

## 2010-2011 ANNUAL REPORT



### THE STRENGTH OF SHARED VALUES

Investment in UCLA shows commitment to excellence, access and service, which underlie the University's mission. Each gift demonstrates a certainty that UCLA will deliver on those values and fulfill its promise. This groundswell of common purpose, rooted in timeless truths, generates power and yields endless opportunities.

**The UCLA Foundation**

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## MESSAGE FROM THE CHANCELLOR

Excellent public universities have never been more critical to our nation and the world than they are today. The need for skilled leaders and innovators grows ever greater while higher education becomes too costly for more and more students with the promise and potential to fill those roles. At the same time, the service mission of public institutions is increasingly vital to the quality of our healthcare, the economy, K-12 education and numerous other facets of life in our cities and towns.

UCLA embodies the best of what it means to be public. National and international rankings consistently place us in the top tier among the world's most outstanding universities, based not only on our teaching and research, but also on our contribution to public good. Simply put, UCLA is a phenomenon—with award-winning faculty, groundbreaking research, life-changing innovations, four world-class teaching hospitals and more than 80 community clinics delivering state-of-the-art healthcare one patient at a time.

None of this would be possible without you, our extraordinary partners, and your unfailing generosity. We know that you choose to invest in UCLA because you believe in its mission. You share the university's values of access to excellence and service to others. You, too, want to make a positive difference for as many people as possible.

We believe that what we can achieve together is boundless. An inscription above a door to our Humanities Building reads, "Nothing is too wonderful to be true." A quote from inventor Michael Faraday, it could also be the credo of all who support UCLA.

A handwritten signature in black ink that reads "Gene D. Block".

Gene D. Block  
Chancellor



## MESSAGE FROM THE CHAIR

UCLA's impact on my life has been immeasurable. I'm an alumnus, donor, volunteer and employer of graduates. Like so many others, I feel exceedingly fortunate to have had access to such an incredible institution. The most meaningful way for me to show my gratitude is to make it possible for others to benefit from UCLA. Participation in The UCLA Foundation is one of the most rewarding ways to do that.

The UCLA Foundation is known for prudent management of the philanthropy that UCLA receives. That is a critical function, but The Foundation's involvement with the University is far broader. We help attract top faculty and keep them here. We enable the most promising students to study here. We enhance ties with our graduates around the world. And we support UCLA's work with the community. We do all of this by supplying unrestricted funding for needs that are otherwise unmet.

The UCLA Foundation exists to nurture UCLA's excellence and extend it as far as possible. Doing so not only changes individual lives but also makes our world better for us all. This report shows how generous donors, like you, are passionately advancing the University through their support. On behalf of The Foundation, we are deeply grateful for your contribution. In true Bruin spirit, let's continue to do all we can.

A handwritten signature in black ink that reads "Maurice M. Salter". The signature is written in a cursive, flowing style.

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



**“The Luskins’ generosity will enable us to expand debate on some of the most challenging questions of our time and apply new knowledge to benefit society.”**

— Franklin Gilliam, dean of the Meyer and Renee Luskin School of Public Affairs

Dean Gilliam (right) and graduate students (left to right) Cornell Williams '12, Zodin Del Rosario '12 and Christina Tam '11 are pleased with the renovations being made to their building, thanks to the Luskin gift.

## A BETTER CIVIC LIFE

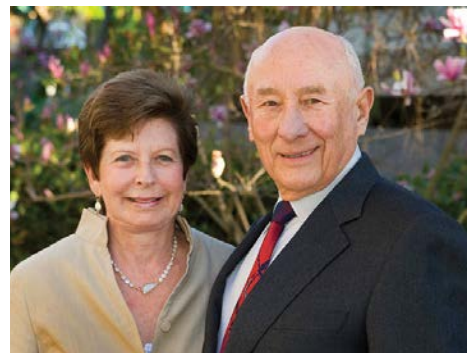
### The Meyer and Renee Luskin School of Public Affairs

Meyer '49 and Renee '53 Luskin passionately believe that future leaders must be prepared to address modern civilization's most challenging issues, from criminal justice to traffic congestion. That's why they made a transformative gift to UCLA's School of Public Affairs, which now bears their name.

The Luskin School “equips people to protect our most vulnerable populations; plan a built environment that's sustainable and improves quality of life; and set public policies that address important questions in education, crime control and labor markets—areas that determine the well-being of our communities,” says Luskin School Dean Franklin D. Gilliam, Jr.

Funding for graduate fellowships; recruitment and retention of top faculty; development of programs; and upgrading of facilities are all included in the gift. Building renovation is already well underway.

“The Luskins believe that our most important problem is: how do we do a better job of living together?” Gilliam says. “Without that, little else matters.”



Meyer and Renee Luskin made a transformative investment in tomorrow's leaders.



**“With the technology in the Ostin Center, we can prepare students for the professional marketplace, as well as make music accessible globally.”**

— Christopher Waterman, dean of the UCLA School of the Arts and Architecture

Dean Waterman (right) discusses music with ethnomusicology majors Forrest Mitchell '12 (left) and Wyatt Stone '12.

## READY FOR THE REAL WORLD

### The Evelyn and Mo Ostin Music Center

Music industry executive Morris “Mo” Ostin ’51 knows firsthand how critical it is for professional musicians to be primed to function in a competitive world. Besides being talented and well-versed musically, they must be fluent in the latest technology and understand the world of performing arts and the business of music.

Ostin’s own stellar career experience prompted him to make a game-changing gift to UCLA so that music students can train in a state-of-the-art environment. His funding provides a major part of the cost of creating a cutting-edge multipurpose Evelyn and Mo Ostin Music Center, encompassing a high-tech recording studio, rehearsal and teaching spaces, a café and Internet-based production capability.

“This facility will support UCLA’s global view of music and enable us to make music accessible through digital technology to the widest possible audience,” says ethnomusicologist Christopher Waterman, dean of the UCLA School of the Arts and Architecture. He particularly cites the school’s teaching mission that includes outreach to K-12 students and the larger community.

“Our commitment to providing a holistic education—from composition and performance to interdisciplinary and music industry studies—will continue to attract the very best students from California and around the world.”



**“These students will be freer to focus on their studies and prepare for their next step toward going out into the world and being forces for beneficial change.”**

— Chancellor Gene Block on why scholarships are important

Freshman Sogol Ashrafian '15, who plans to major in pre-med, was encouraged and gratified when a scholarship from the Dream Fund made it possible for her to attend UCLA.

## THE DREAM FUND AT UCLA

As much as freshman Sogol Ashrafian '15 wanted to attend UCLA, she and her family couldn't afford the fees and didn't want to assume loans. An excellent student, Sogol had been accepted by a number of top-tier universities. She had decided she'd have to settle for her second or third choice when the solution came: an email from UCLA offering her a scholarship. Her mother cried. “Everything works itself out,” says the new Bruin who plans to major in pre-med.

Support for Sogol's scholarship stems from the Dream Fund at UCLA, a donor-advised fund that addresses some of society's most challenging problems across the country. The UCLA Foundation manages and administers the fund, which consists of assets and charitable programs transferred to UCLA by the Lincy Foundation last February.

In addition to providing scholarships for exemplary students at UCLA, the fund benefits charitable projects nationally, such as SHARE in Beverly Hills, California, which raises funds for developmentally disabled, abused and neglected children, and Three Square food bank in Las Vegas, Nevada. The Dream Fund's support has enabled Three Square to expand its service area from local to regional in a state where “one in six is unsure where their next meal is coming from,” according to retired founding CEO Julie Murray.

Three Square distributes food to seniors and to at-risk children through school programs and parks and recreation. Students who receive free lunch at school also get food-filled backpacks for weekends. “People can't learn, look for work, or care for their families when they're hungry,” Murray says. The food bank now serves 600 partner programs throughout Southern Nevada.

Again and again, the work of the Dream Fund at UCLA demonstrates what a difference philanthropy can make in individual lives.

## UCLA FOUNDATION PERFORMANCE HIGHLIGHTS

For the year ended June 30, 2011 (FY11):

\$1.8 billion	Net assets, comprised of total assets exceeding total liabilities, increased \$447.5 million (a 34% increase)
\$2.0 billion	Total assets (a 30% increase)
\$252.7 million	Total liabilities (a 9% increase)
\$351.6 million*	Revenue in the form of donor contributions (a 144% increase)
\$146.5 million	Expenditures in grants and transfers to the campus (a 8% increase)
\$199.3 million	Operating income increased \$192.5 million over the previous year, primarily due to an increase in donor contributions
\$171.1 million	Nonoperating income (a 76% increase, due to positive investment returns)
\$77.0 million	Other income from private gifts of permanent endowments
17.0%	Endowed pool return (a 40% increase)
\$63.9 million	Endowment investment pool payout available to the campus and affiliated entities (a 16% increase)

\* Excludes contributions managed by The Regents, additions to permanently endowed funds, and endowed or testamentary pledges.

