

UCLA Foundation

2008 - 2009 Annual Report



Opportunity.

It's what UCLA, as a public university, offers to California's brightest scholars: the opportunity to obtain a world-class education.

And it's what donors provide to UCLA: the opportunity for students and faculty, working together, to make a real-world impact on the extended communities we serve.

In the library, the law school and the research lab, discover how philanthropists are creating opportunities and changing lives.

Message from the Chancellor



In my two-plus years as UCLA's chancellor, I have been increasingly impressed by the extraordinary excellence of this university. I see it every day, in the dazzling quality of our students, in the distinction of our superb faculty, and in the dedication and professionalism of our staff.

The thoughtfulness and vision of donors like you enable us to maintain and extend UCLA's margin of excellence, and I want to extend my deepest thanks. With your support, we provide a world-class education to future generations of leaders in almost every discipline. In our research labs, undergraduate and graduate students work closely with senior faculty as they illuminate discoveries that will better people's lives. True to our mission as a public university, we engage with the Los Angeles community in myriad and ever-expanding ways.

Your generosity, though always appreciated, takes on added meaning in these uncertain economic times. As you know, we have had to make some difficult decisions, and the year ahead will be challenging. Yet I have no doubt that—with the partnership of our alumni, friends and supporters—UCLA will weather the crisis and emerge stronger than ever.

I am committed to preserving and enhancing the important work we do. In order to achieve our goals, we must increase our reliance on philanthropy to leverage dwindling state and federal funds. Among my highest priorities are student scholarships and fellowships, as addressed in the Bruin Scholars Initiative, and unrestricted funds, which give us the flexibility to meet high-priority opportunities as they arise.

The stories in this report exemplify some of the compelling ways in which supporters like you are helping to meet UCLA's needs, and showcase some of the students and faculty who benefit from your gifts, large and small. These accounts demonstrate in personal terms how partnerships fueled by philanthropy are helping us navigate our way to a brighter tomorrow.

A handwritten signature in black ink that reads "Gene D. Block". The signature is fluid and cursive, with the first and last names being more prominent.

Gene D. Block
Chancellor

Message from the Chair



As chair of The UCLA Foundation, I am delighted to welcome you to the 2008-09 edition of our annual report. The Foundation is governed by donor-volunteers like you, who work to promote philanthropy and to manage donated resources for the advancement of the university.

The stories in these pages illustrate how your philanthropy offers opportunity and resources that help some of our nation's top scholars to influence the real world. Thanks to your unflinching commitment, UCLA received \$361 million in gifts and pledges in 2008-09. Such generosity has enabled The Foundation to maintain and protect assets, and together we made a direct and powerful impact on the university's priorities during this period.

With gifts supporting the Chancellor's Greatest Needs, The Foundation helped to fund many of UCLA's priority programs focusing on faculty/student support and civic engagement. Among these are undergraduate scholarships and graduate fellowships, as well as the Early Childhood and Education child-care program, a plan to expand on-campus faculty housing, the UCLA Volunteer Center, and a communications initiative to boost advocacy and philanthropic support.

In reviewing the past year, I am reminded how privileged I am to work among an energetic and visionary group of supporters – friends, alumni, parents, corporate and foundation partners – who understand that an investment in higher education at UCLA, no matter the size, is an investment in the future of our society. This passion helps attract the world-class faculty and exceptional students who will maintain the university's greatness far into the 21st century.

Thank you, on behalf of The UCLA Foundation, for all the ways you help make this such an amazing university.

A handwritten signature in black ink that reads "Betsy Wood Knapp". The signature is written in a cursive, flowing style.

Betsy Wood Knapp
Chair, The UCLA Foundation

Inspiring the Love for Books



The inaugural Ruth Simon Library Prize for Undergraduate Research helped open doors for winner Edgar Hermosillo Gaytan '09.

THE RUTH SIMON LIBRARY PRIZE FOR UNDERGRADUATE RESEARCH

Long after her schoolwork was done and most students had left the building, you could still find English major Ruth Simon '58 in a corner of the Powell Library stacks, surrounded by books, eagerly absorbing their ideas, knowledge and adventures.

Simon, an attorney with a distinguished career as UCLA campus counsel before retiring in 2003, is still passionate about the written word and hopes to share that passion with today's students through the Ruth Simon Library Prize for Undergraduate Research – the first such endowment at UCLA. “I wanted to find a way to bring students into the library, to **inspire excitement** about the magical treasure trove that awaits them there,” she explains.

Although it provides a modest cash prize, the award spurs undergraduate research – a university priority – and offers valuable recognition that can open doors for its recipients. Just ask Edgar Hermosillo Gaytan.

The winner of the inaugural Ruth Simon Prize for his research on possible economic influences on the early Jesus movement in first-century Palestine, Hermosillo Gaytan is the first in his family to attend college. “I was just as surprised as anyone that I’ve done so well with **research at the university level**,” he says. “Because of the Simon Prize, my paper was given weightier consideration for the Carey McWilliams Award for best senior honors thesis – which I won – and my professor, Scott Bartchy, offered to co-author a piece with me.”

