 from \$5.8 million at June 30, 2023. This increase is the result of the fact that new pledges in FY24 from both new and existing pledgors exceeded pledge payments received in FY24.

In FY23, the Foundation's investments increased 3% or \$500 thousand to \$18.8 million at June 30, 2023 from \$18.2 million at June 30, 2022. The increase is mainly due to an increase in the fair value of investments.

Pledges receivable decreased 25% or \$1.9 million to \$5.8 million (net of discount and allowance) at June 30, 2023 from \$7.8 million at June 30, 2022. This decrease is the result of the fact that pledge payments received in FY23 exceeded new pledges in FY23 from both new and existing pledgors.

JONSSON CANCER CENTER FOUNDATION / UCLA

Management's Discussion and Analysis (unaudited)

June 30, 2024 and 2023

Operating Revenues and Expenses

The condensed financial information summarizes operating income (loss) and non-operating income (loss) for FY24, FY23, and FY22. In FY24, the Foundation's contribution revenue increased by 95% or \$7 million to \$14.3 million from \$7.4 million in FY23. This was due to more estate gifts and major gifts.

Program support increased 18% or \$1.5 million to \$9.9 million in FY24 compared to \$8.4 million in FY23 due primarily to more estate gifts and major gifts. A highlight is that for FY24 the JCCF was budgeted to provide \$1.6 million in program support and provided \$2.8 million, 72% more than budget.

Fundraising costs increased 9% or \$34 thousand to \$414 thousand in FY24 compared to \$380 thousand in FY23. Management and general expenses decreased 9% or \$89 thousand to \$849 thousand in FY24 compared to \$938 thousand in FY23. Both of these expense categories were below the budgeted amounts.

In FY23, the Foundation's contribution revenue decreased by 49% or \$7 million to \$7.4 million from \$14.4 million in FY22. This was due to fewer estate gifts and major gifts.

Program support decreased 42% or \$6.1 million to \$8.4 million in FY23 compared to \$14.5 million in FY22 due primarily to fewer estate gifts and major gifts. More specifically, in FY23 the JCCF was budgeted to deliver \$9 million in donor directed grants to the JCCC and other departments at UCLA. However, JCCF actually transferred \$7.1 million of donor directed grants in FY23, 21% less than budget. Overall, for FY23 the JCCF was budgeted to provide \$1.6 million in program support but provided \$1.3 million, 17% less than budget.

Fundraising costs increased 9% or \$30 thousand to \$380 thousand in FY23 compared to \$350 thousand in FY22. Management and general expenses increased 3% or \$24 thousand to \$938 thousand in FY23 compared to \$914 thousand in FY22. Both of these expense categories were below the budgeted amounts.

Total revenue exceeded total expenses in FY24. As such, the Foundation had sufficient liquidity to operate in FY24.

Non-operating Income (Loss)

In FY24, non-operating income was \$1.6 million which was an increase of 83% or \$748 thousand from \$902 thousand non-operating income in FY23. This was primarily due to increases 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 FY24, the GEP experienced a gain of 3.8% and the EIP experienced a gain of 1.85%.

In FY23, non-operating income was \$902 thousand which was an increase of 208% or \$1.7 million from \$836 thousand non-operating loss in FY22. This was primarily due to increases in fair value in JCCF's GEP and EIP investments. In FY23, the GEP experienced a loss of 1.9% while the EIP experienced a gain of 1.5%.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash	\$ 291,516	\$ 154,129
Short-term investments	10,435,685	9,474,354
Gift and event receipts in process	606,182	50,707
Prepaid expenses	249,960	135,622
Accrued investment income	29,978	30,134
Pledges receivable, net	3,286,302	4,080,808
Total current assets	<u>14,899,623</u>	<u>13,925,754</u>
Non-current assets:		
Long-term investments	9,947,335	9,288,382
Beneficial interest in irrevocable split interest agreements	616,956	510,505
Pledges receivable, net	4,817,964	1,759,575
Total non-current assets	<u>15,382,255</u>	<u>11,558,462</u>
Total assets	<u>\$ 30,281,878</u>	<u>\$ 25,484,216</u>
Liabilities		
Current liabilities		
Grants payable	\$ 167,024	\$ 329,579
Accounts payable and other non-operating accrued expenses	72,732	33,754
Total liabilities	<u>239,756</u>	<u>363,333</u>
Deferred Inflow of Resources		
Deferred inflow - gift receipts	616,956	510,505
Total deferred inflow of resources	<u>616,956</u>	<u>510,505</u>
Net position		
Restricted expendable gifts	16,549,853	12,833,684
Unrestricted	12,875,312	11,776,694
Total net position	<u>\$ 29,425,165</u>	<u>\$ 24,610,378</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Contributions	\$ 14,327,960	\$ 7,362,274
Total operating revenues	<u>14,327,960</u>	<u>7,362,274</u>
Operating expenses		
Program support	9,899,417	8,398,853
Fundraising	414,219	380,097
Management and general	849,399	937,519
Total operating expenses	<u>11,163,035</u>	<u>9,716,469</u>
Net operating income (loss)	<u>3,164,925</u>	<u>(2,354,195)</u>
Non-operating income (loss)		
Investment income	683,294	287,036
Realized (losses) gains and changes in fair value of investments, net	966,568	615,278
Total non-operating income (loss), net	<u>1,649,862</u>	<u>902,314</u>
Change in net position	\$ 4,814,787	\$ (1,451,881)
Net position		
Beginning of year	\$ 24,610,378	\$ 26,062,259
End of year	<u>\$ 29,425,165</u>	<u>\$ 24,610,378</u>