## FOUNDATION NET ASSETS

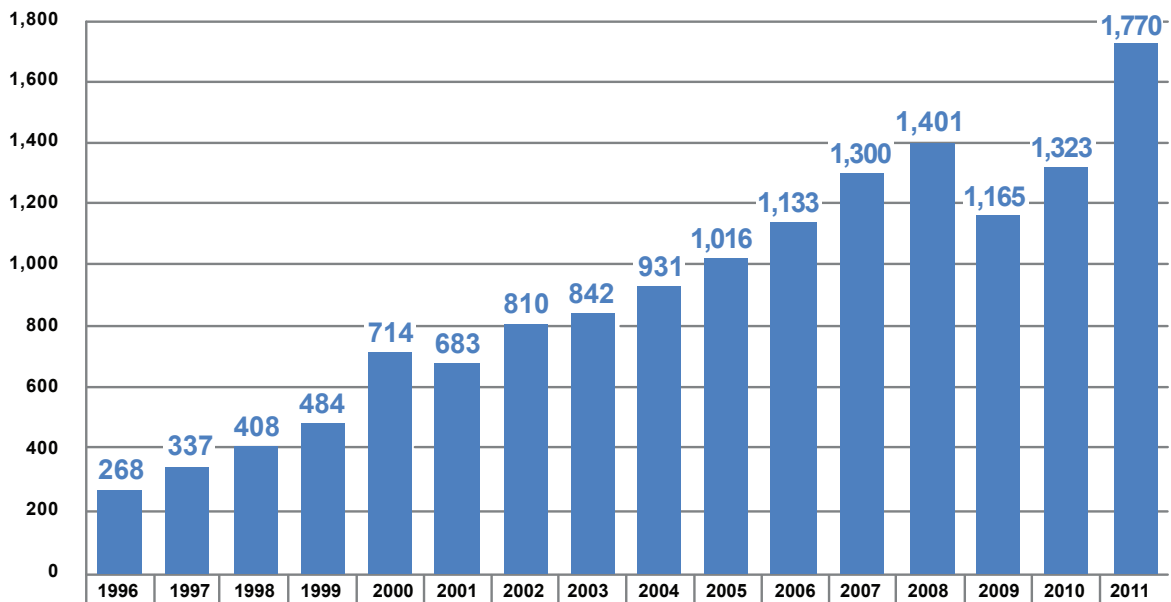
The Foundation's net assets (total assets exceeding total liabilities) reached \$1.8 billion, an increase of \$447.5 million. These funds support UCLA's mission and address campus priorities. The increase resulted from donor contributions and investment returns. Over the past 10 years, The Foundation's net assets have grown by 119%.

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The increase in private giving to UCLA reflects donors' belief in the University's public mission and in its future.

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**Total Net Assets: \$1.8 billion**  
**Fiscal Year Ended June 30, 2011 (\$ Millions)**

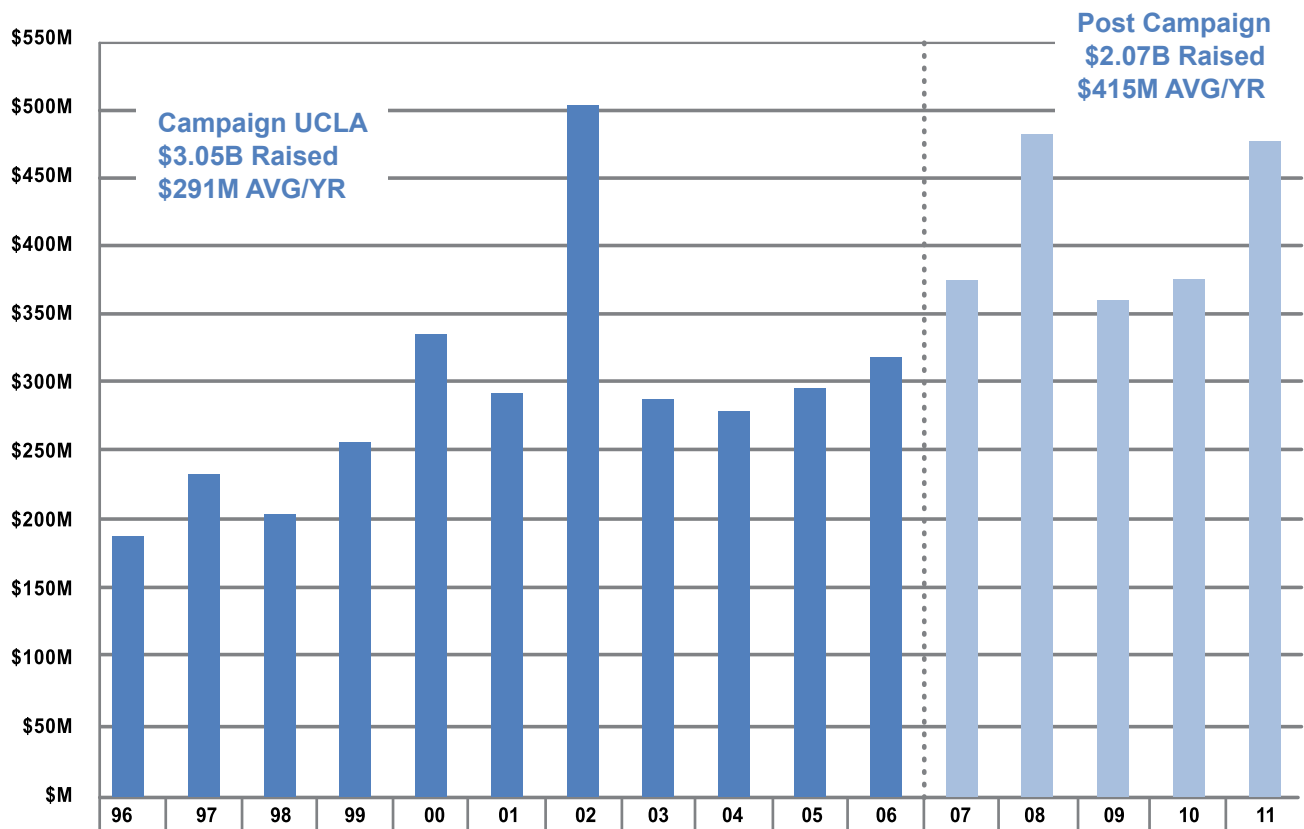




## UCLA GIFT HISTORY

The University raised \$479.5 million\* in FY11, an increase of \$100 million over FY10. This represents the third-largest fundraising year in UCLA's history.

UCLA continues to rank among the top 10 nationally in higher education fundraising.



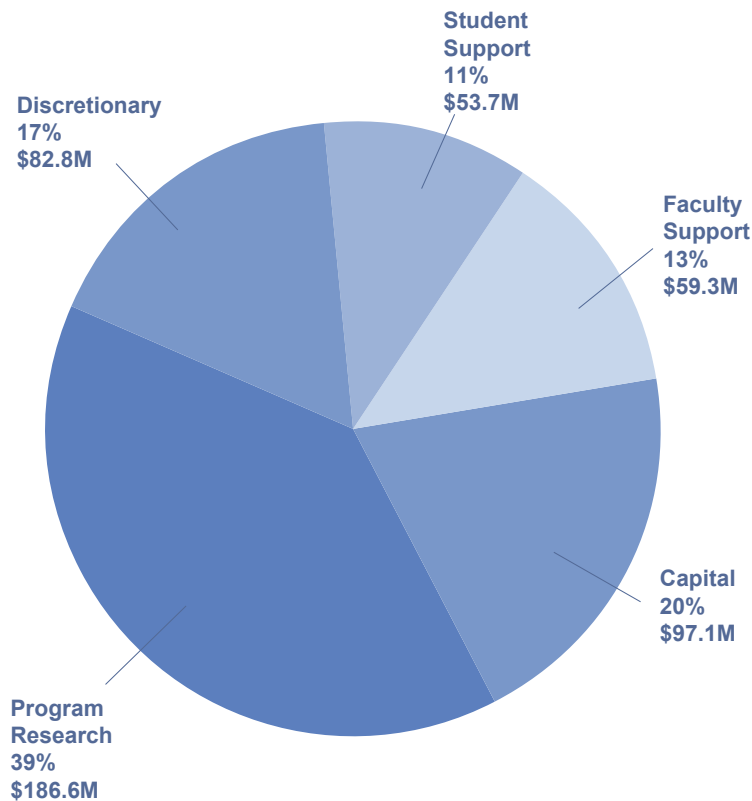
\* Includes contributions managed by The Regents.