Hermosillo Gaytan, who graduated in June 2009, plans to complete a doctorate in his field after spending a few years as a public school teacher. Simon has high praise: “Teaching is a wonderful way for him to **give back to the community**,” she says.

Driving Next-Generation Discoveries



Fulbright Postdoctoral Scholar Marta Pozuelo (left) and Assistant Professor Suneel Kodambaka are researching bold new applications for advanced carbon materials with funds from James Easton.

THE JIM EASTON ENGINEERING RESEARCH FUND

Arrow shafts, ski poles, baseball and softball bats, hockey sticks – they’ve all been converted in recent years from wood to high-strength, light-weight aluminum and carbon fiber composites thanks to the innovation of Jas. D. Easton Inc. Now CEO Jim Easton ‘59 is funding research at UCLA Engineering on advanced carbon materials that can also transform aircraft and aerospace vehicles and even the auto industry.

It’s part of his long-standing commitment to UCLA. In the past two years alone, in addition to engineering, Easton has generously supported cardiology and Alzheimer’s disease research and the campus’ new Spieker Aquatics Center, as well as the Easton Global Connection Classroom and Easton Technology Leadership Fund at the UCLA Anderson School of Management.

“Few institutions have the capabilities and expertise of UCLA,” says Easton, a UCLA Foundation board member. “Few can study carbon nanotubes for sports equipment, conduct **leading-edge research** in cancer and Alzheimer’s, and be home to more than 100 national sports championships.”

His recent gift to UCLA Engineering supports the work of materials science Assistant Professor Suneel Kodambaka, whose investigations center on improving carbon nanotube and resin composite materials. “The Easton funds have enabled us to acquire new research equipment, to support and train the **next-generation scientists and engineers**, and to hire Postdoctoral Scholar Marta Pozuelo,” he says.

“With Mr. Easton’s gift,” Pozuelo adds, “we can research problems that are out of the mainstream but still relevant for **advancing our society.**”

Such advances can include lighter, stronger and more energy-efficient aircraft, space shuttles and even automobiles. “Given that the U.S. transportation sector consumes more than 70 percent of natural energy sources,” explains Kodambaka, “the development of cleaner and greener technologies is bound to have huge societal, economic and environmental implications.”

Creating Access to Opportunity



Second-year UCLA Law student Christine Green, a Jamaica native, owes her education to student scholarships.

THE KIM AND WILLIAM WARDLAW ENDOWED SCHOLARSHIP IN LAW

The daughter of a Scots-Irish father and a Mexican American mother, Kim McLane Wardlaw '76, JD '79, came from a family of modest income unable to fund a college education. She applied to UCLA where she was offered a generous financial aid package, and she gratefully accepted.

Today, she is a judge for the U.S. 9th Circuit Court of Appeals, appointed by President Clinton in 1998 following three years of service as a district court judge. Having achieved her goals, Judge Wardlaw and her husband, investment executive William Wardlaw, JD '72, are providing similar opportunities to other students through the Kim and William Wardlaw Endowed Scholarship in Law.

"I learned the law from renowned scholars at UCLA, and still rely upon that knowledge today," Judge Wardlaw says. "There are so many **aspiring students** who have much to contribute to our country who are **in need of financial support**, and we feel fortunate to help them fulfill their dreams."

Second-year UCLA Law student Christine Green is one top-tier scholar who has been inspired by donors like the Wardlaws. A native of Jamaica, West Indies, Green owes her educational opportunities to the availability of scholarships. "My parents weren't able to provide financial support and, as an international student, access to loans was very limited," says Green, whose UCLA scholarships are paving the way for a career in immigration law.

"I've come so far," she says, "and the journey I've taken would have been impossible without the **generosity of benefactors** like the Wardlaws."

