

UCLA Foundation | 2006 - 2007 Annual Report



INNOVATE | ADVANCE | PROVE | TRANSFORM

www.UCLAFoundation.org/annualreport



“UCLA has the passion of a multi-disciplinary school. So it is my passion to do what I can to promote, enhance and continue the role that UCLA has played in the now multi-billion-dollar industry of electronic displays.”

Lawrence E. Tannas Jr. '59, M.S.'61

INNOVATE

Creativity on Display

When he graduated from UCLA, Lawrence E. Tannas Jr.'59, M.A.'61 could never have predicted that his scientific research would contribute to the development of one of society's most ubiquitous products: information displays. From LCD televisions to cell phones to scopes on spacecraft, these luminous displays are now considered essential for security, communications, entertainment and myriad other aspects of modern life.

To honor the training he received at his alma mater, Tannas and his wife Carol have established an endowed faculty chair at the Henry Samueli School of Engineering and Applied Science that will advance research in the field for generations to come.

Vijay Dhir, dean of the school, explains, “Carol and Larry understand first-hand the impact of an education here, and the challenges of sustaining and building a world-class faculty who make that education possible.”

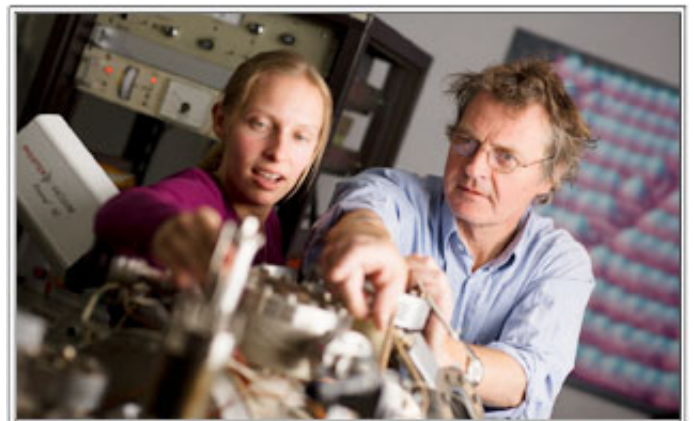
The couple demurs at the compliment. “I got my start at UCLA,” says Larry Tannas, “so establishing the endowed chair is a small token.” Carol continues, “Especially considering how much the experiences at UCLA have benefited our lives, we wanted to give back!”

“Information display is an exciting area for engineering,” says Dean Dhir, “especially on the materials science side. How can displays be more efficient? More durable? Less expensive? The Carol and Lawrence E. Tannas Jr. Chair in Engineering will serve as a lightning rod, drawing the best faculty, and with them the best students, to look at these and other important challenges in engineering.”



“We take great pride in our production of the next generation of engineers. Last year, the School had more graduates per faculty member than any other public school in the country.”

*Vijay Dhir, Dean
Henry Samueli School of Engineering
and Applied Science*





“I know how rewarding it is to have an impact on students’ lives. I hope this will help the department to hire the best professors, open more opportunities and expand the level of academics, which is already excellent.”

Sierra Chen, M.A. '93

PROVE Competing for the Best

The UCLA math department is poised for greatness. And thanks to a recent forward-thinking gift from Sierra Chen, M.A. '93, its upward arc has gained even more momentum.

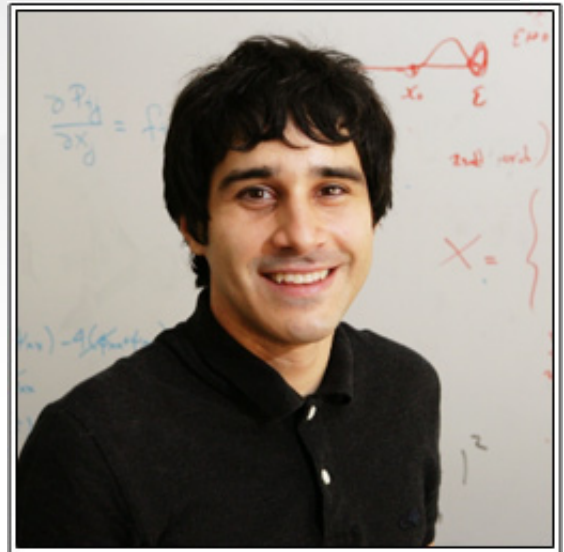
Chen, a successful entrepreneur and former teacher, established the Sierra Chen Endowed Chair in Mathematics – the first full faculty chair specifically for mathematics. “I taught at junior college for six years, so I know how rewarding it is to have an impact on students’ lives,” she says. “I hope this will help the department to hire the best professors, open more opportunities and expand the level of academics, which is already excellent.”

Dr. Joseph Rudnick, interim dean of the physical sciences in the College of Letters and Science, agrees. “It will allow us to continue competing at the senior level for the world’s best mathematicians,” he says, “and will add significantly to the department’s already high national prominence.”

That prominence has been the result of several factors, he maintains, including the creation of the Institute for Pure and Applied Mathematics (IPAM). Launched to foster collaborations and interdisciplinary connections, IPAM has “appreciably raised the profile of UCLA in the community through its programs and workshops.”

