

UCLA Foundation

2009 - 2010 Annual Report

FUELING UNLIMITED POSSIBILITY

One gift to UCLA can spark **unimaginable possibilities** far into the future and ignite other acts of generosity. Investments in students and scholars **spur discovery and innovation** and **ready the thinkers of tomorrow** to take their place, to the benefit of not only the community, but also the world.



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Message from the Chancellor

Philanthropy is what enables UCLA to retain its margin of excellence. For many decades, private support has advanced everything we do — recruiting and retaining our world-class faculty, providing the best resources for our incredible students, enabling our researchers to pursue phenomenal discoveries in our labs, providing state-of-the-art care to patients in our hospitals and clinics and, in numerous other ways, supporting our ability to serve California and the nation. All of it depends upon the resources invested in UCLA by our wonderful private partners.

I am always abundantly grateful for your loyalty and commitment, but your dedication to UCLA was particularly impactful during the past year, in light of the challenging financial environment. Your generosity demonstrates your unwavering belief in the unique and critical role that UCLA plays in the well-being of our community, our state and our world.

I know that you share our vision of building upon UCLA's capacity to fulfill its mission as the exemplary urban public university for the 21st century. It is your support that enables us to make that vision a reality.

Gene D. Block
Chancellor

Message from the Chair

For almost a century, UCLA has been an engine of opportunity. UCLA empowers the best and the brightest throughout its campus, throughout California, throughout the country and throughout the world. Virtually every segment of society is touched by UCLA. As an alumnus, donor and volunteer, as well as an employer of UCLA graduates, I know first-hand how much this great institution enriches those fortunate to be a part of it.

UCLA is a community of brilliant minds and creative thinkers. In order to realize their visions, they need the resources to pursue their ideas. You and I can supply the financial support the university requires in order to fulfill its mission with boldness and distinction. Our gifts can inspire others and provide the foundation for unimagined growth and development.

The following pages show how a number of generous donors are enabling students, faculty and hospital patients, as well as the larger community, to realize the promise of UCLA.



Maurice M. Salter '69, Ed.D. '77
Chair, The UCLA Foundation





Dean Sork sees the Terasaki Building fostering interdisciplinary study that the complex fields of life science require.

Transforming 21st Century Discovery

The Terasaki Life Sciences Building and the Paul I. Terasaki Chair in Surgery

Life sciences are the foundation of so much of the discovery that takes place at UCLA, and they are key to solving some of the world's most vexing maladies, including diabetes, arteriosclerosis and cancer. So it is imperative that the university provide state-of-the-science facilities in which life scientists and their collaborators can conduct the basic research that underlies so many advancements.

Now, thanks to alumnus and emeritus professor Paul Terasaki '50, M.A. '52, Ph.D. '56, UCLA offers just such a place, an expansive space filled with the very latest in scientific and computational equipment. Terasaki, who in 1964 developed the test that became the international standard in tissue typing for organ donors and recipients, gave \$50 million, including \$48 million for the Terasaki Life

Sciences Building in the heart of the campus' science corridor. The remaining \$2 million endowed the Paul I. Terasaki Chair in Surgery.

"This gift enables us to accelerate the movement from deep research to applications to societal benefit, and to make those transitions seamlessly," says Life Sciences Dean Victoria Sork. "Finding new cures, addressing issues of immune response, transplantation — all start with understanding biological processes, and that's what life sciences does."

"The Terasaki Building symbolizes one of the special things about UCLA: how well we all work together."

*Victoria Sork
Dean, UCLA Division of Life Sciences*

Sork sees life sciences changing more than any other field right now, requiring a greater and greater degree of cross-disciplinary work in order to address contemporary challenges. "The Terasaki Building, with its open laboratories, fosters that kind of synergy," she says.

Meanwhile, the Terasaki Chair in Surgery will further UCLA's basic science research in liver and intestinal transplantation, according to Dr. Ronald W. Busuttil, chief of the Division of Liver and Pancreas Transplantation. "Dr. Terasaki's contributions to solid organ transplantation over the last 50 years are iconic. His generosity and support are inspirational."



Furthering Cross-Cultural Understanding

The Younes and Soraya Nazarian Center for Israel Studies

UCLA has long stressed the importance of learning about cultures around the world and how to thrive in a global arena. The university's International Institute is home to 18 centers, each focused on a particular region. The newest one was added to deepen students' and the community's understanding of Israel and the complex issues related to that nation. It is the first full-fledged center of its kind on the West Coast and one of only three in the nation.