Bruin Scholars Initiative



INVESTING IN TOMORROW'S LEADERS TODAY

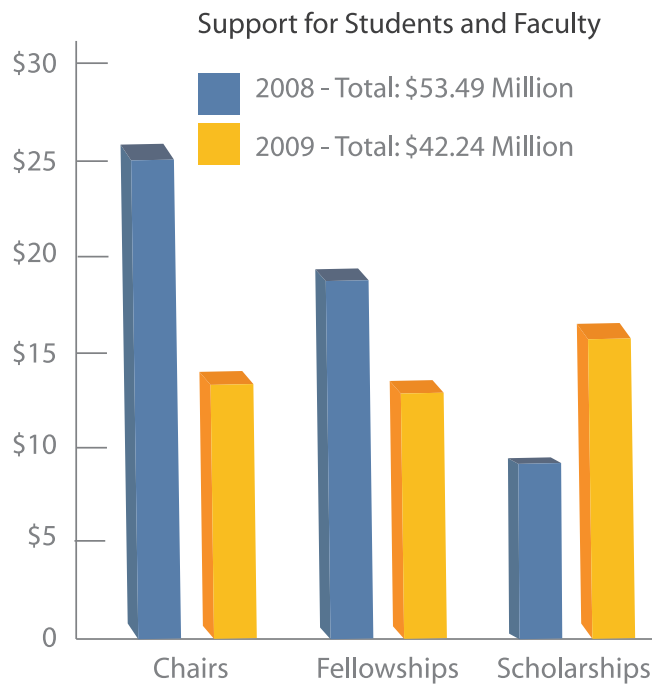
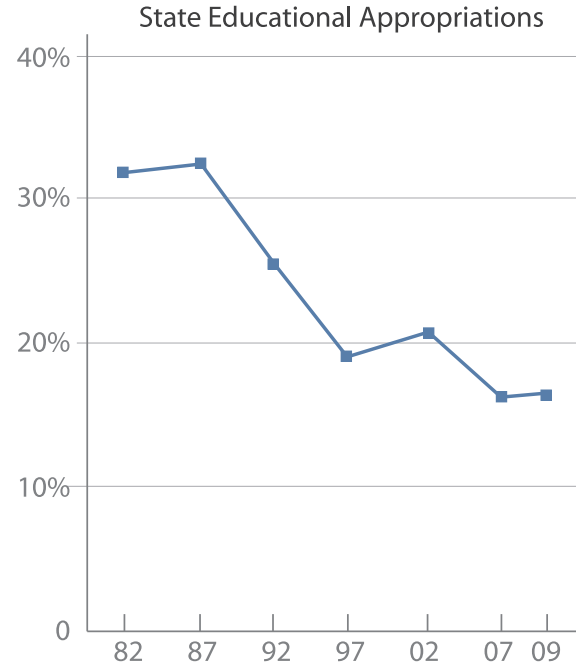
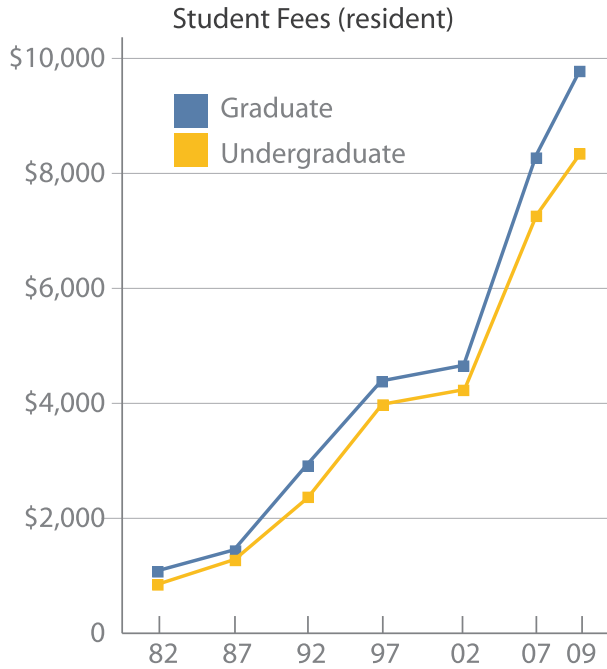
UCLA is an engine of opportunity. It attracts the best and brightest from every segment of society and they become the leaders and innovators who shape our world for the better.

Reaffirming the need to invest in tomorrow's world citizens, this past year Chancellor Gene Block announced the **UCLA Bruin Scholars Initiative**. The Initiative aims to generate \$500 million in student support, including \$300 million for graduate student fellowships and \$200 million for undergraduate scholarships, by June 30, 2013.

The UCLA Bruins Scholars Initiative is helping to meet the university's **commitment to excellence** and advance its core values of access, affordability and diversity. By doing so, it is also maintaining UCLA's competitive advantage and strengthening the public university for future generations.

Graphs on Page 7

Bruin Scholars Initiative *continued*



Financial Statements

Financials: Performance Highlights

Fiscal year 2009 (“FY09”) was a challenging year for The UCLA Foundation (“The Foundation”). The U.S. recession, along with the severe worldwide investment market downturn, was reflected in The Foundation’s negative endowed investment pool return of (21%) for the year. The Foundation’s net assets, which represent the excess of total assets over total liabilities, decreased by \$236 million to \$1.2 billion as of June 30, 2009, primarily as a result of negative investment returns.

The Foundation’s revenue in the form of donor contributions totaled \$97.5 million for FY09, a 47% decrease as compared to fiscal year 2008 (“FY08”). The Foundation’s expenditures in the form of grants and transfers to the campus were increased 8% to \$151.5 million over FY08. The decreased contribution revenue combined with increased campus support resulted in an operating loss of \$54.0 million for FY09 as compared to operating income of \$43.9 million in FY08. Due to negative investment returns in FY09, The Foundation had a non-operating loss of \$227.3 million. Other income in the form of private gifts of permanent endowment totaled \$45.3 million.

Total FY09 endowment payout available to the campus and affiliated entities amounted to \$48.2 million, up \$4.9 million from FY08. Annual payout to the campus continues to grow, consistent with The Foundation’s goal to provide payout that is predictable, sustainable, and preserves equity among generations.