## GIVING BY PURPOSE

Program research and capital improvements accounted for more than half the gift support to UCLA in FY11.

With a push from a faculty-giving campaign launched in December 2010, faculty giving increased 51 percent. The number of faculty donors also increased 17 percent to a total of 1,529.

**Total Amount: \$479.5 million\***  
**Fiscal Year Ended June 30, 2011**



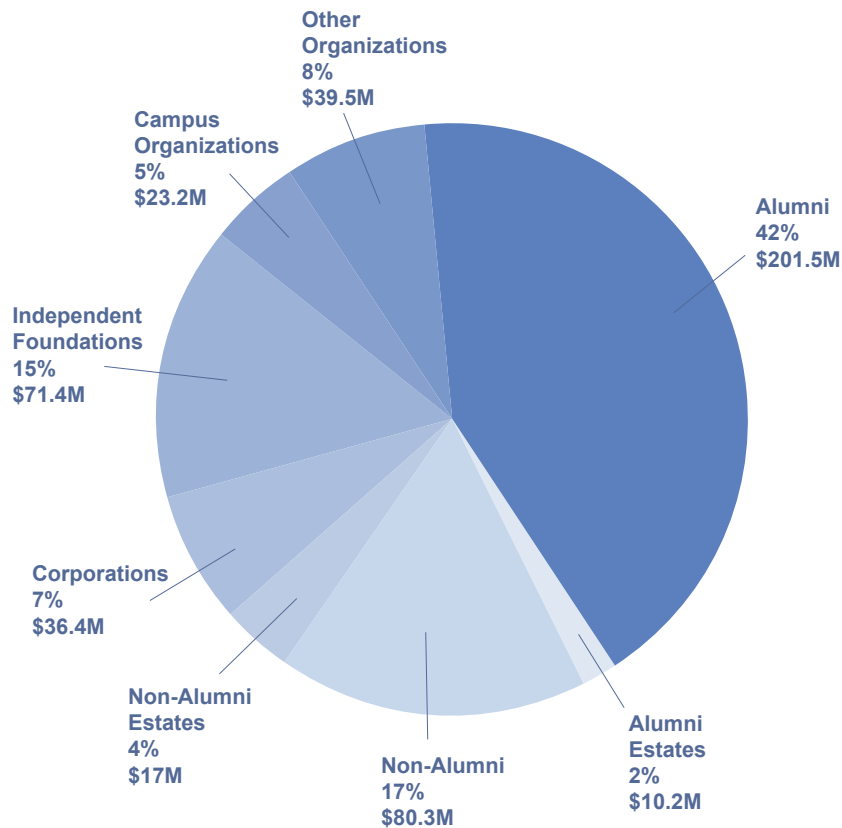
\* Includes contributions managed by The Regents.

## GIVING BY SOURCE

UCLA received \$479.5 million\* in gift support in FY11, with alumni support nearly double that of non-alumni giving.

The number of donors to UCLA grew by about 2,000 individuals in FY11 to a total of 60,526.

Total Amount: \$479.5 million\*  
Fiscal Year Ended June 30, 2011



\* Includes contributions managed by The Regents.

## UCLA REVENUES SUPPORTING CORE ACTIVITIES

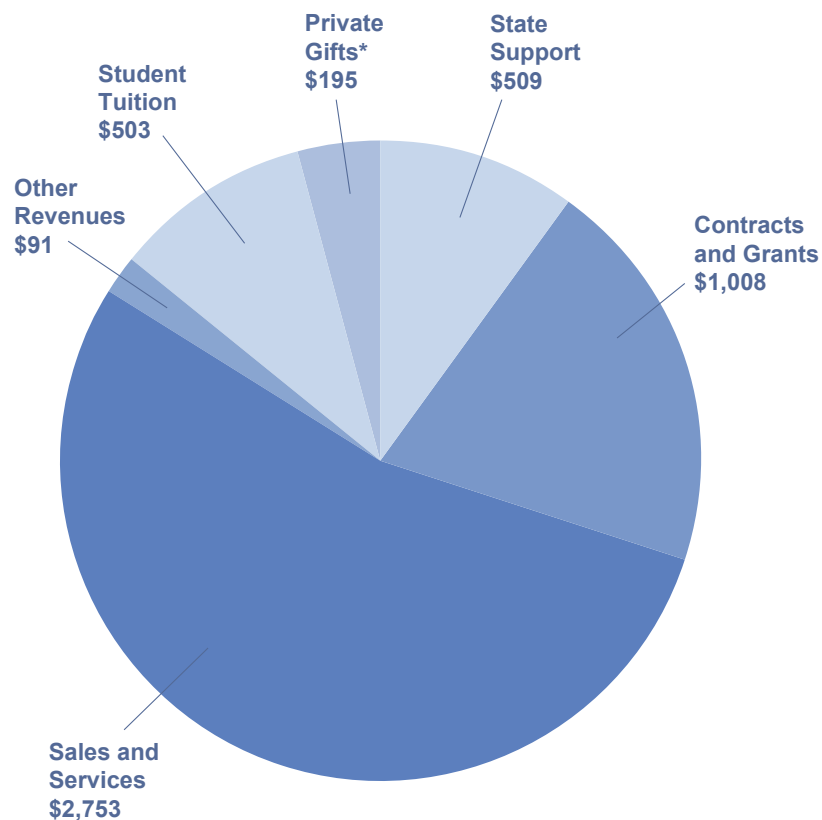
A major source of UCLA's financial strength is the diversity of its revenue sources.

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Philanthropic support becomes more critical to UCLA as state funding continues to decline and student fees continue to rise.

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**Total Revenues Received by UCLA: \$5.0 billion**  
**Fiscal Year Ended June 30, 2011 (\$ Millions)**



\* Private support reflects current use gifts.

## ENDOWED INVESTMENT POOL ASSET MIX

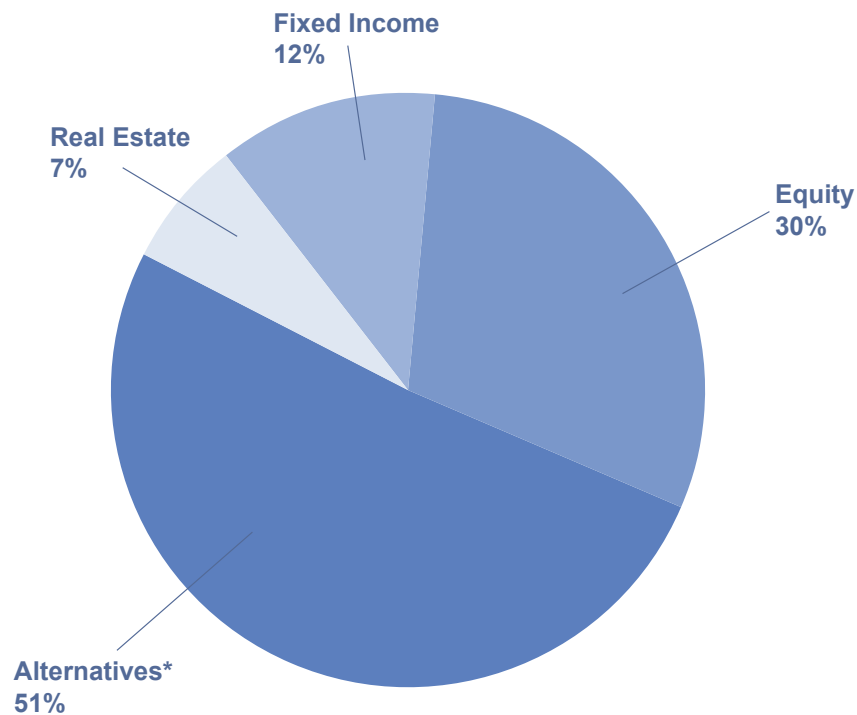
The Foundation's endowed investment pool totaled \$1.5 billion at the end of FY11. The endowed long-term pool is invested in a diversified portfolio designed to maximize long-term returns and limit composite portfolio volatility, consistent with accepted institutional investing principles and practices.