This is particularly important since Los Angeles is home to the nation's second-largest Jewish and Israeli communities. UCLA is strategically positioned to broaden knowledge and understanding of Israel's history, religion, arts and culture.

Center Director Arieh Saposnik believes that providing an academic framework will make discussion of the issues related to Israel less contentious.

The Younes and Soraya Nazarian Center for Israel Studies

was made possible by a generous endowment from the Nazarians. The gift enabled the Israel Studies program — which the Nazarians' daughter, Dr. Sharon Baradaran, helped establish in 2005 — to deepen its academic presence, expanding its offerings in scholarship, teaching, research and public education.

“Our goal is to bring the leading scholars in this field together to collaborate in the most innovative research,” says Arieh Saposnik, center director.

The Nazarians came to Los Angeles in 1979, fleeing the violence leading up to the Iranian Revolution, fearing they would be targeted for their ties to Israel. They arrived with four children, a few suitcases and a burning determination to succeed.

The Y & S Nazarian Family Foundation has given a total of \$5 million to advance the study and understanding of Israel at UCLA.

“Because discourse on Israel is often contentious, gaining an unbiased view can be difficult,” says Saposnik. But the Nazarian Center welcomes diverse perspectives and is committed to rigorous scholarship. “Intellectual integrity is vital to fostering a different kind of discourse,” he says. “Studying the history and culture can help to create hope for a different future.”

“The study of Israel provides a wonderful laboratory for examining issues of nationalism, secularism and religion, as well as history and culture.”

*Arieh Saposnik
Director, Nazarian Center for Israel Studies*



Amy Bullock, director of child life and child development services, believes Cameron's generosity facilitates healing for patients like Eddie Carrales.

Inspiring Generosity at a Young Age

Cameron Cohen Gift to Mattel Children's Hospital

Children may feel there is little they can do to benefit others beyond their own families. But 11-year-old Cameron Cohen found a way.

Following orthopedic surgery at Mattel Children's Hospital, Cohen spent six months in a hip-to-toe leg cast and brace, so he felt left out of the games he normally played with his friends. To amuse himself, he learned to program for the iPhone and iPod Touch and developed a new low-cost application for drawing on those devices. The result: a program called iSketch that is offered on Apples' iTunes and has been purchased by tens of thousands of people.

What he did next is exemplary. He gave \$20,000, or well more than half his profits from the sale, to the hospital to buy laptop computers, iPads, iPod Touches and software for teen and preteen patients. And iSketch was the first program downloaded onto the new equipment.

"I had great care in the hospital," Cohen says, adding that he was fortunate to have his iPod Touch for entertainment. "Other kids need things to help make them feel better, too." He continues to consult with the hospital on what programs are of most interest to him and others near his age.

Patients check out the devices for four hours at a time and use them with supervision from a parent, hospital staff member or trained volunteer. Doing so keeps them "up to snuff" with their peers, says Amy Bullock, who heads the Department of Child Life and Child Development Services. It also enables those in isolation to communicate with each other. "It helps all of them forget about the intrusive realities of the medical environment," and, as a result, facilitates their healing and heightens their sense of well-being.

Bullock sees more and more young people thinking about "kids less fortunate than they are. They clearly have role models who are teaching them that philanthropy is important. Considering where the economy has been the last couple of years, it's pretty remarkable."

"Cameron was so pleased with his doctor, and I was glad he decided to help other kids."

*Lisa Cohen, M.S. '89
Cameron's mother*



Anthony Tran '10 and Andrea Gutierrez '10 both found their Kubota scholarships invaluable in enabling them to focus on their education and the launch of their theater careers.

Nurturing the Future

The Jeanne Michiko Kubota Scholarship

Through their work, artists inspire others and heighten appreciation between cultures. They serve as unofficial ambassadors, and the breadth of their impact is immeasurable.

“The Sound of Music” is what hooked Elizabeth Reiko Kubota Whitney '80 on musical theater as a child. But years later, when she was accepted to UCLA to study theater, her family was struggling. They asked her to decline and work until she saved some money.

Then her sister, Jeanne, stepped in and paid her way. So when Whitney was in a position to support today's students, she established a scholarship at the School of Theater, Film and Television (TFT) to honor the generosity of her sister, who by then had passed away.