Financial Statements

Administrative Fees and Endowment Investments

Recovery of Operating Costs from Private Gifts

As is customary with universities and other non-profit organizations across the country, a one-time gift fee is applied to all gifts to provide essential support necessary to UCLA's overall operation. The fee in effect for fiscal year 2008-2009 was 5%.

Endowment Investments

The purpose of The UCLA Foundation's Endowment is to support the educational mission of the University of California, Los Angeles by providing a reliable source of funds for current and future use. The income/payout from each individual endowment fund is used to support the purpose established by the donor in the gift instrument. However, endowment funds are commingled for investment purposes in The UCLA Foundation Endowment Pool to maximize returns and minimize investment and administrative costs.

The Endowment seeks to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated University activities. The Endowment assets have an indefinite time horizon that runs concurrent with the endurance of the University in perpetuity. As such, the investment portfolio assumes a time horizon that may extend beyond a normal market cycle and therefore may assume an appropriate level of risk as measured by the standard deviation of annual returns. It is expected that professional management and portfolio diversification will smooth volatility and assure a reasonable consistency of return.

The Endowment's portfolio is expected to generate a total annualized rate of return, net of fees and spending, that is greater than the rate of inflation as measured by the National Consumer

Administrative Fees and Endowment Investments *continued*

Price Index over a rolling five-year period. The UCLA Foundation accomplishes these objectives by engaging a number of professional managers who are assigned specific investment mandates for equities, fixed income and alternative investments.

Endowment Distributions

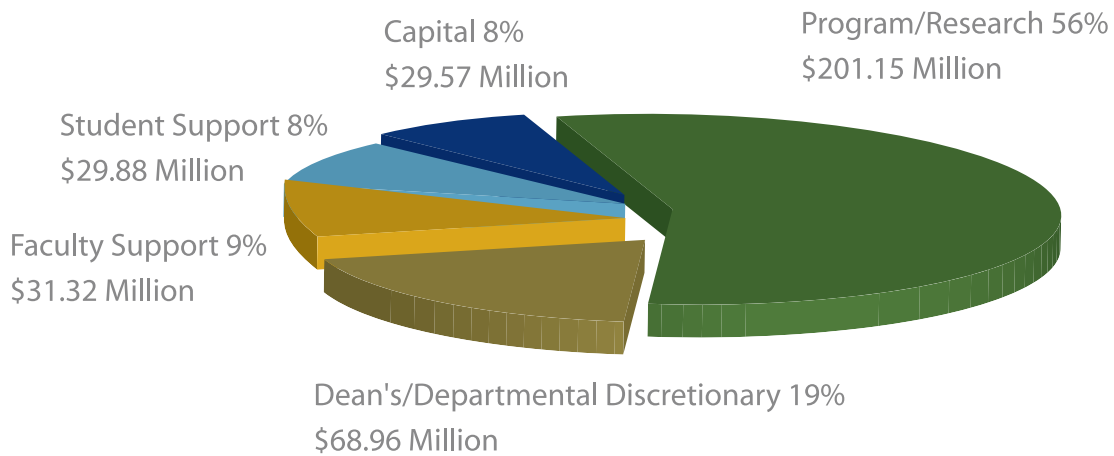
The Foundation's spending policy governs the rate at which funds are released to fund holders for current spending. The Foundation's spending policy is based on a target rate set as a percentage of a rolling market value. The rate was 4.5% for fiscal year 2008-09. The Board of Directors of The UCLA Foundation reviews and approves this rate annually¹. Investment returns earned in excess of the approved spending rate are retained in the endowment principal to protect from the effects of inflation and to allow for growth. During periods of investment market decline, endowment distributions for newer funds may, if needed, reduce the fund value to assure that predictable funding is available for individual endowed fund program activities and objectives.

¹California law provides that those 'responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.' Factors to be considered include: general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, and the needs of the institution and the fund to make distributions and to preserve capital. Furthermore the law states, 'an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.' Uniform Prudent Management of Institutional Funds Act California Probate Code Section 18501-18510.