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Confidence in UCLA's future is strengthened by the generosity of our alumni, friends and community.

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**Total Long-Term Investments: \$1.5 billion**  
**Fiscal Year Ended June 30, 2011**



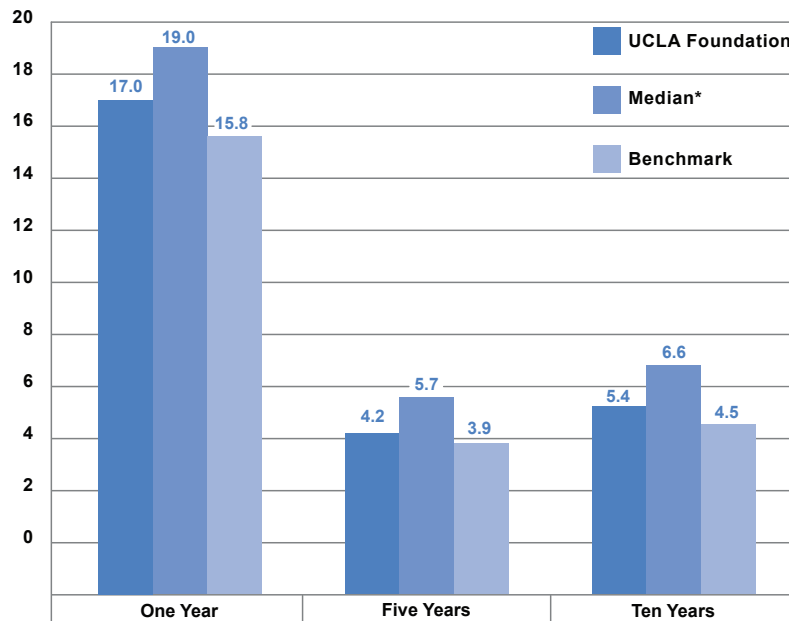
*\* Includes investments in private equity, venture capital, oil and gas, timber, distressed debt and hedge fund strategies.*

## ENDOWED INVESTMENT POOL

In FY11, The Foundation's endowed pool returns continued to increase as the financial markets extended gains. The pool return for the year was 17%. Pool returns exceeded the custom benchmark in the one-year, five-year and ten-year periods.

The UCLA campus continued to evolve, with the opening of the Terasaki Life Sciences Building; groundbreaking for the Edie & Lew Wasserman Building; and renovation of Pauley Pavilion, scheduled to reopen in 2012.

**Performance Average Annual Total Returns (%)**  
**Fiscal Years Ended June 30**



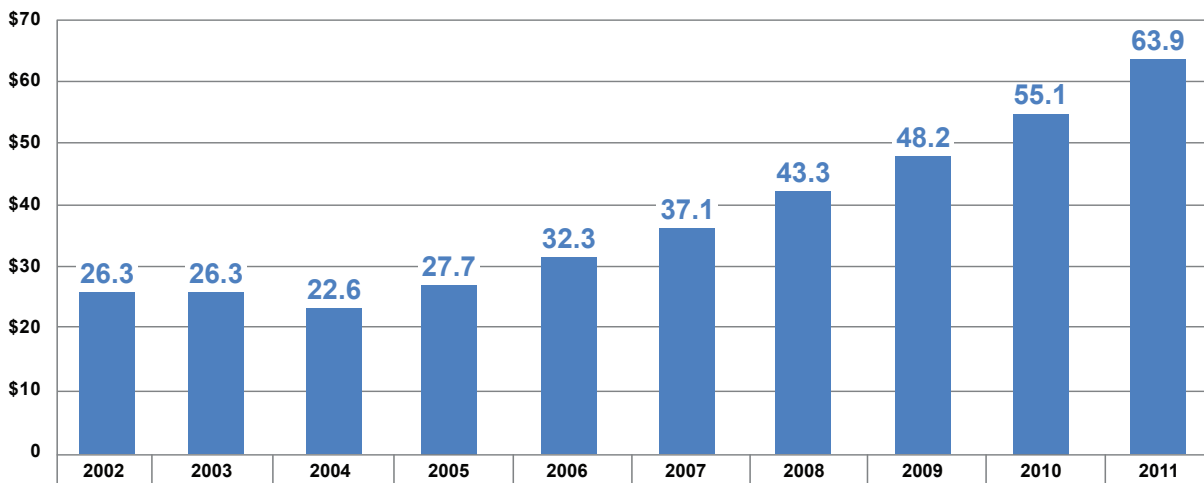
\* Median return is the Mellon Endowment and Foundation Universe as provided by the consultant (RV Kuhns).

## ENDOWMENT INVESTMENT POOL PAYOUT

The Foundation has more than doubled its payout to campus and affiliated entities over the last 10 years through continued donor support and prudent investment management.

An increase in dollars raised and in the number of gifts and pledges in FY11 demonstrates widening participation in philanthropy.

Fiscal Years Ended June 30 (\$ Millions)



## BOARD OF DIRECTORS 2010 – 2011

### Officers

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Betsy Wood Knapp, Immediate Past Chair  
Rhea Turteltaub, Executive Vice President  
George Letteney, Interim Vice President-Finance/Treasurer  
Steve Gamer, Executive Director

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Roy H. Aaron  
Keenan Behrle, JD '69  
Eleanor V. Brewer, MBA '86  
Melissa Draper, UCLA Parent  
James L. Easton '59, UCLA Parent  
Julia S. Gouw  
Shang Li (S.L.) Huang, UCLA Parent  
Steven L. Klosterman '73  
Meyer Luskin '49  
Thomas Mabie '76, JD '79  
James T. (Tim) McCarthy, UCLA Parent  
William E. Mitchell, UCLA Parent  
David Nazarian  
Lori S. Pelliccioni, MPH '96, PhD '02  
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Van Schultz '74, MS '75, UCLA Parent  
Jeffrey A. Seymour '73, MPA '77, UCLA Parent  
Ralph J. Shapiro '53, JD '58  
Shirley Wang '90  
Charles R. Williams '57, MBA '58



## **ABOUT THE FOUNDATION**

The UCLA Foundation promotes philanthropy and manages resources to advance the campus mission of teaching, research and public service. Through The Foundation, donors participate in building, sustaining and advancing the University. The Foundation receives contributions made by alumni, friends, private foundations and corporations; invests and manages the contributions to protect and enhance their value; and disburses them to UCLA's many professional schools, academic departments and operating units.

# **The UCLA Foundation**

**Financial Statements**

**June 30, 2011 and 2010**

**The UCLA Foundation**  
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**June 30, 2011 and 2010**

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## Report of Independent Auditors

The Board of Directors of  
The UCLA Foundation

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of The UCLA Foundation (a component unit of the University of California) at June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of The UCLA Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script, appearing to read "PricewaterhouseCoopers LLP".

September 15, 2011

# **The UCLA Foundation**

## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2011 and 2010**

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The UCLA Foundation, formerly the UCLA Progress Fund, Inc., was established in 1945. The primary purpose of The UCLA Foundation ("The Foundation") is to encourage financial support for University of California, Los Angeles ("UCLA") through private gifts. In addition, The Foundation provides a convenient and efficient vehicle for accepting all types of private donations and gifts as an adjunct to money also raised for UCLA through The Regents of the University of California.

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, 2011 ("FY11") with selected comparative information for the year ended June 30, 2010 ("FY10"). 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 footnotes.

#### **Financial Highlights**

In FY11, The Foundation's endowed pool returns continued to increase as the financial markets extended gains. The Foundation's endowed investment pool return for the year was 17.0%. The Foundation's net assets, which represent the excess of total assets over total liabilities, increased by \$447.5 million to \$1.8 billion as of June 30, 2011, primarily a result of higher gifts and investment returns. Total assets increased 30% to approximately \$2.0 billion and total liabilities increased 9% to \$252.7 million as of June 30, 2011.

The Foundation's revenue in the form of donor contributions totaled \$351.6 million for FY11, a 144% increase as compared to FY10. To support Campus initiatives, The Foundation's expenditures in the form of grants and transfers to the Campus increased 8% to \$146.5 million over FY10. The increased contribution revenue combined with increased campus support resulted in operating income of \$199.3 million for FY11 as compared to an operating income of \$6.8 million in FY10. Due to positive investment returns in FY11, The Foundation had non-operating income of \$171.1 million. Other income in the form of private gifts of permanent endowments totaled \$77.0 million.