Among the scholarship recipients is 2010 graduate Anthony Tran, who grew up drawing the costumes he saw in Disney

animated films. So although his parents, Vietnamese immigrants, were skeptical about his studying costume design, he was determined.

During his first three years at TFT, Tran worked in the dorms and depended on student loans. But in his senior year, a Kubota scholarship allowed him to work on three or four theater productions every quarter and “flex every muscle” he had developed in costume design.

Another recipient, 2010 graduate Andrea Gutierrez, couldn't decide on a career direction until she realized that her most fulfilling experiences had been in theater.

So although she was older than traditional students, she enrolled at a community college and then transferred to UCLA. In her senior year, a Kubota scholarship enabled her to focus on launching her career, rather than working to pay off loans.

“Now the opportunities in front of me are endless,” says Gutierrez, who is working with a youth theater group. “I realize that I can make a difference by bringing the joy of theater to others. UCLA has given me the chance to put that realization into action.”

“I wanted to make a significant difference in a student's life.”

*Elizabeth Reiko Kubota Whitney '80
Theater, Film and Television Scholarship Founder*

Financials: Performance Highlights

For the year ended June 30, 2010 (FY10):

| | |
|-----------------|---|
| \$1.3 billion | Net assets (total assets exceeding total liabilities) – represents an increase of \$157.7 million |
| \$1.6 billion | Total assets (a 15% increase) |
| \$232.6 million | Total liabilities (a 24% increase) |
| \$144.1 million | Revenue in donor contributions (a 48% increase) |
| \$137.3 million | Expenditures in grants and transfers to the campus (a 9% decrease largely due to reduced construction spending) |
| \$6.8 million | Operating income (increased contribution revenue plus decreased campus support) compared to FY09's operating loss of \$54 million |
| \$97.5 million | Nonoperating income (due to positive investment returns) |
| \$53.3 million | Other income from private gifts of permanent endowments |
| 12.1% | Endowed pool return |
| \$55.1 million | Total FY10 endowment payout available to the campus and affiliated entities (a \$6.9 million increase) |

Annual payout to the campus continues to grow, consistent with The Foundation's goal to provide predictable, sustainable payout that preserves equity among generations.