Then, in August 2006, Professor Terence Tao was awarded the prestigious Fields Medal, often described as the “Nobel Prize of mathematics.” And earlier this year, the department received a coveted award for an exemplary program or achievement from the American Mathematical Society.

With the promise of a world-class mathematician to fill the Chen chair, Rudnick believes the department is “well on its way to becoming one of the elite math departments in the country.”



“The math department’s increased visibility in recent years allows us to compete with the finest private and public institutions for the most innovative minds in mathematics. Sierra Chen’s gift is a real boost for us.”

*Christoph Thiele, Chair
Department of Mathematics*



“Gene and I believe that it’s essential to provide for those who can’t afford higher education ... so we are especially pleased to be able to offer UCLA students better chances to succeed.”

Maxine Rosenfeld

ADVANCE Reaching for Their Dreams

“My parents were immigrants, so when I got into UCLA, it was like a dream come true for our family. But the only way the dream became a reality was that I got a scholarship. Now, others will have opportunities like I did.”

So says Gene Rosenfeld '56 of the endowed fellowship he and his wife Maxine established at the UCLA Anderson School of Management. Maxine continues, “Gene and I believe that it’s essential to provide for those who can’t afford higher education. We know from personal experience how giving can make an impact, so we are especially pleased to be able to offer UCLA students better chances to succeed.”

The Rosenfelds’ long-standing commitment to students and programs has been through giving not only to UCLA Anderson, but also all across campus to the College of Letters and Science, the performing arts, libraries, museums, athletics, the medical center and other areas. At UCLA Anderson, they established the namesake Rosenfeld Library and contributed to a variety of areas including the dean’s discretionary fund to support the business school’s most urgent needs.

Dean Judy Olian values the couple’s discerning philanthropy and involvement. “Maxine and Gene have studied our strategic plan, asked where our most critical priorities and gaps lie, and then selected areas that engage their interests and advance the school,” she says. “They are role models in the UCLA Anderson community.”



“Our faculty and students are focused on the market forces and technological developments that are transforming global business today. They are superb at what they do.”

*Judy D. Olian, Dean
UCLA Anderson School of Management*





“I did this to help Bunche Center students to achieve their goals in life. They are so deserving of scholarships for their achievements.”

Jeannette Moore

TRANSFORM

Enhancing Diversity

When Jeannette Moore decided to establish a scholarship fund for students in UCLA's Ralph J. Bunche Center for African American Studies, she was thinking of her late daughter Roxanne, whom she honored with this gift. She wanted to help students and to support the work of the Bunche Center, a prominent research “think tank” for African American culture and history where she volunteers. It was named for the Nobel Peace Prize Laureate, a UCLA alumnus who is celebrated worldwide for his contributions to humanity.

The Center is nationally renowned for the research it conducts and publishes on all aspects of the African American experience but, as a retired educator, Jeannette's principal interest was in its students. She was impressed with curricular aspects of the Center's work, such as the joint master's degree and J.D. program in African American Studies and Law that it sponsors. That's part of the reason she was inspired to create the Roxanne Chisholm and Jeannette Chisholm Moore Endowed Scholarship Fund. “I did this to help Bunche Center students to achieve their goals in life,” she says. “They are so deserving of scholarships for their achievements.”

Jeannette's gift will accomplish all these things, and much more. According to Professor Darnell Hunt, director of the Bunche Center, it will help address the critical need to boost African American enrollment at UCLA. “These students can go anywhere in the country, and many universities can offer them large scholarship incentives that are very attractive,” he explains. “Ms. Moore's gift gives us the ability to match what other universities are offering.

“This commitment is really foundational in that it sets the standard,” he adds. “If we can get others to follow Ms. Moore's lead, we can truly transform diversity at UCLA.”



“The Bunche Center is a proud research think tank that for the past 40 years has been moving knowledge forward on African American culture, history and the like. Ms. Moore's involvement and support are an affirmation that what we are doing is important and meaningful.”

*Darnell Hunt, Director
Ralph J. Bunche Center for
African American Studies*



MESSAGE

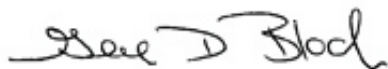
From the Chancellor

In the few short months since I joined the UCLA family, I have been enormously impressed by the caliber of our students, faculty, alumni, donors, volunteers, and staff. All of them embody the very best of what a university can be.

UCLA continues to be the most popular university in the country, receiving more applications for admission than any other. Our faculty boasts numerous awards and honors, from Nobel Prizes and Guggenheim fellowships to memberships in the most prestigious academic societies. Our students are nothing short of dazzling. This community of scholars exemplifies the uncompromising standards that are the hallmark of UCLA.

None of this would be possible, of course, without your support. Even as a public university, UCLA receives less than 15% of its operating budget from the State of California. The margin of excellence – the resources that enable us to attract and retain the world's finest faculty and student scholars and to fuel innovative programs – comes from private gifts. Philanthropy is truly the defining force in maintaining UCLA's extraordinary upward trajectory.

In remarkably short order, UCLA has become one of the world's premier universities, and I am deeply honored to be able to help shape its future. With your help, and The UCLA Foundation's leadership, we can magnify the greatness of this incredible institution.