#### **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 UCLA Foundation finances is whether The UCLA 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 Assets, Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These statements present financial information in a form similar to that used by private sector companies. The UCLA Foundation's net assets (the difference between assets and liabilities) are one indicator of The Foundation's financial health. Over time, increases or decreases in net assets is 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 Assets includes all assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating; with gifts reported as operating revenues and investment results reported as non-operating revenues. These statements are prepared using the accrual basis of accounting. Another way to assess the financial health of The UCLA 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.

**The UCLA Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011 and 2010**

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**Condensed Statements of Net Assets**

<i>(dollars in thousands)</i>	<b>2011</b>		<b>2010</b>		<b>2009</b>	
<b>Assets</b>						
Current assets	\$ 240,805	12 %	\$ 228,123	15 %	\$ 236,592	17 %
Non-current assets	1,781,915	88	1,327,091	85	1,116,315	83
Total assets	<u>2,022,720</u>	<u>100</u>	<u>1,555,214</u>	<u>100</u>	<u>1,352,907</u>	<u>100</u>
<b>Liabilities</b>						
Current liabilities	217,142	86	194,707	84	150,626	80
Non-current liabilities	35,550	14	37,932	16	37,415	20
Total liabilities	<u>252,692</u>	<u>100</u>	<u>232,639</u>	<u>100</u>	<u>188,041</u>	<u>100</u>
<b>Net assets</b>						
Restricted:						
Nonexpendable	687,924	39	569,629	43	496,650	43
Expendable	886,377	50	749,331	57	668,057	57
Unrestricted	195,727	11	3,615	0	159	0
Total net assets	<u>\$ 1,770,028</u>	<u>100 %</u>	<u>\$ 1,322,575</u>	<u>100 %</u>	<u>\$ 1,164,866</u>	<u>100 %</u>

The Condensed Statements of Net Assets shows assets, liabilities and net assets for fiscal years 2011, 2010 and 2009. In FY11, The Foundation's total assets increased by \$467.5 million to approximately \$2.0 billion. Current assets increased by \$12.7 million to \$240.8 million and represented 12% of total assets (2011: 12%, 2010: 15%; 2009: 17%). Current assets consist primarily of short-term investments, pledges receivable within one year and cash collateral invested under a securities lending agreement.

Non-current assets increased by \$454.8 million to \$1.8 billion and comprised 88% of total assets (2011: 88%, 2010: 85%, 2009: 83%). Non-current assets consist primarily of long term investments and pledges receivable due after one year.

In FY11, The Foundation's total liabilities increased by \$20.0 million to \$252.7 million. Current liabilities increased by \$22.4 million to \$217.1 million and comprised 86% of total liabilities (2011: 86%, 2010: 84%, 2009: 80%). Current liabilities consist primarily of amounts held for others, which increased by \$20.1 million and a payable under the securities lending agreement, which increased by \$1.5 million from FY10 to FY11.

Non-current liabilities decreased by \$2.4 million to \$35.6 million and comprised 14% of total liabilities (2011: 14%, 2010: 16%, 2009: 20%). Non-current liabilities consist of annuities payable and liabilities to life beneficiaries.

**The UCLA Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011 and 2010**

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**Condensed Statements of Revenues, Expenses and Changes in Net Assets**

<i>(dollars in thousands)</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating revenues and expenses</b>			
Contributions	\$ 351,611	\$ 144,135	\$ 97,472
Expenses	<u>152,315</u>	<u>137,292</u>	<u>151,458</u>
Operating income/(loss)	<u>199,296</u>	<u>6,843</u>	<u>(53,986)</u>
<b>Non-operating revenues (expenses)</b>			
Interest, dividends and distributions, net	31,647	30,309	19,302
Realized gains/(losses) on investments	25,837	(4,670)	(42,330)
Increase/(decrease) in market value of investments	114,366	77,365	(206,317)
Change in value of split interest agreements	<u>(708)</u>	<u>(5,491)</u>	<u>2,029</u>
Non-operating income/(loss)	171,142	97,513	(227,316)
Private gifts of permanent endowments	<u>77,015</u>	<u>53,353</u>	<u>45,297</u>
Increase/(decrease) in net assets	<u>447,453</u>	<u>157,709</u>	<u>(236,005)</u>
<b>Net assets</b>			
Beginning of year	<u>1,322,575</u>	<u>1,164,866</u>	<u>1,400,871</u>
End of year	<u>\$ 1,770,028</u>	<u>\$ 1,322,575</u>	<u>\$ 1,164,866</u>

The Condensed Statements of Revenues, Expenses and Changes in Net Assets summarizes operating income (or loss), non-operating income (or loss) and Private gifts of permanent endowments for fiscal years 2011, 2010 and 2009. During FY11, The UCLA Foundation's net assets increased \$447.5 million primarily due to higher gifts and \$171.1 million of non-operating investment gains.

In FY11, The Foundation recorded \$199.3 million in operating income, as contributions exceeded support to the Campus, mainly due to higher gifts. As compared to the previous years, operating revenues increased to \$351.6 million in FY11, from \$144.1 million in FY10 and \$97.5 million in FY09. Operating expenses including grants and transfers to the Campus increased by \$15.0 million over FY10 to \$152.3 million.

**Factors Impacting Future Periods**

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

**The UCLA Foundation**  
**Statements of Net Assets**  
**June 30, 2011 and 2010**  
(dollars in thousands)

	2011	2010
<b>Assets</b>		
Current assets		
Cash	\$ 1,469	\$ 633
Short-term investments	160,369	142,732
Accounts and other receivables	16,059	2,899
Accrued investment income	871	746
Pledges receivable, net	39,234	59,777
Collateral under securities lending agreement	22,803	21,336
Total current assets	<u>240,805</u>	<u>228,123</u>
Non-current assets		
Long-term investments	1,549,627	1,135,328
Investments in land and buildings	24,516	22,455
Funds held in trust by others	13,406	11,150
Accounts and other receivables	11,943	13,389
Pledges receivable, net	182,423	144,769
Total non-current assets	<u>1,781,915</u>	<u>1,327,091</u>
Total assets	<u>\$ 2,022,720</u>	<u>\$ 1,555,214</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts and grants payable	\$ 2,191	\$ 1,282
Annuities payable	2,760	2,736
Liabilities to life beneficiaries	2,647	2,671
Amounts held for others	186,741	166,682
Payable under securities lending agreement	22,803	21,336
Total current liabilities	<u>217,142</u>	<u>194,707</u>
Non-current liabilities		
Annuities payable	15,555	17,571
Liabilities to life beneficiaries	19,995	20,361
Total non-current liabilities	<u>35,550</u>	<u>37,932</u>
Total liabilities	<u>252,692</u>	<u>232,639</u>
<b>Net assets</b>		
Restricted for		
Nonexpendable		
Endowments	669,808	556,239
Annuity and life income fund	18,116	13,390
Expendable		
Endowment earnings	154,013	115,851
Annuity and life income fund	14,279	11,781
Funds functioning as endowments	461,689	413,720
Gifts	256,396	207,979
Unrestricted	195,727	3,615
Total net assets	<u>1,770,028</u>	<u>1,322,575</u>
Total liabilities and net assets	<u>\$ 2,022,720</u>	<u>\$ 1,555,214</u>

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



**The UCLA Foundation**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**  
(dollars in thousands)

	2011	2010
<b>Operating revenues</b>		
Contributions	\$ 351,611	\$ 144,135
Total operating revenues	<u>351,611</u>	<u>144,135</u>
<b>Operating expenses</b>		
Gift fund distributions	133,799	120,444
Gift administration fees	9,846	8,353
UCLA Chancellor's Priorities	6,000	6,000
UCLA Telemarketing program	1,300	1,300
General expenditures	970	795
UCLA Alumni Association	400	400
Total operating expenses	<u>152,315</u>	<u>137,292</u>
Operating income	<u>199,296</u>	<u>6,843</u>
<b>Non-operating revenues (expenses)</b>		
Interest, dividends and distributions, net	31,542	30,209
Securities lending income, net	105	100
Realized gains/(losses) on investments	25,837	(4,670)
Increase in market value of investments	114,366	77,365
Change in value of split interest agreements	(708)	(5,491)
Non-operating income	<u>171,142</u>	<u>97,513</u>
Income before other changes in net assets	<u>370,438</u>	<u>104,356</u>
<b>Other changes in net assets</b>		
Private gifts of permanent endowments	<u>77,015</u>	<u>53,353</u>
Increase in net assets	<u>447,453</u>	<u>157,709</u>
<b>Net assets</b>		
Beginning of year	<u>1,322,575</u>	<u>1,164,866</u>
End of year	<u>\$ 1,770,028</u>	<u>\$ 1,322,575</u>