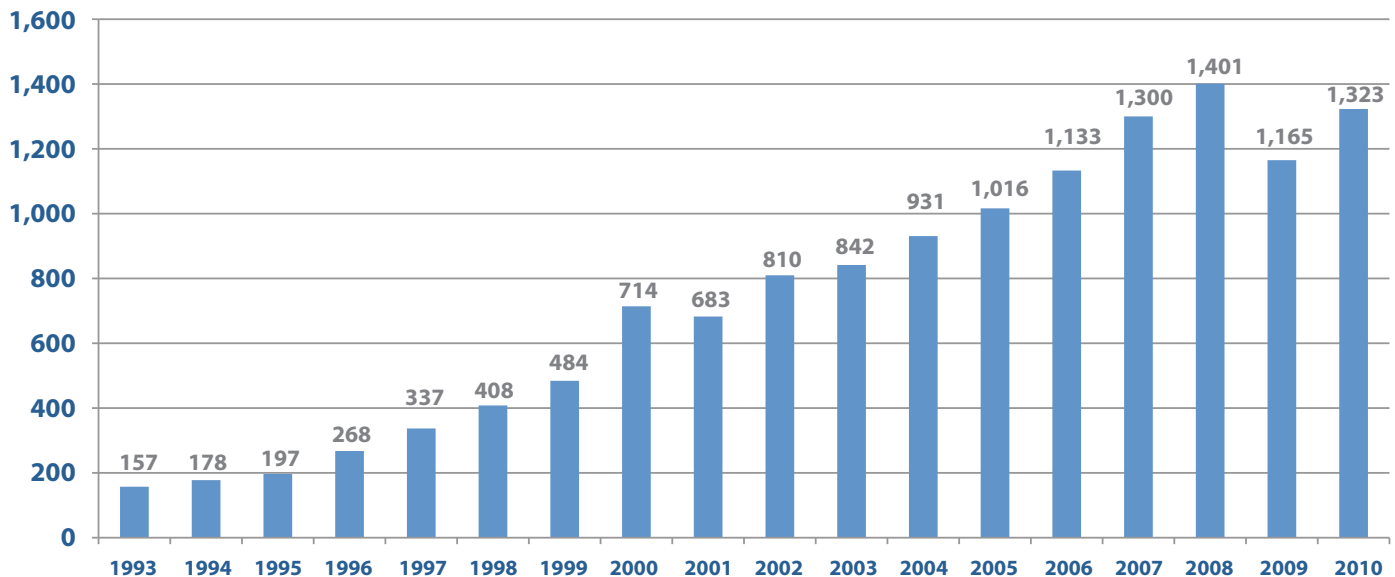
Financials *continued*

Foundation Net Assets

The Foundation's net assets (total assets less total liabilities) increased by \$157.7 million, to \$1.3 billion, resulting in fund balances to support UCLA's mission and address campus priorities. The increase resulted from higher investment returns and gifts. Over the last 10 years, The Foundation's net assets have grown by 94%.

Campus priorities include academic excellence, diversity, civic engagement and financial security.

Total Net Assets: \$1.3 Billion
Fiscal Year Ended June 30, 2010 (\$ Millions)

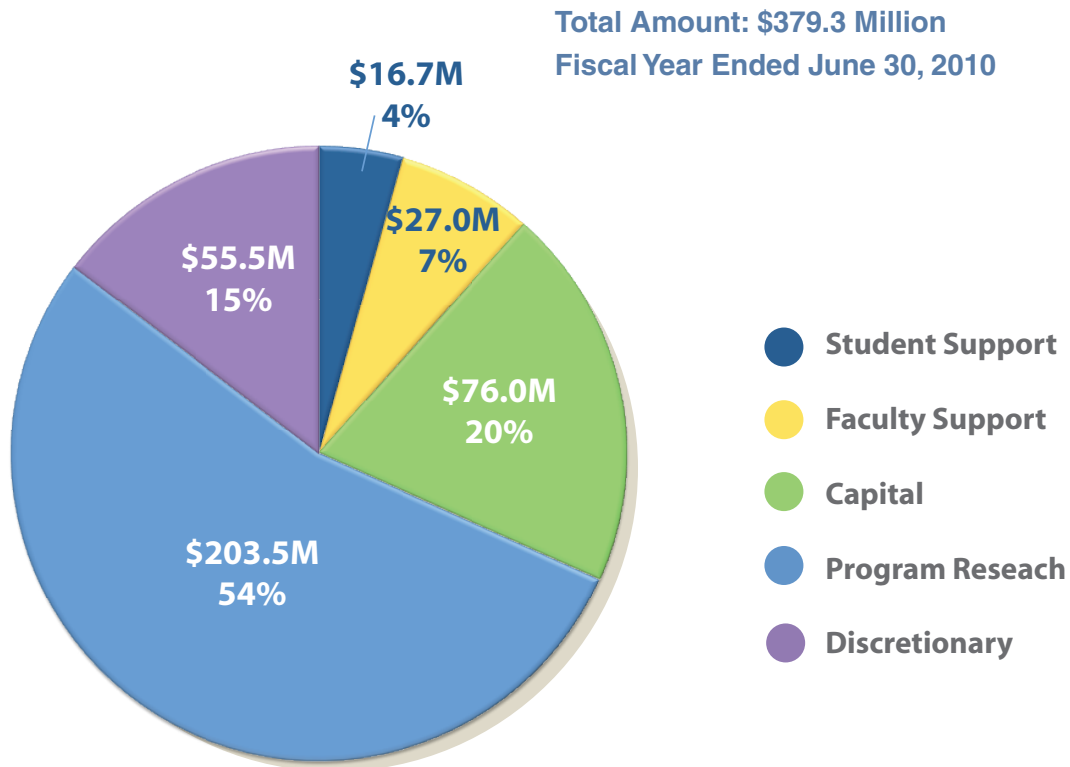


Financials *continued*

Giving by Purpose

Program research attracted more than half the gifts, again placing UCLA in the top five in the nation in research dollars. 2009 - 2010 was an outstanding year for campus improvements as construction neared completion on a number of major projects.

The \$50 million gift that funded the Terasaki Life Sciences Building was the second-largest in UCLA history.