Giving by Purpose

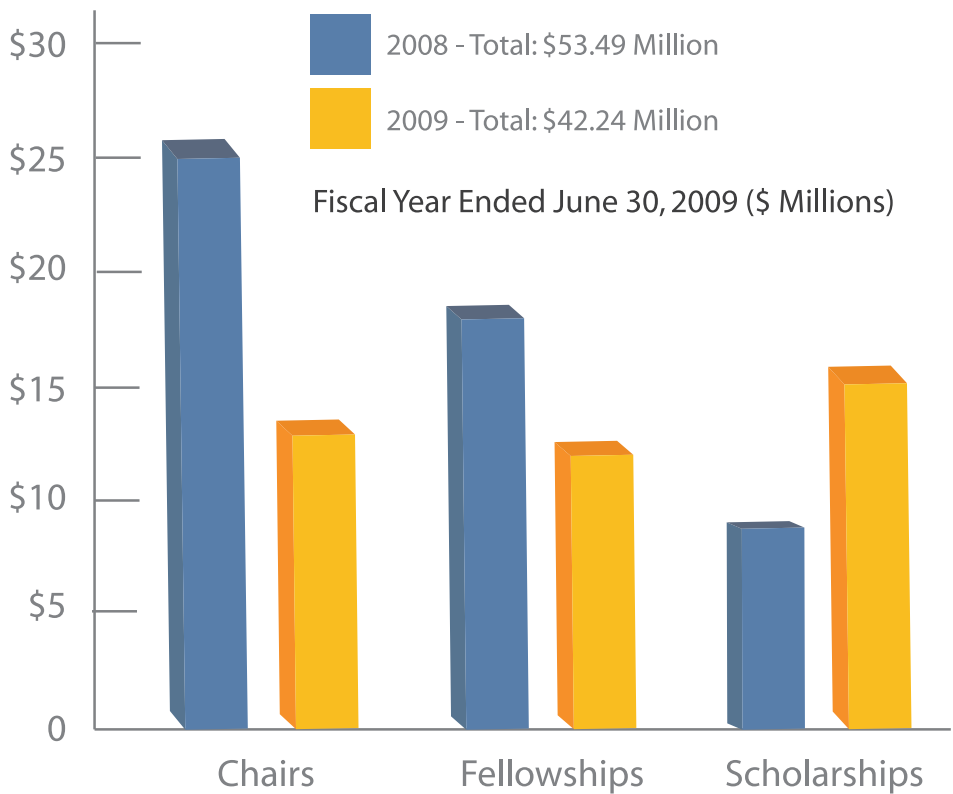
There was a slight increase in student and faculty support in the current year; 17% of funds raised were targeted to this purpose, compared to 14% last year. This remains a priority area and the launch of the Bruin Scholars Initiative will maintain a focus on raising student support funds.

Total Amount: \$360.88 Million
Fiscal Year Ended June 30, 2009



Support for Students and Faculty

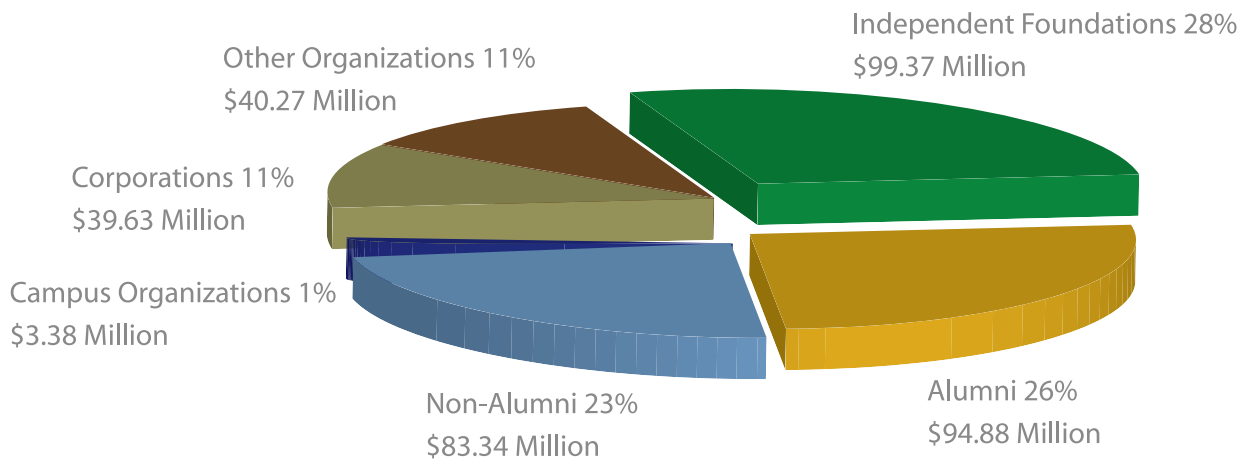
Student and faculty support will continue to be priority areas for fundraising in the years to come, spurred by the January 2009 launch of the Bruin Scholars Initiative to raise \$500 million for student support by 2013.