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

**The UCLA Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**  
(dollars in thousands)

	2011	2010
<b>Cash flows from operating activities</b>		
Contributions	\$ 263,669	\$ 108,422
Operating expenses	(151,250)	(138,411)
Beneficiary payments, net	(3,635)	(3,581)
Net cash provided by/(used in) operating activities	<u>108,784</u>	<u>(33,570)</u>
<b>Cash flows from non-capital financing activities</b>		
Gifts and grants received for other than capital purposes		
Private gifts for endowment purposes	<u>59,611</u>	<u>43,097</u>
Net cash provided by non-capital financing activities	<u>59,611</u>	<u>43,097</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	298,005	127,022
Purchases of investments	(496,348)	(168,006)
Interest, dividends and distributions, net	30,784	30,311
Proceeds from revolving line of credit	40,000	40,000
Payments under revolving line of credit	(40,000)	(40,000)
Net cash used in investing activities	<u>(167,559)</u>	<u>(10,673)</u>
Net increase/(decrease) in cash	836	(1,146)
Cash, beginning of year	<u>633</u>	<u>1,779</u>
Cash, end of year	<u>\$ 1,469</u>	<u>\$ 633</u>
<b>Reconciliation of operating income to net cash provided by/(used in) operating activities</b>		
Operating income	\$ 199,296	\$ 6,843
Adjustments to reconcile operating income to net cash provided by/(used in) operating activities		
Noncash gifts	(72,277)	(5,080)
Provision for uncollectible pledges receivable	14,090	18,383
Changes in assets and liabilities		
Accounts and other receivables	3,708	2,995
Pledges receivable, net	(31,201)	(49,700)
Funds held in trust by others	(2,248)	(2,311)
Accounts and grants payable	932	93
Annuities payable	(1,580)	(4,144)
Liabilities to life beneficiaries	(1,895)	(649)
Amounts held for others	(41)	-
Net cash provided by/(used in) operating activities	<u>\$ 108,784</u>	<u>\$ (33,570)</u>
<b>Supplemental noncash activities information</b>		
Gifts of securities and real property – operating	\$ 72,277	\$ 5,080
Gifts of securities and real property – for endowment purposes	17,443	9,950
Beneficial interest in charitable remainder trust	618	-
Securities lending activity	1,467	(4,351)

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

# The UCLA Foundation

## Notes to Financial Statements

### June 30, 2011 and 2010

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#### 1. Organization

The UCLA Foundation, formerly the UCLA Progress Fund, Inc., was established in 1945. The primary purpose of The UCLA Foundation is to encourage financial support for the University of California, Los Angeles ("UCLA") through private gifts. In addition, The UCLA Foundation provides a convenient and efficient vehicle for accepting all types of private donations and gifts as an adjunct to money also raised for UCLA through The Regents of the University of California. The UCLA Foundation is a component unit of the University of California.

UCLA provides the facilities and the staff for the operation and administration of The UCLA Foundation's activities at no cost. Under an agreement formalized on May 16, 1983, The UCLA Foundation transfers monies to UCLA, which assumes responsibility for actual disbursement; therefore, net assets do not include any monies held but not yet expended by UCLA. The financial statements include the accounts of The UCLA Foundation, The UCLA Foundation Trusts, and The UCLA Foundation Pooled Income Fund.

#### 2. Summary of Significant Accounting Policies

The accompanying financial statements of The UCLA Foundation have been prepared using accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board ("GASB"). The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

A summary of the significant accounting policies applied in the preparation of these financial statements is presented below:

##### **Investments**

Investments are generally carried at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. Alternative investments are valued as reported by the General Partners and Fund Managers. Management reviews and evaluates the valuation received from third parties and believes the carrying amount to be a reasonable estimate of fair value. As limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Short-term investments consist primarily of the Regent's Short-Term Investment Pool ("Regent's STIP"). Short-term investments are carried at cost, which approximates fair value. All endowment and trust investments are classified as non-current regardless of maturity due to restrictions limiting The UCLA Foundation's ability to use these investments.

The net change in the fair value of investments represents both realized and unrealized gains and losses on investments. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments.

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**2. Summary of Significant Accounting Policies (Continued)**

**Investments (Continued)**

Realized gains or losses are computed based on specific identification of investments sold. Any gains recognized on the sale of short-term investments are available for distribution.

**Pledges Receivable**

Pledges are written unconditional promises to make future payments. Pledges meeting the time requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33") are included in the financial statements as pledges receivable and recognized as revenue in the period pledged. Pledge payments extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor imposed restrictions, if any. In addition, an allowance for uncollectible pledges is recorded as determined by management.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event such as matching gifts from other donors, plus all pledges for endowment purposes, are recognized when the conditions are substantially met.

**Donated Properties**

Donations of securities, real estate properties and other nonmonetary items are recorded at their fair value at the date of gift. Donated properties are periodically appraised and marked to market.

**Annuities Payable**

Annuities payable represent actuarially determined liabilities for contractual obligations of gift annuity funds.

**Net Assets**

To ensure observance of limitations and restrictions placed on the use of resources available to The UCLA Foundation, net assets and revenues, expenses, and gains and losses are classified and reported as follows, based on the existence or absence of donor-imposed restrictions.

*Restricted – nonexpendable net assets* include permanent endowments. Such funds are generally subject to donor restrictions requiring that the principal be invested in perpetuity for the purpose of producing income and appreciation that may be expended or added to principal in accordance with the donor's wishes. Trust resources that are not expendable upon maturity are also classified as restricted nonexpendable net assets.

*Restricted – expendable net assets* relate to contributions designated by donors for use by particular entities or programs or for specific purposes or functions of UCLA. They also include quasi-endowments, of which the corpus can be invaded. Income and change in fair market value of endowment investments are classified as restricted-expendable net assets unless otherwise specified by the donor. Trust resources that are expendable upon maturity are also classified as restricted expendable net assets.

*Unrestricted net assets* are those net assets of The UCLA Foundation that are not subject to donor-imposed restrictions, including donor-advised funds.

# The UCLA Foundation

## Notes to Financial Statements

### June 30, 2011 and 2010

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## 2. Summary of Significant Accounting Policies (Continued)

### Revenues and Expenses

Contributions and pledges meeting the requirements of GASB 33 are recognized as operating revenues in the period received or pledged. Disbursements in support of UCLA and certain administrative expenses incurred in conducting the business of The UCLA Foundation are presented in the financial statements as operating activities in the period in which the disbursement has been approved or expense incurred.

Non-operating revenues and expenses include investment income and net realized gains/(losses) on the sale of investments and change in unrealized appreciation or depreciation in the fair value of investments held at the end of the period.

Gifts for permanent endowment purposes and other additions of permanently restricted net assets are classified under other changes in net assets.

### Endowments

Endowments are managed in a unitized investment pool. Transactions within each individual endowment in the pool are based on the unit market value at the end of the month during which the transaction takes place for withdrawals and additions. It is the goal of The UCLA Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power.
- Generate sufficient resources to meet spending needs (payout).
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

The UCLA Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of California in January, 2009. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund, and relevant economic factors. The annual payout rate was 5.2% and 4.8% of the average market value of the endowment investment pool on a rolling 36-month basis, for the fiscal years ended June 30, 2011 ("FY11") and June 30, 2010 ("FY10"), respectively. The Board of Directors of The UCLA Foundation reviews and approves this rate annually. Payout is distributed to individual funds monthly based on the number of units in each fund at the beginning of the month.

### Annuity and Life Income Funds

The UCLA Foundation's Annuity and Life Income Funds consist of The UCLA Foundation Trusts, Pooled Income Fund, and Gift Annuity Fund.

### The UCLA Foundation Trusts

Trusts are established by donors to provide income, generally for life, to designated beneficiaries, except for a lead trust, which pays its income for a term of years to The UCLA Foundation. Upon termination of each trust, its assets generally will be distributed to The UCLA Foundation, or individuals named by the donor in the case of the lead trust, for the purposes designated in the trust agreements. Each year, beneficiaries receive payments as specified in the trust agreement; a fixed payment (annuity trusts) or a percentage of the trust's fair market value (standard unitrust), which may be limited to the net income (net-income-with-make-up unitrusts).