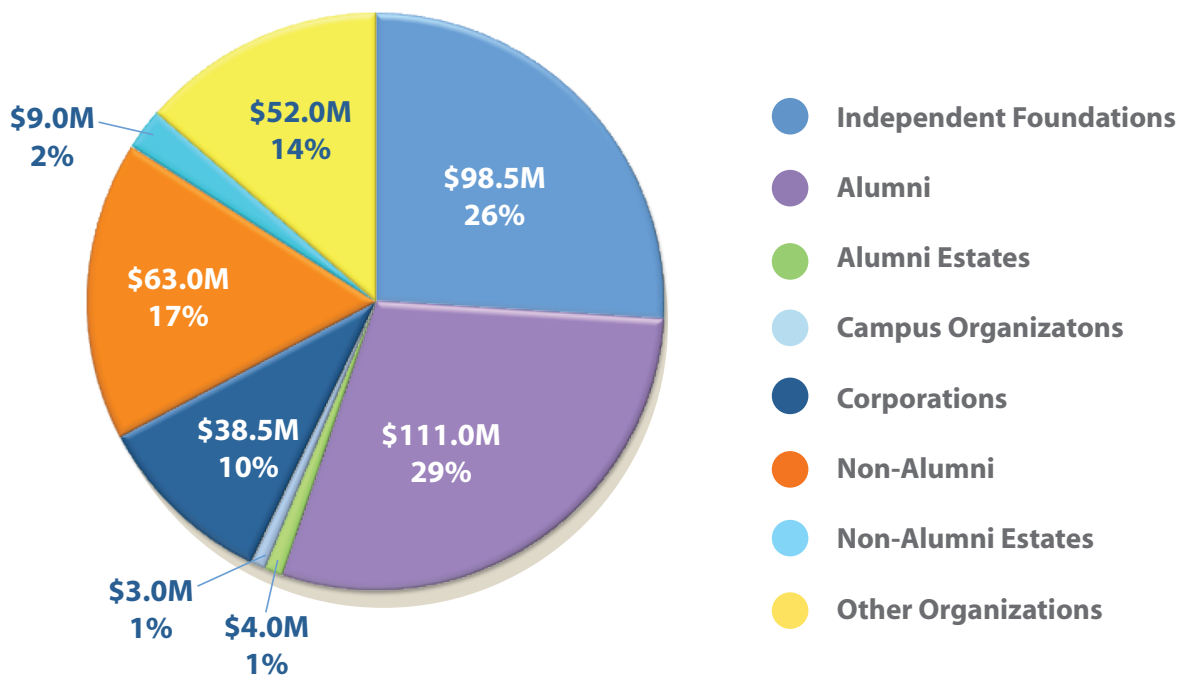
Financials *continued*

Giving by Source

UCLA received \$379 million in gift support in FY10. The margin of alumni giving over non-alumni exceeded last year's four-fold.

Alumni giving increased by 21% in FY10.