Giving by Source

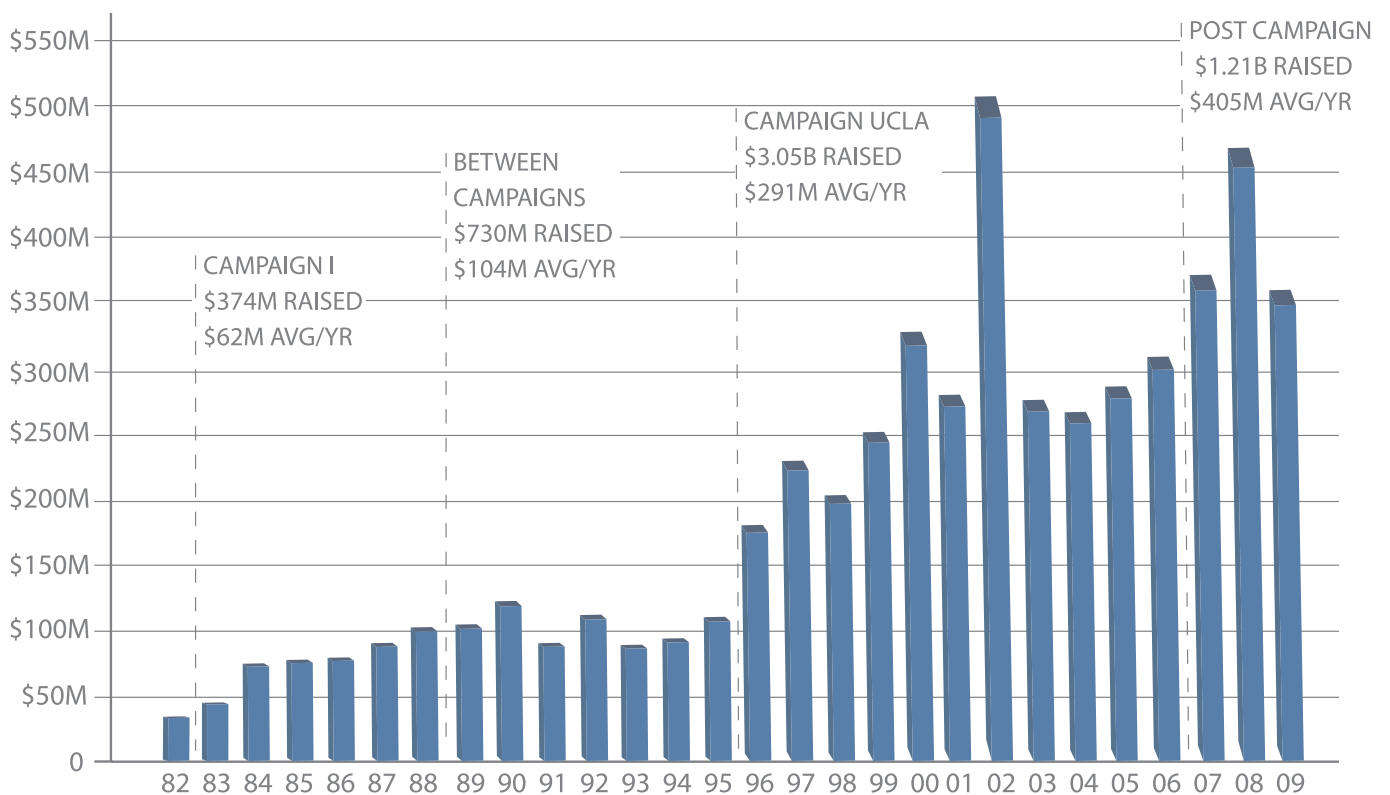
UCLA received more than \$360 million in gift support in FY 2009. Although our university trends have indicated roughly a 2-to-1 ratio in non-alumni vs. alumni giving, in the current year that ratio was a more even split, 23% vs. 26% of the total funds received.