Gene D. Block
Chancellor



MESSAGE

From the Chair

By all measures, 2006-07 was an exceptionally successful philanthropic year for UCLA and The UCLA Foundation. The generosity of our alumni and friends resulted in a 20 percent increase in private giving over the previous year. Student and faculty support continued to grow as UCLA's benefactors created 24 new endowed faculty chairs and contributed \$28.6 million in fellowships and scholarships. The endowed pool grew significantly, reflecting increased contributions and robust investment returns. Clearly, the deep commitment and leadership demonstrated by our donors during Campaign UCLA are still strong forces in moving the campus forward.



As we continue to work together through The UCLA Foundation, those forces are helping to ensure that our university remains strong in service to the community, the region and society.

The four stories in this report illustrate how the support provided last year is inspiring and propelling the work of UCLA's faculty and student scholars. I am pleased to share them with you, and to present a financial report that describes a growing and prudently managed endowment.

As chair of The UCLA Foundation, I thank you for your vision and investments; they continue to play a crucial role in the University's achievements.

A handwritten signature in black ink, appearing to read "James T. McCarthy". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

James T. McCarthy
Chair, The UCLA Foundation

FINANCIAL Highlights

The UCLA Foundation benefited from continued growth in both donor support and investment returns, which together have allowed the Foundation to support expenditure increases in the form of grants and other transfers to the campus. Net assets, which represent the excess of total assets over total liabilities, grew by \$166.3 million to \$1.3 billion for the year ended June 30, 2007. Total assets increased 13% to approximately \$1.5 billion and total liabilities increased 5% to \$179.8 million as of June 30, 2007. The increase in net assets of \$166.3 million in FY07 represents a 42% increase in income as compared to an increase in net assets of \$116.9 million in FY06.

In FY07, the Foundation's revenues in the form of contributions from donors were \$146.4 million, a 33% increase over FY06, while expenditures in the form of grants and transfers to the campus were \$162.6 million, a 37% increase over FY06. The operating deficit of \$16.2 million was offset by the Foundation's non-operating income of \$142.9 million. The non-operating income increased by 61% compared to FY06 due to a combination of higher investment returns on higher investment balances. The Foundation's other income in the form of private gifts of permanent endowments was \$39.6 million, a 9% increase over FY06.

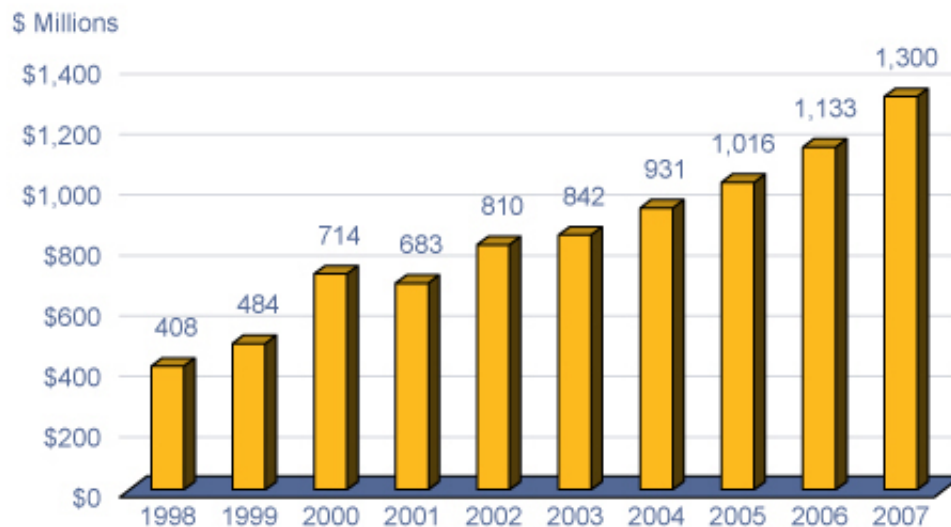
The total fiscal year 2006-2007 payout available to the campus amounted to \$37.1 million, up from \$32.3 million in fiscal year 2005-2006. Annual payout to the campus continues to grow, consistent with the Foundation's goal to provide payout that is predictable, sustainable, and preserves equity among generations.

The charts and graphs below summarize the net assets and endowment performance of The UCLA Foundation for the fiscal year ended June 30, 2007.

The UCLA Foundation Net Assets

The UCLA Foundation's net assets were more than tripled over the past 10 years due to significant donor support and strong investment performance. The Foundation's net assets represent total assets less total liabilities, resulting in fund balances to support UCLA's mission.