Total Amount: \$379.3 Million
Fiscal Year Ended June 30, 2010

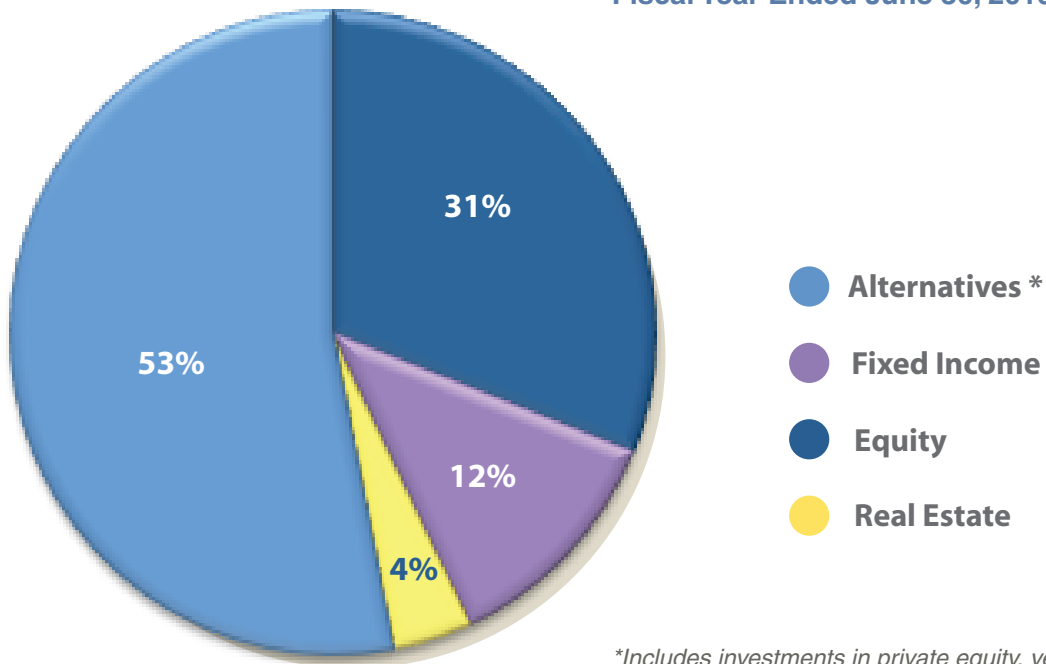


Endowed Long-Term Pool Asset Mix

The Foundation's endowed investment pool totaled \$1.1 billion at the end of FY10. The endowed long-term pool is invested in a diversified investment portfolio designed to maximize long-term returns and limit composite portfolio volatility, consistent with accepted institutional investing principles and practices.

Staying focused on the long-term enables UCLA to continue to thrive even in an economic downturn.

**Total Long-Term Investments \$1.1 Billion
Fiscal Year Ended June 30, 2010**



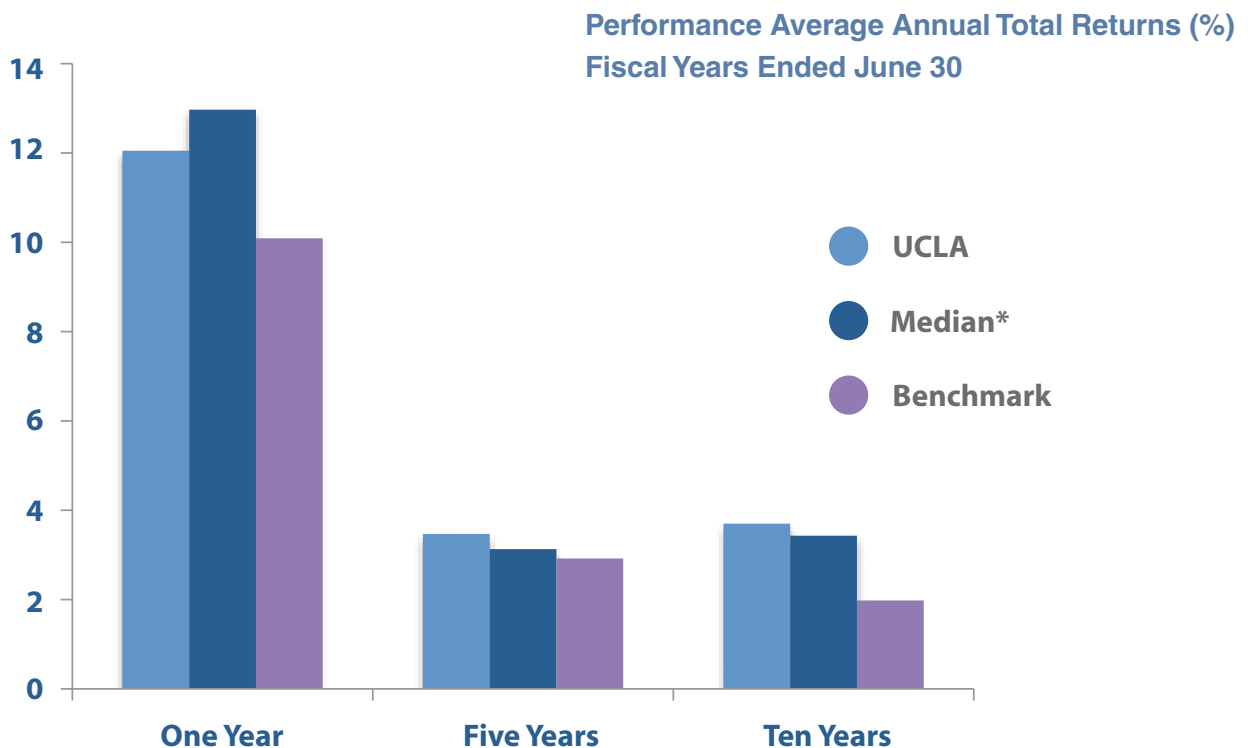
**Includes investments in private equity, venture capital, oil and gas, timber, distressed debt and hedge fund strategies.*

Financials *continued*

Endowed Long-Term Pool

The Foundation's endowed pool returns increased during FY10, as the U.S. financial markets rebounded from their lows earlier in 2009. The pool return for the year was 12.1%. Pool returns exceeded the custom benchmark in the one-year, five-year and ten-year periods, and the median return of the Mellon Endowment and Foundation Universe in the five- and ten-year periods.