# The UCLA Foundation

## Notes to Financial Statements

### June 30, 2011 and 2010

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## 2. Summary of Significant Accounting Policies (Continued)

### The UCLA Foundation Trusts (Continued)

The Trusts are separate legal entities, created under the provisions of the Internal Revenue Code and applicable California law.

Each trust has a calendar year-end as required by the Internal Revenue Code. The charitable remainder trusts are exempt from Federal and California income taxes, except in any year in which they receive unrelated business taxable income.

The UCLA Foundation is also an income beneficiary of a perpetual trust and a remainderman of certain charitable trusts where the assets are invested and administered by outside trustees. The UCLA Foundation records its interest in these trusts at fair value, which approximates the present value of the estimated future cash receipts from these trusts.

### Pooled Income Fund

The UCLA Foundation serves as trustee of The UCLA Foundation Pooled Income Fund (the "Pooled Fund"). The Pooled Fund was created on June 8, 1983, under the provisions of Section 642 of the Internal Revenue Code, and received its first gift on November 1, 1985. The Pooled Fund has a calendar year-end as required by the Internal Revenue Code. The Pooled Fund is exempt from Federal and California income taxes except on short-term capital gains and unrelated business taxable income.

Gifts to the Pooled Fund are commingled for investment and administration purposes. Each donor retains a life income interest in the Pooled Fund for one or more beneficiaries. Each donor is assigned units of participation at the time of contribution. Income is distributed on a quarterly basis according to each beneficiary's units of participation. Upon termination of the life income interest, the donor's pro rata share of the Pooled Fund balance is distributed to The UCLA Foundation for purposes designated in the trust agreements.

### Gift Annuity Fund

Gift annuities are planned giving vehicles, whereby donors gift assets in exchange for annuity payments over their lifetime or that of their beneficiaries. Assets contributed are separately invested and are used to fund payments to the annuitants. Annuities that mature are used to fulfill the purposes that were set forth in the original annuity agreement.

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Income Taxes

The UCLA Foundation is exempt from Federal income and excise taxes and California franchise taxes under Section 501(c) (3) of the Internal Revenue Code and corresponding sections of the California Revenue and Taxation Code, respectively.

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**3. Investments**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), The UCLA Foundation's investments are reported by investment type at fair value in the Composition of Investments below. GASB 40 also requires the disclosure of various types of investment risks based on the type of investment, as well as stated policies adopted by The UCLA Foundation to manage those risks.

The UCLA Foundation holds significant investments in the form of fixed income securities in the United States government, and fixed income and equity securities in the utilities, oil and gas, financial services, consumer products and services, technology, health care, transportation, and energy industries. The investment guidelines also permit alternative investments primarily in partnerships where The UCLA Foundation is a limited partner relying upon the expertise of experienced general partners. All limited partnerships in which The UCLA Foundation invests are subject to annual audits. Land and buildings and funds held in trust by others where The UCLA Foundation is a beneficiary are also included in investments.

**Composition of Investments (by investment type)**  
*(dollars in thousands)*

	<b>2011</b>	<b>2010</b>
<b>Equity securities</b>		
Domestic	\$ 46,892	\$ 44,612
Foreign	55,163	55,664
Subtotal equity securities	<u>102,055</u>	<u>100,276</u>
<b>Fixed income securities</b>		
U.S. government guaranteed		
U.S. Treasury notes	8,438	8,326
U.S. Treasury bonds	253	257
Subtotal U.S. Treasury	<u>8,691</u>	<u>8,583</u>
U.S. government backed – asset-backed securities	<u>8</u>	<u>10</u>
Subtotal U.S. government guaranteed	<u>8,699</u>	<u>8,593</u>
Other U.S. dollar denominated		
U.S. agencies – asset-backed securities	<u>1</u>	<u>1</u>
<b>Commingled funds and others</b>		
Commingled funds – absolute return	449,908	337,836
Commingled funds – balanced funds	4,031	20,908
Commingled funds – U.S. equity funds	208,364	128,207
Commingled funds – non-U.S. equity funds	158,470	106,403
Commingled funds – U.S. bond funds	185,505	139,911
Commingled funds – non-U.S. bond funds	2,776	2,833
Commingled funds – real estate investment trusts	37,220	10,306
Commingled funds – money market funds	183,600	144,480
Investment derivatives	(1,081)	-
Private equity	189,729	170,543
Real estate	86,550	66,007
Funds held in trust by others	13,406	11,158
Other investments	<u>118,685</u>	<u>64,203</u>
Total investments	<u>\$ 1,747,918</u>	<u>\$ 1,311,665</u>

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**3. Investments (Continued)**

**Composition of Investments** *(as classified on the Statements of Net Assets)*

<i>(dollars in thousands)</i>	<b>2011</b>	<b>2010</b>
Short-term investments	\$ 160,369	\$ 142,732
Noncurrent:		
Long-term investments	1,549,627	1,135,328
Investments in land and buildings	24,516	22,455
Funds held in trust by others	13,406	11,150
Total investments	<u>\$ 1,747,918</u>	<u>\$ 1,311,665</u>

**Credit Risk**

Fixed income securities are subject to credit risk, which is the chance 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. The Credit Risk Profile of Investments schedule summarizes the market value of fixed income securities subject to credit risk. The UCLA Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations including Standard & Poor's or Moody's Investors Service for all investments.

**Credit Risk Profile of Investments**

<i>(dollars in thousands)</i>	<b>2011</b>	<b>2010</b>
<b>Fixed income securities</b>		
U.S. government guaranteed	<u>\$ 8,699</u>	<u>\$ 8,593</u>
<b>Other U.S. dollar denominated</b>		
AAA	<u>1</u>	<u>1</u>
<b>Commingled funds</b>		
U.S. bond funds: Not rated	185,505	139,911
Non-U.S. bond funds: Not rated	2,776	2,833
Money market funds: Not rated	<u>183,600</u>	<u>144,480</u>
Total commingled funds	<u>371,881</u>	<u>287,224</u>
Total funds subject to credit risk	<u>\$ 380,581</u>	<u>\$ 295,818</u>

**Custodial Risk**

Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of The UCLA Foundation's investments are issued, registered or held in the name of The UCLA Foundation by its master custodian bank, as its agent. Other types of investments represent ownership interest that do not exist in physical or book-entry form. As a result, custodial risk is remote.



**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**3. Investments (Continued)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. The UCLA Foundation maintains investment policies that establish thresholds for holdings of individual securities. The UCLA Foundation does not have any holdings meeting or exceeding these threshold levels.

**Interest Rate Risk**

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The UCLA Foundation measures interest rate risk using the effective duration method. The Interest Rate Risk schedule summarizes the average effective duration of its fixed income investments. The UCLA Foundation maintains a policy to manage interest rate risk for fixed income investments which requires, in the aggregate, the average duration of managed fixed income assets to be maintained within the range of the average duration of the current Barclays Capital Aggregate Bond Index plus or minus one and one-half years. This policy does not apply to investments in the unendowed investment pool including Regents STIP or other money market funds.

**Interest Rate Risk Associated with Investments & Investments Sensitive to Changes in Interest Rates**

<i>(effective duration in years)</i>	<b>2011</b>	<b>2010</b>
Fixed income securities		
U.S. government		
U.S. Treasury notes	3.2	3.5
U.S. Treasury bonds	4.6	5.3
U.S. government backed – asset backed securities	3.7	3.1
Other U.S. dollar denominated		
U.S. agencies – asset-backed securities	0.2	0.2
Commingled funds – U.S. bond funds	4.3	4.5
Commingled funds – non-U.S. bond funds	6.2	7.1
Commingled funds – money market funds	1.4	1.5

**Investments Highly Sensitive to Changes in Interest Rates**

*(dollars in thousands)*

Mortgage backed securities	\$	9	\$	10
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**Foreign Currency Risk**

Exposure from foreign currency risk results from investments in foreign currency-denominated equity or fixed income investments. The UCLA Foundation holds equity and other investments denominated in foreign currency that are summarized at market value on the following Foreign Currency Risk schedule. Currency hedging may be used by investment managers as a defensive strategy in global and international portfolios.