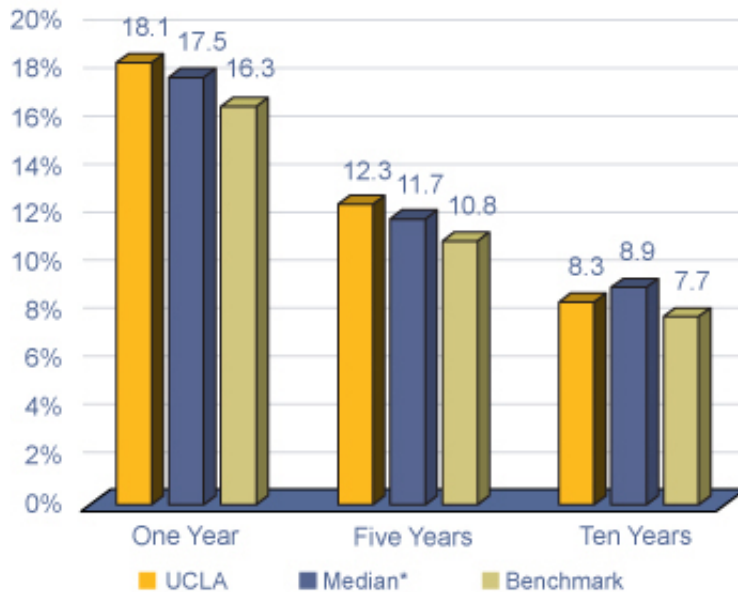
Fiscal Year Ended June 30, 2007



The UCLA Foundation Endowed Long-Term Pool

The UCLA Foundation's endowed long-term pool investment returns exceeded the custom benchmark over all periods including one, five, and 10 years.

Fiscal Year Ended June 30, 2007

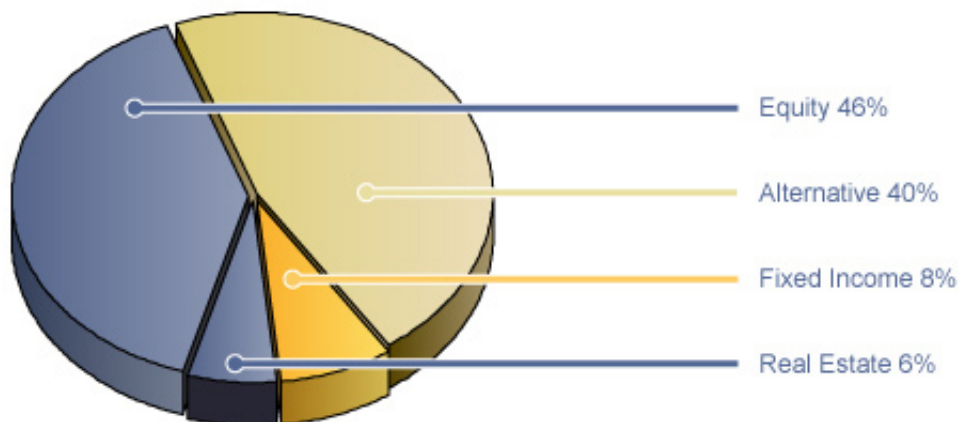


*Median return is the Mellon Endowment and Foundation Universe as provided by the consultant (RV Kuhns).

The UCLA Foundation Endowed Long-Term Pool Asset Mix

The UCLA Foundation's endowed investment pool totaled \$953.4 million. 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. Alternative investments (including private equity, absolute return and resource/inflation hedging strategies) represent a significant and growing percentage of the pool.