The Foundation's goal is to deliver reliable returns for UCLA year after year.



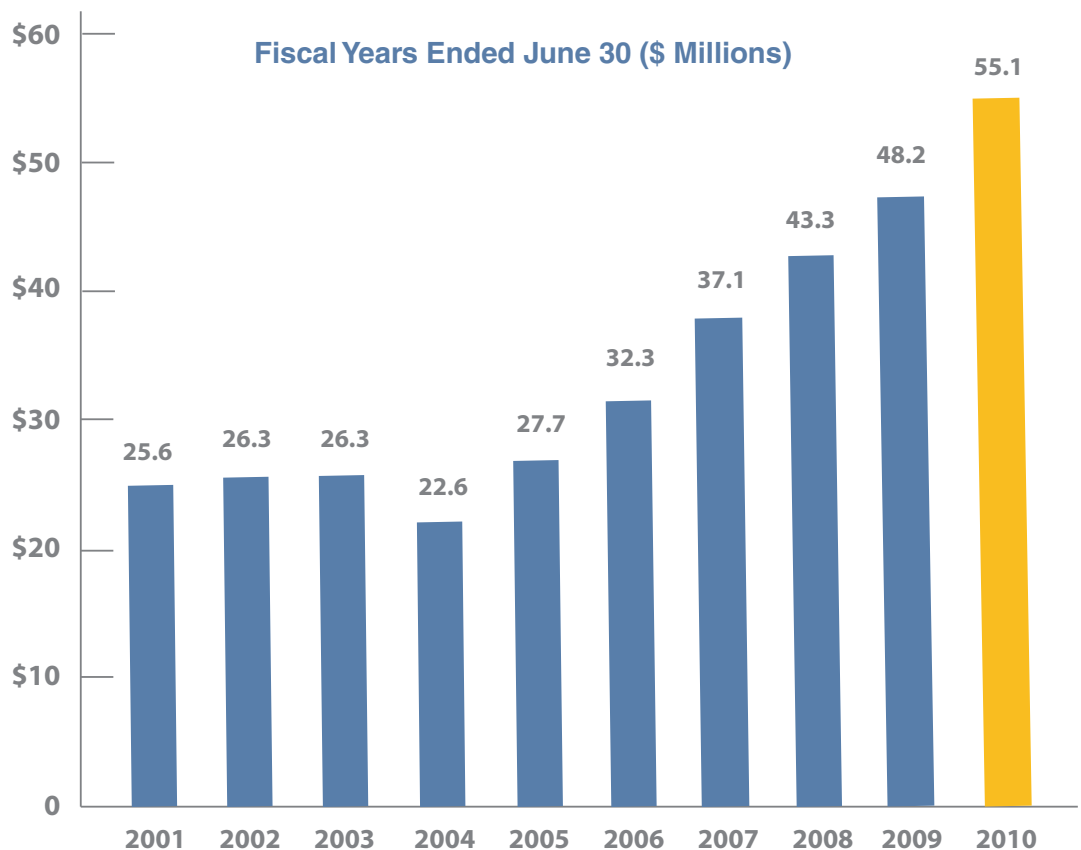
**Median return is the Mellon Endowment and Foundation Universe as provided by the consultant (RV Kuhns)*