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Contributions	\$ 9,706,246	\$ 9,010,860
Program Support	(10,061,972)	(8,171,688)
Fundraising	(414,219)	(380,097)
Management and General	(963,737)	(1,013,022)
Net cash used in operating activities	<u>(1,733,682)</u>	<u>(553,947)</u>
Cash flows from noncapital financing activities:		
Receipt of endowed funds	<u>38,978</u>	<u>14,880</u>
Net cash provided by noncapital financing activities	<u>38,978</u>	<u>14,880</u>
Cash flows from investing activities:		
Proceeds from sales of investments	10,213,079	11,280,960
Purchase of investments	(8,961,011)	(11,264,904)
Interest and dividends on investments	580,023	592,886
Net cash provided by investing activities	<u>1,832,091</u>	<u>608,943</u>
Net increase in cash	137,387	69,876
Cash		
Beginning of year	154,129	84,253
End of year	<u>\$ 291,516</u>	<u>\$ 154,129</u>
Reconciliation of net operating income (loss) to net cash used in operating activities		
Net operating income (loss)	3,164,925	(2,354,195)
Adjustments to reconcile net operating income (loss) to net cash used in operating activities		
Non-cash gifts	(1,802,355)	(233,703)
Provision for uncollectible pledges receivable	986	(1,648)
Changes in assets and liabilities		
Gift and event receipts in process	(555,475)	(39,102)
Prepaid expenses	(114,338)	(75,503)
Pledges receivable, net	(2,264,869)	1,923,039
Accounts and grants payable	(162,555)	227,165
Deferred revenue and expense	-	-
Net cash used in operating activities	<u>\$ (1,733,681)</u>	<u>\$ (553,947)</u>
Supplemental non-cash activities information		
Gifts of securities	\$ 1,802,356	\$ 233,703

See accompanying notes to financial statements.

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2024 and 2023

(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.

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 no longer has any independently operated chapters assisting 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, 2024 and 2023, the carrying amount of the Foundation's cash held in nationally recognized banking institutions was approximately \$292 thousand and \$154 thousand, respectively. At June 30, 2024 the Foundation's cash in banks slightly exceeded 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, 2024 and 2023

(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, 2024 and 2023

(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 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.

(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

JONSSON CANCER CENTER FOUNDATION / UCLA

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023, 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>2024</u>	<u>2023</u>
Short-term		
The UCLA Foundation Unendowed Investment Pool	\$ 10,418,527	\$ 9,369,798
University of California Regents' Short Term Investment Pool	<u>17,158</u>	<u>104,556</u>
Short-term investments	10,435,685	9,474,354
Long-term		
University of California Regents' General Endowment Pool	7,160,935	6,618,343
The UCLA Foundation Endowed Investment Pool	<u>2,786,400</u>	<u>2,670,039</u>
Long-term investments	9,947,335	9,288,382
	<u>\$ 20,383,020</u>	<u>\$ 18,762,736</u>

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 increase of the STIP in FY24 was due to the fact that gifts received in late June of FY24 were not fully processed and transferred to the JCCC and other divisions/departments by the end of FY24. 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.

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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, 5%-20% venture capital, 10%-30% independent return, 5%-15% real assets, 0-10% natural resources, 0-10% cash/short duration, and 0-3% portfolio insurance.