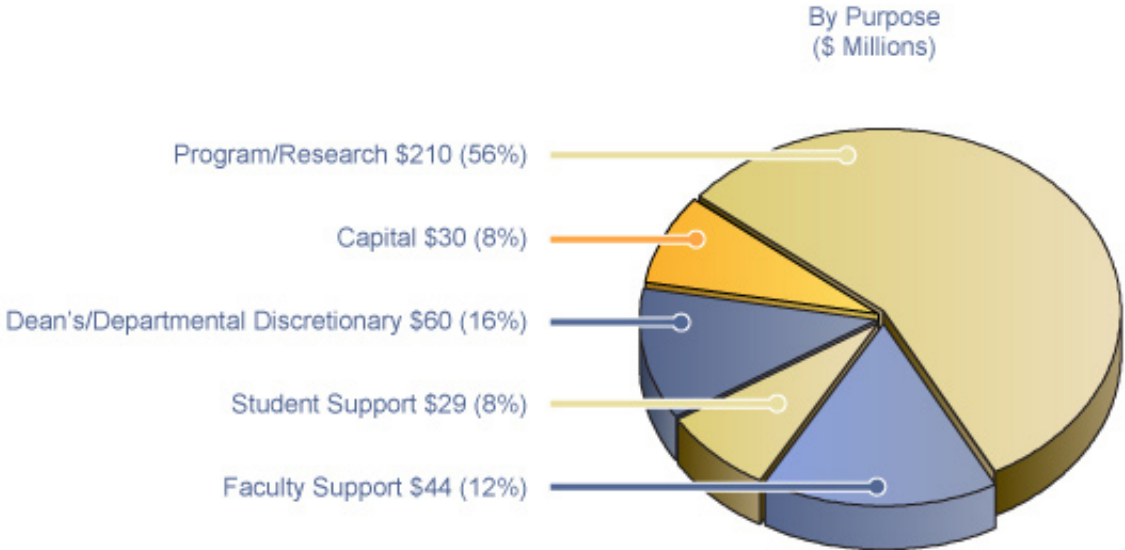
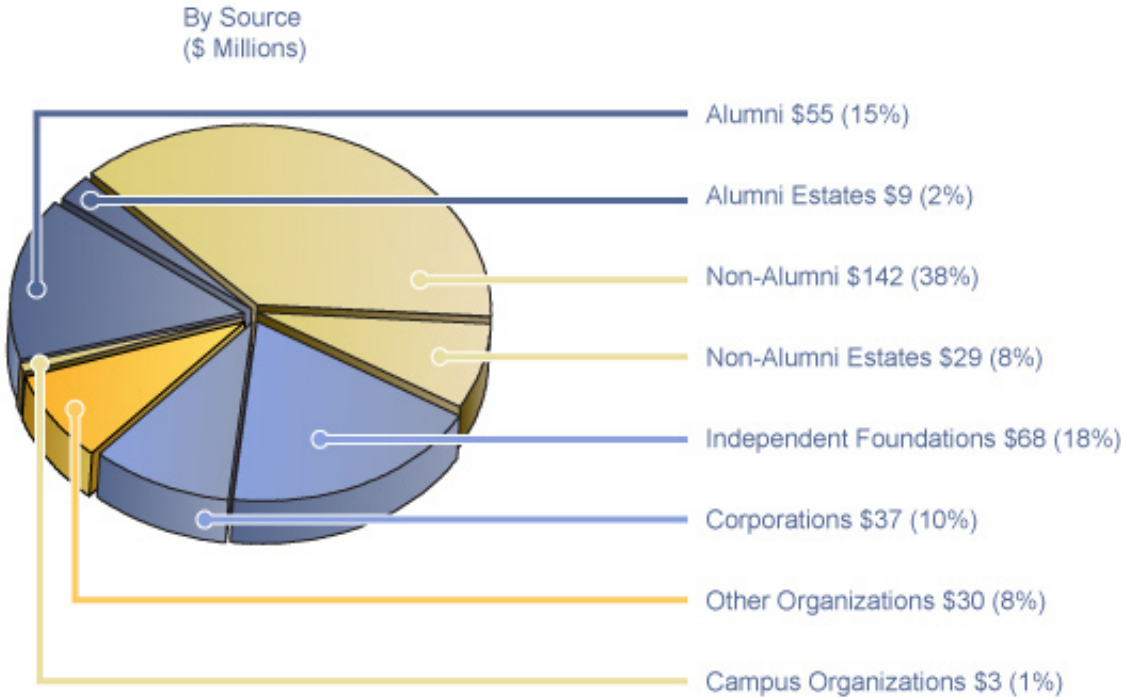
Fiscal Year Ended June 30, 2007



Gift Support Received by UCLA

UCLA received more than \$373 million in gift support, a 20% increase over last fiscal year's total. Giving from alumni and alumni estates represented 17% of gifts received. Support for faculty and student recruitment and retention totaled more than \$73 million, continuing the University's efforts to address the critical needs for endowed chairs, scholarships, and fellowships.

Fiscal Year Ended June 30, 2007



FINANCIAL

Administrative Fee 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 is currently set at 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.¹

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 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 current rate is 4.6% for fiscal year 2007-08. The Board of Directors of The UCLA Foundation reviews and approves this rate annually. 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 'the members of the governing board shall act with the care, skill, prudence, and diligence under the circumstances then to accomplish the purposes of the institution.' Specifically, 'the members of the governing board shall consider the long- and short-term needs of the institution in carrying out its educational purposes, its present and anticipated financial requirements, expected total return on its investments, general economic conditions, the appropriateness of a reasonable proportion of higher risk investment with respect to institutional funds as a whole, income, growth, and long-term net appreciation, as well as the probable safety of fund.' *Uniform Management of Institutional Funds Act, California Probate Code Section 18500-18509*

The UCLA Foundation

**Audited Consolidated Financial Statements
For the Years Ended June 30, 2007 and 2006**

The UCLA Foundation
Index
June 30, 2007 and 2006

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Report of Independent Auditors

The Board of Directors of
The UCLA Foundation

In our opinion, the accompanying consolidated 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, 2007 and 2006, 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.

PricewaterhouseCoopers LLP

September 7, 2007

The UCLA Foundation

Management's Discussion and Analysis

(Unaudited)

The UCLA Foundation, formerly the UCLA Progress Fund, Inc., was established in 1945. The main purpose of The UCLA Foundation is to encourage financial support for 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 following discussion and analysis of The UCLA Foundation's financial performance presents an overview of its financial activities for the fiscal year ended June 30, 2007 with selected comparative information for the year ended June 30, 2006. 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 consolidated financial statements and footnotes.

Financial Highlights

In fiscal year 2007, The UCLA Foundation benefited from continued growth in both donor support and investment returns which together have allowed the Foundation to support expenditure increases in the form of grants and other transfers to the Campus. Net assets, which represent the excess of total assets over total liabilities, grew by \$166.3 million to \$1.3 billion for the year ended June 30, 2007. Total assets increased 13% to approximately \$1.5 billion and total liabilities increased 5% to \$179.8 million as of June 30, 2007. The increase in net assets of \$166.3 million in Fiscal Year 2007 ("FY07") represents a 42% increase in income as compared to an increase in net assets of \$116.9 in Fiscal Year 2006 ("FY06").