Financials *continued*

Endowed Payout: Funds Available to Campus and Affiliated Entities

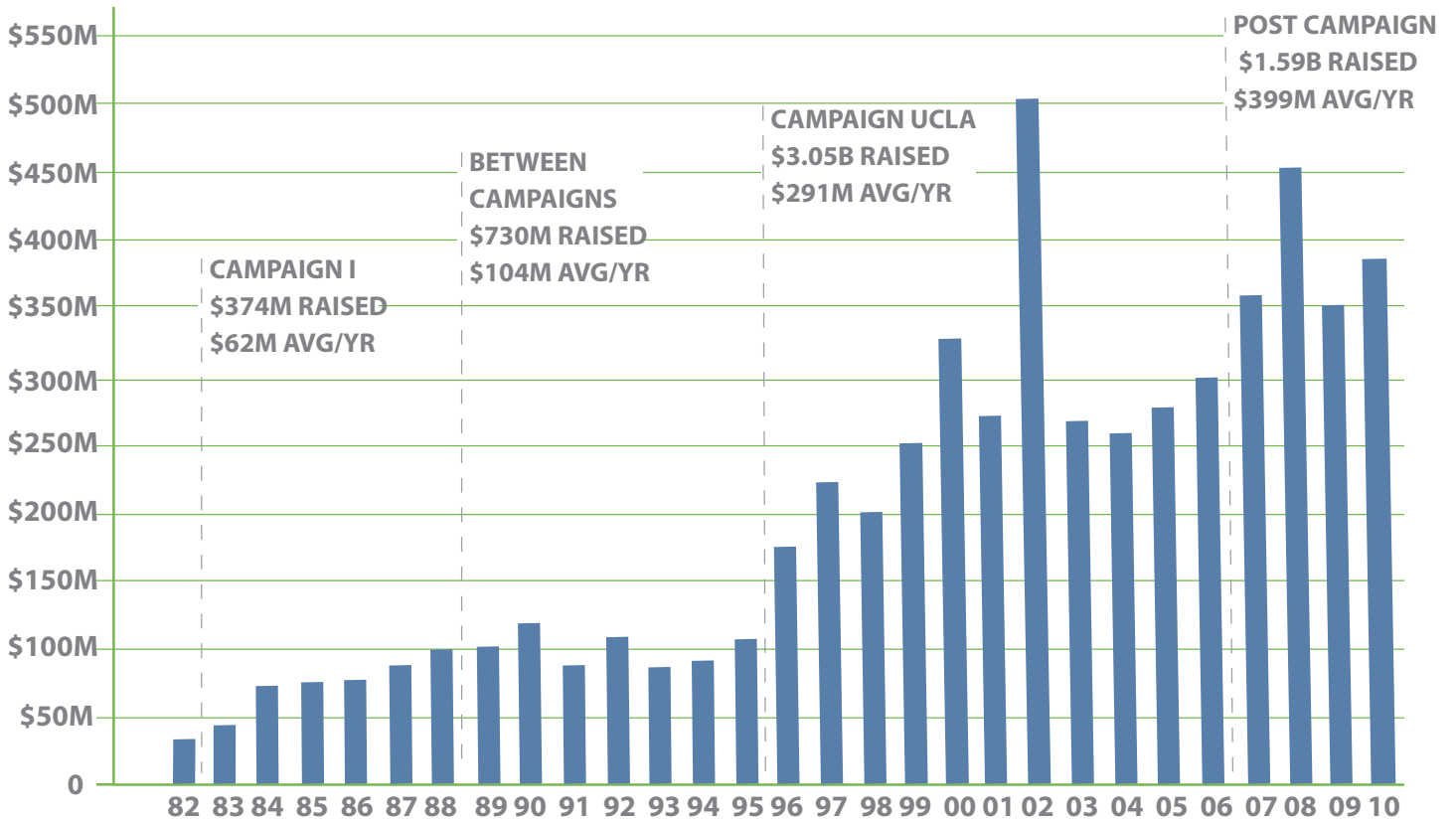
The Foundation has more than doubled its payout over the last 10 years, through continued donor support and prudent investment management. The number of gifts and pledges to UCLA increased by 4% in 2009 - 2010 to almost 79,000.

The Foundation follows a long-term investment approach to ensure that tomorrow's faculty and students will have the support they need and the Bruin legacy will continue to thrive.



UCLA Gift History

UCLA raised \$379 million in the year ended June 30, 2010. This represents a greater than 5% increase over the previous year, despite the downturned economy.



Financials: 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 2009 - 2010 ("FY10") was 6.5%.

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 Price Index over a rolling 5-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 Distribution

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 4.8% for FY10. 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

Administrative Fees and Endowment Investments *continued*

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.

About The Foundation

As the giving, receiving and investing arm of the university, The UCLA Foundation enables private donors to help build, sustain and advance one of the world's finest academic and research institutions. Private philanthropy provides the margin of excellence that makes UCLA stand out above the rest.

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