Composition of Investments (*by investment type*)

	2024	2023
Commingled money market funds	\$ 10,435,685	\$ 9,474,354
Commingled balanced funds	9,947,335	9,288,382
	<u>\$ 20,383,020</u>	<u>\$ 18,762,736</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 directly exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

(c) Concentration of Credit Risk

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

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(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:

	2024	2023
	(effective duration in years)	
Commingled money market funds	0.8	0.2
Commingled balanced funds	2.6	2.6

(4) Fair Value

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

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

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

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

Level 3 – Investments 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 irrevocable 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.

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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 2024 Annual Financial Report of the University of California. Additional information on The UCLA Foundation investment pool can be obtained from its 2024 Financial Statements. The following tables summarize JCCF's commingled funds at June 30, 2024 and June 30, 2023:

As of 06/30/2024

Fair Value Measurement by hierarchy					
	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 Total
Assets:					
Commingled funds				\$ 20,383,020	\$ 20,383,020
Beneficial interests in irrevocable split interest agreements			\$ 616,956		\$ 616,956
Liabilities:					
Deferred inflow - gift receipts			\$ 616,956		\$ 616,956

As of 06/30/2023

Fair Value Measurement by hierarchy					
	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 Total
Assets:					
Commingled funds				\$ 18,762,736	\$ 18,762,736
Beneficial interests in irrevocable split interest agreements			\$ 510,505		\$ 510,505
Liabilities:					
Deferred inflow - gift receipts			\$ 510,505		\$ 510,505

On August 24, 2024, the Foundation was designated as the beneficiary of the remainder of a Charitable Gift Annuity with a face value of \$1,095,443. The Charitable Gift Annuity is presented within the Statements of Net Position as a non-current asset at fair value with a corresponding credit to deferred inflow of resources. The Foundation's status as beneficiary is irrevocable and therefore contribution revenue will not be recognized until the assets are distributed to the Foundation.

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, 2024, and June 30, 2023.

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As of 06/30/2024

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 moneymarket and fixed income instruments with the objective to maximize returns consistent with safety of principal liquidity, and cash flow requirements	\$ 10,435,685	\$ -	Not applicable	48 hour 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	9,947,335	-	Not applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not applicable
Total		<u>\$ 20,383,020</u>	<u>\$ -</u>			

As of 06/30/2023

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 moneymarket and fixed income instruments with the objective to maximize returns consistent with safety of principal liquidity, and cash flow requirements	\$ 9,474,354	\$ -	Not applicable	48 hour 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	9,288,382	-	Not applicable	Redemption terms range from monthly to quarterly with 10 days prior written notice.	Not applicable
Total		<u>\$ 18,762,736</u>	<u>\$ -</u>			

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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, 2024 and June 30, 2023:

	<u>2024</u>	<u>2023</u>
Pledges Receivable, Gross	\$ 8,462,205	\$ 5,945,221
Less:		
Allowance for uncollectible pledges	(5,398)	(4,413)
Discount on future pledges	(352,542)	(100,426)
	<u>\$ 8,104,265</u>	<u>\$ 5,840,382</u>
 Current pledges receivable, net	 3,286,302	 4,080,808
Non-current pledges receivable, net	4,817,964	1,759,575
	<u>\$ 8,104,266</u>	<u>\$ 5,840,383</u>

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. The Foundation recorded a loss provision increase of \$1 thousand in FY24 and a loss provision decrease of \$3 thousand in FY23. 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 FY24 of \$252 thousand and \$47 thousand in FY23. Pledges due beyond one year have been discounted using rates ranging from 4.19% at June 30, 2024 to 2.78% at June 30, 2023. Ninety-four percent of pledges receivable, net of discount, are from seven donors in fiscal year 2024 as compared to ninety-three percent in fiscal year 2023.

(6) Program Support

Grants made in support of Foundation programs are as follows:

	<u>2024</u>	<u>2023</u>
Donor directed grants	\$ 7,036,306	\$ 7,098,852
JCCC programmatic support:		
Seed and Impact Grants	450,000	450,000
Clinical/translational research	253,111	250,000
Director's discovery	1,850,000	290,000
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>\$ 9,899,417</u>	<u>\$ 8,398,852</u>

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(7) Related Parties

The Foundation exists for the sole purpose of supporting cancer research and care services 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 \$643 thousand for the year ended June 30, 2024 and \$545 thousand for the year ended June 30, 2023.

(8) Subsequent Event

The Foundation has evaluated subsequent events from the net position date through November 14, 2024, the date which the financial statements were available to be issued, and determined there are no items to disclose.