In FY07, the Foundation's revenues in the form of contributions from donors were \$146.4 million, a 33% increase over FY06, while expenditures in the form of grants and transfers to the Campus were \$162.6 million, a 37% increase over FY06. The operating deficit of \$16.2 million was offset by the Foundation's non-operating income of \$142.9 million. The non-operating income increased by 61% compared to FY06 due to a combination of higher investment returns on higher investment balances. The Foundation's other income in the form of private gifts of permanent endowments was \$39.6 million, a 9% increase over FY06.

Using This Report

This annual report consists of a series of consolidated 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*, as amended.

One of the most important questions asked about The UCLA Foundation finances is whether The UCLA Foundation is better off or worse off as a result of the year's activities. The keys to understanding this question are the Consolidated Statements of Net Assets, Consolidated Statements of Revenues, Expenses and Changes in Net Assets and the Consolidated 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) is 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 Consolidated Statements of Net Assets includes all assets and liabilities. The Consolidated 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 revenue and investment results reported as non-operating revenue. These statements are prepared using the accrual basis of accounting.

The UCLA Foundation Management's Discussion and Analysis (Unaudited)

Another way to assess the financial health of The UCLA Foundation is to look at the Consolidated 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.

Condensed Consolidated Statement of Net Assets

(in thousands)	<u>2007</u>		<u>2006</u>		<u>2005</u>	
Assets						
Current assets	\$ 241,615	16%	\$ 236,748	18%	\$ 248,294	21%
Noncurrent assets	<u>1,237,757</u>	<u>84</u>	<u>1,067,610</u>	<u>82</u>	<u>935,358</u>	<u>79</u>
Total assets	1,479,372	100	1,304,358	100	1,183,652	100
Liabilities						
Current liabilities	132,300	74	126,531	74	124,106	74
Noncurrent liabilities	<u>47,515</u>	<u>26</u>	<u>44,609</u>	<u>26</u>	<u>43,212</u>	<u>26</u>
Total liabilities	179,815	100	171,140	100	167,318	100
Net Assets						
Restricted						
Nonexpendable	452,429	35	406,178	36	370,221	36
Expendable	843,088	64	724,644	63	644,820	63
Unrestricted	<u>4,040</u>	<u>1</u>	<u>2,396</u>	<u>1</u>	<u>1,293</u>	<u>1</u>
Total net assets	<u>\$ 1,299,557</u>	<u>100%</u>	<u>\$ 1,133,218</u>	<u>100%</u>	<u>\$ 1,016,334</u>	<u>100%</u>

In FY07, the Foundation's total assets increased by \$175.0 million to approximately \$1.5 billion. Current assets increased by \$4.9 million to \$241.6 million and comprised sixteen percent of total assets (2007: 16%; 2006: 18%; 2005: 21%). Current assets consist primarily of short-term investments, pledges receivable within one year and cash collateral invested under the securities lending agreement.

Non-current assets increased by \$170.1 million to \$1.2 billion and comprised eighty-four percent of total assets (2007: 84%; 2006: 82%; 2005: 79%). Non-current assets consist primarily of long term investments and pledges receivable due after one year.

In FY07, the Foundation's total liabilities increased by \$8.7 million to \$179.8 million. Current liabilities, consisting primarily of Amounts Held for Others and a Payable under the Securities Lending Agreement, increased by \$5.8 million to \$132.3 million. Current liabilities comprised 74% of total liabilities and remained the same in percentage terms as the prior years (2007: 74%; 2006: 74%; 2005: 74%).

The UCLA Foundation

Management's Discussion and Analysis

(Unaudited)

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

(in thousands)	2007	2006	2005
Operating revenue and expenses			
Contributions	\$ 146,417	\$ 110,274	\$ 93,960
Expenditures	<u>162,582</u>	<u>118,427</u>	<u>101,186</u>
Operating deficit	(16,165)	(8,153)	(7,226)
Nonoperating revenues and expenses			
Interest and dividends on investments	22,725	19,921	19,594
Realized gain on investments	54,661	60,267	22,672
Increase in market value of investments	76,128	14,051	23,679
Change in value of split interest agreements	<u>(10,657)</u>	<u>(5,527)</u>	<u>(4,352)</u>
Nonoperating revenue	142,857	88,712	61,593
Private gifts of permanent endowments	<u>39,647</u>	<u>36,325</u>	<u>31,313</u>
Increase in net assets	166,339	116,884	85,680
Net Assets			
Net assets, beginning of year	<u>1,133,218</u>	<u>1,016,334</u>	<u>930,654</u>
Net assets, end of year	<u>\$ 1,299,557</u>	<u>\$ 1,133,218</u>	<u>\$ 1,016,334</u>

The Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Assets shows operating and nonoperating revenues and expenses for fiscal years 2007, 2006 and 2005. The UCLA Foundation's net assets increased \$166 million in fiscal year 2007, a 42% increase over the prior year's results. An operating deficit, as in prior years, resulted as support to the Campus exceeded contributions. Contributions increased significantly due primarily to gifts to current expenditure funds while disbursements increased primarily to support current expenditures of the Campus. Nonoperating revenue was significantly higher due to higher market returns and larger balances for both short term and long term investments with an unfavorable change in the value of split interest agreements due to an increase in liabilities to beneficiaries. Investment income increased by \$3 million while combined realized and unrealized gains on investments increased by \$56 million in fiscal year 2007 versus 2006, due to the strong market performance of investments. The endowed investment pool returned 18.1% versus 13.2% the prior year; the unendowed investment pool returned 4.6% versus 4.1% the prior year. Private gifts to permanent endowments also increased by over \$3 million to further contribute to this year's significant increase in net assets.