Total Amount: \$360.88 Million
Fiscal Year Ended June 30, 2009



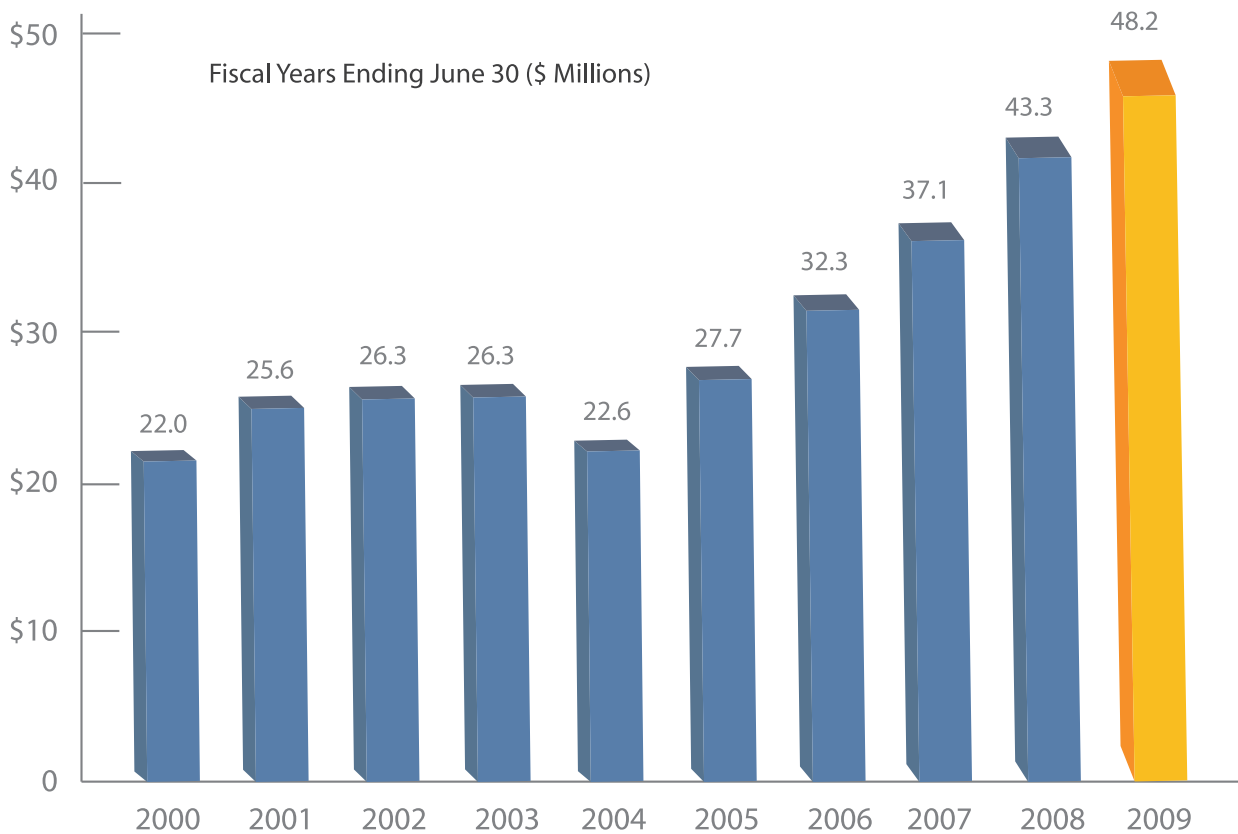
UCLA Gift History FY 1982 - FY 2009

UCLA raised a total of \$361 million in the year ended June 30, 2009. This represents a reduction of 25% from the previous year, yet still maintains the post-Campaign annual average of more than \$400 million.



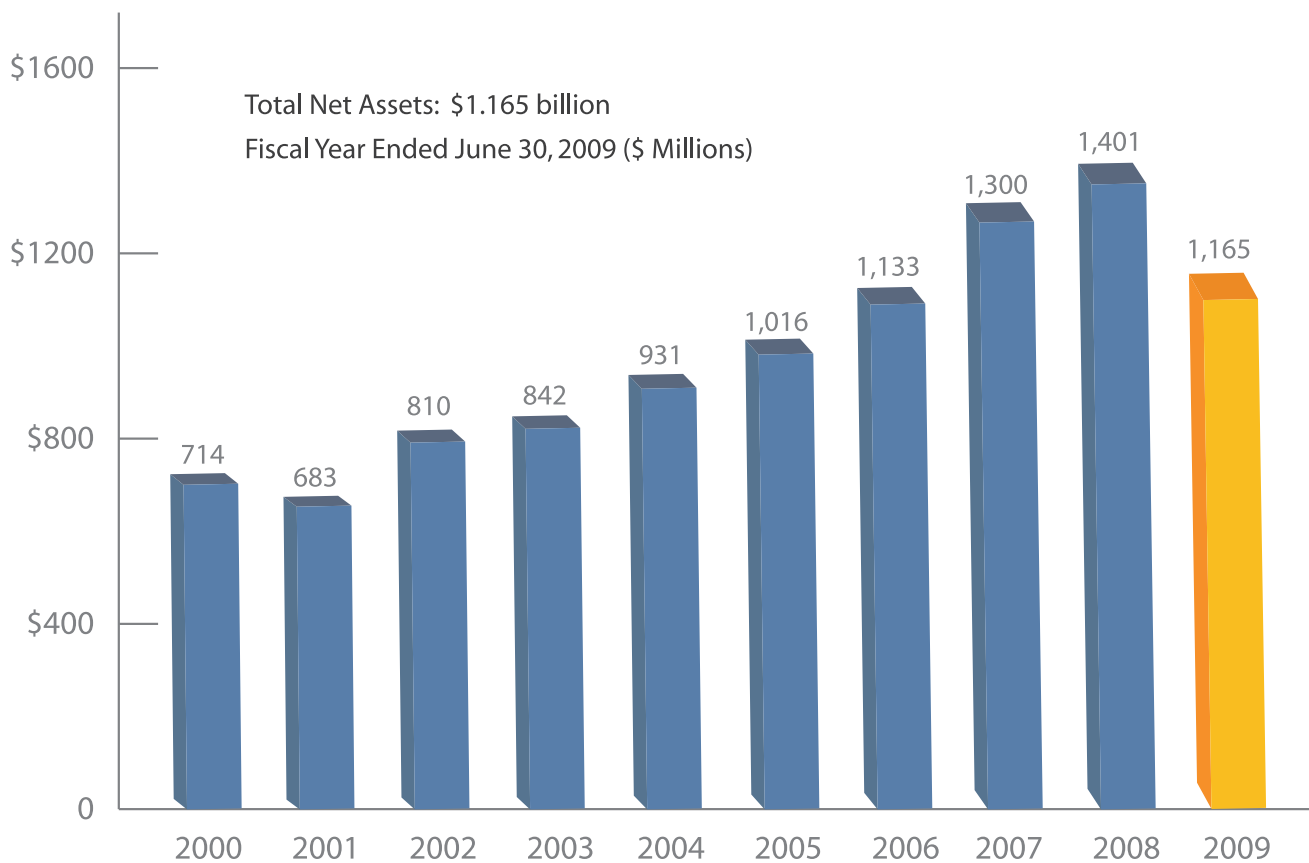
The Foundation Endowment Payout: Funds Available to Campus and Affiliated Entities

The Foundation has been able to more than double the funds available to the campus over the last 10 years due to continued donor support as well as prudent investment management.