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**3. Investments (Continued)**

**Foreign Currency Risk Associated with Investments**

*(dollars in thousands)*

	<b>2011</b>	<b>2010</b>
<b>Equity securities</b>		
Australian Dollar	\$ 3,493	\$ 3,217
Brazilian Real	406	1,965
British Pound	10,705	10,158
Canadian Dollar	641	662
Danish Krone	801	896
Euro	11,867	10,550
Hong Kong Dollar	8,066	8,058
Indian Rupee	-	616
Japanese Yen	9,437	9,202
Miscellaneous	-	1,814
Norwegian Krone	1,251	437
Singapore Dollar	478	490
South African Rand	582	787
Swedish Krona	1,307	1,447
Swiss Franc	6,129	5,365
	<u>\$ 55,163</u>	<u>\$ 55,664</u>
Total exposure to foreign currency risk	<u>\$ 55,163</u>	<u>\$ 55,664</u>

**Commingled funds**

Various currency denominations		
Balanced funds	\$ 1,013	\$ 800
Non-U.S. equity	101,384	93,716
U.S. bond	1,182	1,839
Non-U.S. bond	-	1,955
Real estate investment trusts	3,264	2,667

**Futures and Options Contracts**

The UCLA Foundation's investment policy prohibits the use of futures and options contracts without prior written approval by the Board of Directors, except by Alternative Investment managers. Currency hedging as a defensive strategy is permitted in global and international portfolios.

**4. Investment Performance**

For parties invested in The UCLA Foundation's unendowed investment pool for the year ended June 30, 2011, the return was 2.4% (2010: 2.6%). The return on the endowed investment pool for the year ended June 30, 2011 was 17.0% (2010: 12.1%). The return on the combined planned giving investment pools was 18.5% (2010: 13.9%).

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**5. Pledges Receivable**

Pledges receivable are unconditional promises to pay a certain amount and consist of the following at June 30:

<i>(dollars in thousands)</i>	<b>2011</b>	<b>2010</b>
Pledges receivable	\$ 300,745	\$ 283,006
Less		
Allowance for uncollectible pledges	(26,631)	(23,567)
Discount for future payments	(52,457)	(54,893)
Net pledges receivable	<u>\$ 221,657</u>	<u>\$ 204,546</u>
Current pledges receivable, net	\$ 39,234	\$ 59,777
Non-current pledges receivable, net	<u>182,423</u>	<u>144,769</u>
	<u>\$ 221,657</u>	<u>\$ 204,546</u>

Management evaluates the collectibility of its receivables and records an allowance for estimated uncollectible amounts. The UCLA Foundation recorded a provision for uncollectible pledges of \$14.1 million in FY11 and \$18.4 million in FY10. Pledges due beyond one year have been discounted at an annual rate of 2.5% for pledges received in FY11 and 2.7% for FY10. 67% of the pledges receivable, net of discount, are from five donors in FY11 as compared to 59% in FY10.

**6. Amounts Held For Others**

Amounts held for others as of June 30, 2011 of \$186.7 million (2010: \$166.7 million) represented amounts held by The UCLA Foundation under agency relationships with various support groups and other affiliated entities of UCLA. Such amounts are not assets owned by or contributed to The UCLA Foundation and, accordingly, are recorded as liabilities and not as revenue. The offsetting assets are included in the Statements of Net Assets as investments.

**7. Revolving Line of Credit**

The UCLA Foundation has a revolving line of credit with the Bank of New York Mellon, which is collateralized by securities. The line of credit agreement was revised as of June 22, 2011 whereby the amount was increased to \$60 million from \$40 million and the expiration date was extended through April, 2014. There were no loan balances outstanding as of June 30, 2011 or June 30, 2010.

**8. Securities Lending**

The UCLA Foundation has a securities lending agreement with the Bank of New York Mellon. Income earned from the lending transactions is recorded as investment income. The UCLA Foundation's lending agreement with Bank of New York Mellon includes restrictions for the investment of cash collateral including the type of investments allowed, minimum credit ratings and other policies and guidelines to manage credit risk and concentration risk. The UCLA Foundation executed an amendment to this agreement in October 2008 which restricts the collateral to securities issued or fully guaranteed by the U. S. government and any agency,

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**8. Securities Lending (Continued)**

instrumentality or establishment of the U.S. government and repurchase and reverse repurchase agreements involving approved investments with counterparties authorized in the securities lending agreement. As of June 30, 2011, The UCLA Foundation continued to hold investments which met the previous criteria. These will be held until maturity.

Loans of domestic and foreign securities are collateralized at 102% and 105% of the fair value of securities lent, respectively. Bank of New York Mellon marks to market the value of all loaned securities on each business day and demand from the appropriate borrowers additional collateral if the value of the collateral falls to less than 100% of the fair value of the securities lent. Additionally, Bank of New York Mellon indemnifies The UCLA Foundation against borrower default. These transactions are short-term in nature and therefore there is no significant interest rate risk associated with them. These investments are not subject to custody risk.

The UCLA Foundation carries the loaned securities as assets in the Statement of Net Assets. In addition, The UCLA Foundation has recorded an asset and an offsetting liability of \$22.8 million and \$21.3 million as of June 30, 2011 and 2010, respectively, to reflect the cash collateral related to the lent securities under the securities lending agreement.

Schedules summarizing the securities lending composition of investments, credit risk profile, concentration risk profile, and interest rate risk profile are presented as follows:

**Securities Lending – Composition of Investments**

*(dollars in thousands)*

	<b>2011</b>	<b>2010</b>
<b>Securities lent</b>		
<b>For cash collateral</b>		
Equity securities – domestic	\$ 13,599	\$ 15,222
Equity securities – foreign	8,425	5,366
Total securities lent for cash collateral	<u>\$ 22,024</u>	<u>\$ 20,588</u>
<b>Collateral received</b>		
Cash	<u>\$ 22,803</u>	<u>\$ 21,336</u>
Total cash collateral received	<u>\$ 22,803</u>	<u>\$ 21,336</u>
<b>Investment of cash collateral</b>		
Fixed income securities		
U.S. dollar denominated		
Repurchase agreements	\$ 22,803	\$ 17,836
Corporate – asset-backed securities	-	2,000
Other (Bank Notes)	-	1,500
Total investment of cash collateral	<u>\$ 22,803</u>	<u>\$ 21,336</u>
<b>Securities lending income and expense</b>		
Securities lending income	\$ 149	\$ 143
Securities lending fees and rebates	<u>(44)</u>	<u>(43)</u>
Securities lending income, net	<u>\$ 105</u>	<u>\$ 100</u>

**The UCLA Foundation**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

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**8. Securities Lending (Continued)**

**Securities Lending – Credit Risk Profile of Foundation Investments**

<i>(dollars in thousands)</i>	<b>2011</b>	<b>2010</b>
<b>Fixed income securities</b>		
U.S. dollar denominated		
AAA	\$ -	\$ 2,000
AA-	-	1,500
Not rated	22,803	17,836
	<u>22,803</u>	<u>17,836</u>
Total investment of cash collateral	<u>\$ 22,803</u>	<u>\$ 21,336</u>

**Securities Lending – Concentration Risk Profile of Foundation Investments**

<i>(dollars in thousands)</i>	<b>2011</b>	<b>2010</b>
<b>Issuer</b>		
J P Morgan Chase	\$ 5,416	\$ 1,500
HSBC	5,416	-
Royal Bank of Canada	5,416	-
Citibank	5,415	-
Deutsche Bank	1,140	-
Bank of America	-	2,000
BOA Repo Cat3 Agency	-	17,836

At June 30, 2011, the threshold for concentration risk was \$1.1 million (5% of total cash collateral invested of \$22.8 million). At June 30, 2010, the threshold for concentration risk was \$1.1 million (5% of total cash collateral invested of \$21.3 million).

**Securities Lending – Interest Rate Risk Profile of Foundation Investments**

<i>(weighted average maturity in days to next reset date)</i>	<b>2011</b>	<b>2010</b>
<b>Fixed income securities</b>		
U.S. dollar denominated		
Repurchase agreements	1.0	1.0
Corporate – asset-backed securities	0.0	15.0
Bank Notes	0.0	86.0

Investments highly sensitive to changes in interest rates include asset-backed securities of \$2.0 million for the fiscal year ended 2010. Correspondingly, the weighted average maturity is 47 days. There were no investments highly sensitive to changes in interest rates for the fiscal year ended 2011.

**The UCLA Foundation**  
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**9. Commitments**

As of June 30, 2011, The UCLA Foundation has contractual commitments to invest an additional \$190.7 million in various limited partnership investments through December 31, 2020.