Factors Impacting Future Periods

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

The UCLA Foundation
Consolidated Statements of Net Assets
As of June 30, 2007 and 2006
(in thousands)

	2007	2006
Assets		
Current assets		
Cash	\$ 731	\$ 1,460
Short-term investments	150,813	141,059
Accounts receivable	2,477	2,534
Accrued investment income	1,576	1,176
Pledges receivable, net	37,342	36,756
Notes receivable	42	389
Funds held in trust by others	1,034	3,002
Collateral under securities lending agreement	<u>47,600</u>	<u>50,372</u>
Total current assets	<u>241,615</u>	<u>236,748</u>
Noncurrent assets		
Long-term investments	1,051,765	861,552
Investments in land and buildings	23,484	28,293
Accounts receivable	1,715	1,384
Notes receivable	551	121
Pledges receivable, net	152,992	170,814
Funds held in trust by others	<u>7,250</u>	<u>5,446</u>
Total noncurrent assets	<u>1,237,757</u>	<u>1,067,610</u>
Total assets	<u>\$ 1,479,372</u>	<u>\$ 1,304,358</u>
Liabilities and Net Assets		
Current liabilities		
Accounts and grants payable	\$ 1,351	\$ 1,644
Annuities payable	2,924	2,865
Deferred revenue	1,551	1,453
Liabilities to life beneficiaries	3,381	3,195
Amounts held for others	75,493	67,002
Payable under securities lending agreement	<u>47,600</u>	<u>50,372</u>
Total current liabilities	<u>132,300</u>	<u>126,531</u>
Noncurrent liabilities		
Annuities payable	18,722	16,240
Liabilities to life beneficiaries	<u>28,793</u>	<u>28,369</u>
Total noncurrent liabilities	<u>47,515</u>	<u>44,609</u>
Total liabilities	<u>179,815</u>	<u>171,140</u>
Net assets		
Restricted for		
Nonexpendable		
Endowments	428,948	386,216
Annuity and life income fund	23,481	19,962
Expendable		
Endowment earnings	268,226	177,379
Annuity and life income fund	17,564	16,702
Funds functioning as endowments	410,636	377,329
Gifts	146,662	153,234
Unrestricted	<u>4,040</u>	<u>2,396</u>
Total net assets	<u>1,299,557</u>	<u>1,133,218</u>
Total liabilities and net assets	<u>\$ 1,479,372</u>	<u>\$ 1,304,358</u>

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

The UCLA Foundation
Consolidated Statements of Revenues, Expenses
and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006
(in thousands)

	2007	2006
Revenues		
Operating revenues		
Contributions (net of allowance of \$586; \$713 in 2006)	\$ <u>146,417</u>	\$ <u>110,274</u>
Total operating revenues	<u>146,417</u>	<u>110,274</u>
Expenses		
Operating expenses and grants		
UCLA Scholarships, research and other purposes	145,164	102,229
UCLA Chancellor's Priorities	7,000	6,500
Gift Administration Fees	7,488	6,789
UCLA Telemarketing program	1,200	1,150
General expenditures	840	699
UCLA Alumni Association	300	210
Others grants to UCLA	90	-
Special Projects	500	600
Student Support	<u>-</u>	<u>250</u>
Total operating expenses and grants	<u>162,582</u>	<u>118,427</u>
Operating loss	<u>(16,165)</u>	<u>(8,153)</u>
Nonoperating revenues (expenses)		
Interest and dividends on investments	22,606	19,845
Securities lending income, net	119	76
Realized gains on investments	54,661	60,267
Increase in market value of investments	76,128	14,051
Change in value of split interest agreements	<u>(10,657)</u>	<u>(5,527)</u>
Net nonoperating revenues	<u>142,857</u>	<u>88,712</u>
Income before other changes in net assets	126,692	80,559
Other changes in net assets		
Private gifts of permanent endowments	<u>39,647</u>	<u>36,325</u>
Increase in net assets	166,339	116,884
Net assets		
Beginning of year	<u>1,133,218</u>	<u>1,016,334</u>
End of year	<u>\$ 1,299,557</u>	<u>\$ 1,133,218</u>

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

The UCLA Foundation
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006
(in thousands)