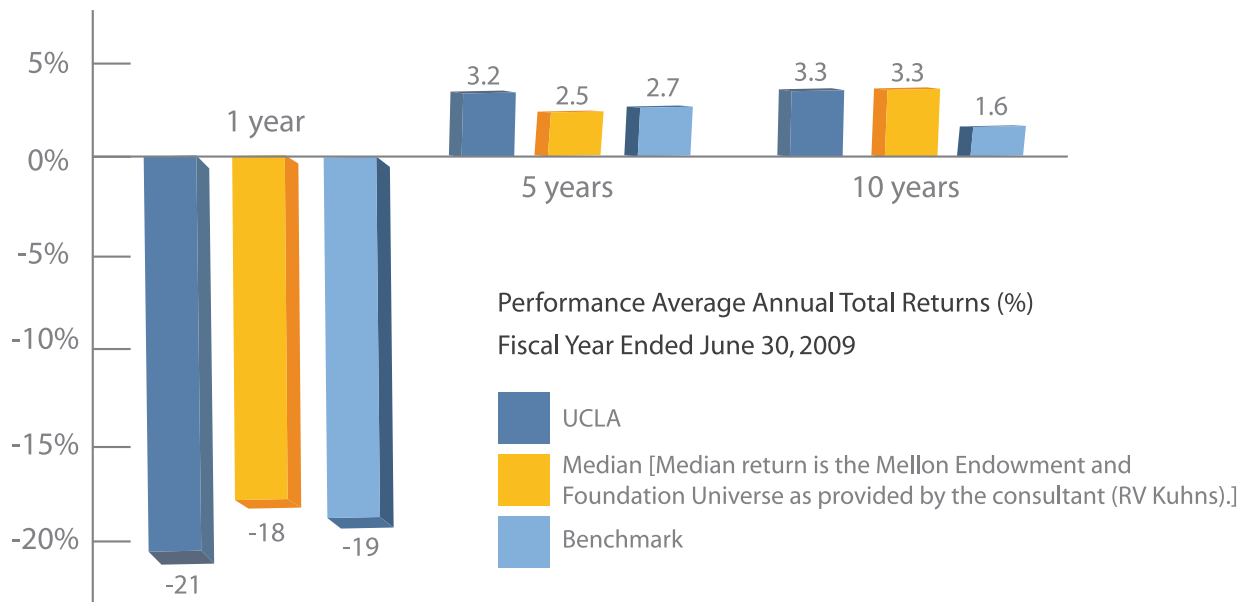
Foundation Net Assets

Although the current year saw a decline in net assets as a result of unstable investment markets, The Foundation's net assets have increased 62% over the last 10 years.



Endowed Long-Term Pool

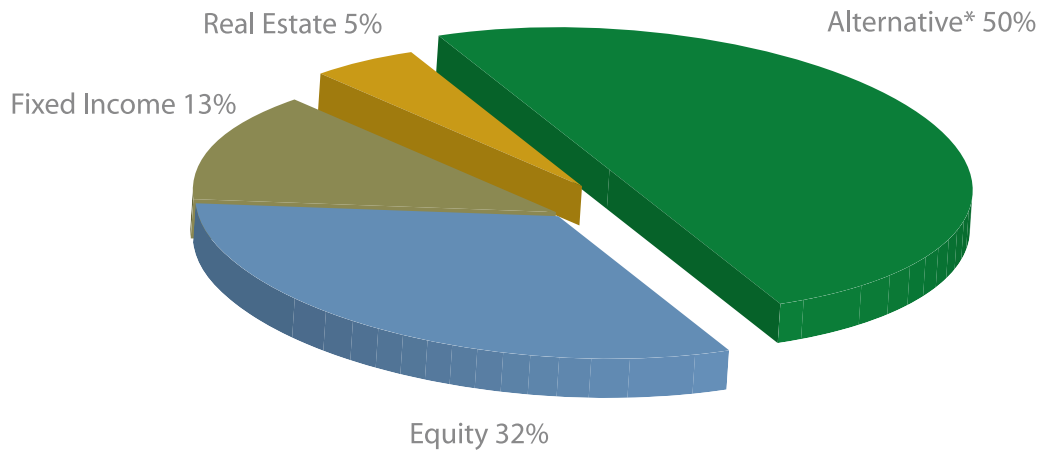
Under very challenging market conditions, The Foundation's endowed long-term pool investment reflected a 21% decrease for the year, but still represented a better return than the custom and median benchmarks in both the 5- and 10-year periods.



Endowed Long-Term Pool Asset Mix

The Foundation's endowed investment pool totaled \$895 million for the year ended June 30, 2009. The endowed long-term pool comprises a diversified investment portfolio that is designed to maximize long-term returns and limit composite portfolio volatility, consistent with accepted institutional investing principles and practices.

Total Investments: \$895 Million
Fiscal Year Ended June 30, 2009



*Includes investments in private equity, venture capital, real estate, oil and gas, timber, distressed debt and hedge fund strategies.