	2007	2006
Cash flows from operating activities		
Contributions	\$ 163,362	\$ 124,106
Operating expenses and grants	<u>(160,334)</u>	<u>(118,616)</u>
Net cash provided by operating activities	<u>3,028</u>	<u>5,490</u>
Cash flows from noncapital financing activities		
Gifts and grants received for other than capital purposes		
Private gifts for endowment purposes	<u>39,647</u>	<u>36,325</u>
Net cash provided by noncapital financing activities	<u>39,647</u>	<u>36,325</u>
Cash flows from investing activities		
Proceeds from sales of investments	141,549	97,120
Purchases of investments	(207,278)	(158,971)
Interest and dividends on investments	22,325	20,659
Proceeds from revolving line of credit	-	25,000
Payments under revolving line of credit	<u>-</u>	<u>(25,000)</u>
Net cash used by investing activities	<u>(43,404)</u>	<u>(41,192)</u>
Net (decrease) increase in cash	(729)	623
Cash, beginning of year	<u>1,460</u>	<u>837</u>
Cash, end of year	<u>\$ 731</u>	<u>\$ 1,460</u>
Reconciliation of net operating revenues to net cash used in operating activities		
Operating loss	\$ (16,165)	\$ (8,153)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Allowance for uncollectible receivables	586	713
Changes in assets and liabilities		
Accounts receivable	(274)	2,727
Pledges receivable, net	16,650	7,551
Notes receivable	(83)	3
Funds held in trust by others	164	2,819
Accounts and grants payable	(293)	(16)
Annuities payable	2,541	(173)
Deferred revenue	<u>(98)</u>	<u>19</u>
Net cash provided by operating activities	<u>\$ 3,028</u>	<u>\$ 5,490</u>
Supplemental noncash activities information		
Gifts of personal or real property	\$ 1,164	\$ 4,856
Gifts of securities	64,384	17,896
Securities lending activity	(2,772)	(6,746)

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

The UCLA Foundation

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

1. Organizations

The UCLA Foundation, formerly the UCLA Progress Fund, Inc., was established in 1945. The main 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 consolidated 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 financial statements of The UCLA Foundation are prepared in accordance with the statements of the Governmental Accounting Standards Board ("GASB"). The GASB requires that The UCLA Foundation comply with the requirements of all GASB pronouncements, as well as all Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989 that do not conflict with, or contradict, GASB standards. 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 the accompanying consolidated financial statements is presented below:

Investments

Investments are generally carried at fair market value. The basis of determining the fair market 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. 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 of U.S. government and corporate obligations with a maturity date of less than one year. Short-term investments are carried at cost, which approximates market 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. 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.

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges are written unconditional promises to make future payments. Pledges meeting the time requirements specified by GASB Statement No. 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, including all pledges for endowment purposes, which depend on the occurrence of a specified future or uncertain event, such as matching gifts from other donors, 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 market value at the date of gift. Real estate properties currently listed for sale are recorded at appraised value or present market value, less estimated selling expenses, whichever is lower.

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 that may be expended or added to principal in accordance with the donor's wishes.

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.

Unrestricted net assets are those net assets of The UCLA Foundation that are not subject to donor-imposed restrictions.

Revenues and Expenses

Contributions and pledges meeting the requirements of GASB Statement No. 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.

Nonoperating revenues and expenses include investment income and net realized and unrealized appreciation or depreciation in the fair value of investments.

The UCLA Foundation

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Revenues and Expenses (Continued)

Gifts for permanent endowment purposes are classified as 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 Management of Institutional Funds Act ("UMIFA") of 1992. Under UMIFA, annual spending (payout) may be taken from investment income and net realized and unrealized investment gains. The annual payout rate currently is 4.75% of the average market value of the endowment investment pool on a rolling 36-month basis. 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 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.

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.

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Pooled Income Fund (Continued)

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 the life-time of the annuitant or their beneficiaries. Assets contributed are separately invested and are used to fund the 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 consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These principles require 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.

3. Investments

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, The UCLA Foundation's investments are reported by investment type at market 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
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

3. Investments (Continued)

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.

Composition of Foundation Investments

(in thousands)

	2007	2006
Equity securities		
Domestic	\$ 39,816	\$ 92,157
Foreign	<u>94,078</u>	<u>73,881</u>
Subtotal equity securities	<u>133,894</u>	<u>166,038</u>
Fixed income securities		
U.S. government guaranteed		
U.S. Treasury bills	116	683
U.S. Treasury notes	11,714	9,399
U.S. Treasury bonds	<u>245</u>	<u>246</u>
Subtotal U.S. Treasury	12,075	10,328
U.S. government backed – asset-backed securities	<u>15</u>	<u>21</u>
Subtotal U.S. government guaranteed	<u>12,090</u>	<u>10,349</u>
Other U.S. dollar denominated		
Corporate bonds	199	292
U.S. agencies – asset-backed securities	2	2
Other	<u>816</u>	<u>788</u>
Subtotal other U.S. dollar denominated	<u>1,017</u>	<u>1,082</u>
Private equity	157,145	126,116
Mortgage loans	6,736	5,475
Real estate	51,896	34,974
Futures and options contracts	–	–
Commingled funds – absolute return	226,914	154,862
Commingled funds – balanced funds	24,235	25,378
Commingled funds – U.S. equity funds	174,816	121,519
Commingled funds – non-U.S. equity funds	143,768	104,166
Commingled funds – U.S. bond funds	98,200	96,827
Commingled funds – non-U.S. bond funds	2,974	2,849
Commingled funds – money market funds	157,697	141,183
Commingled funds – real estate	10,223	10,824
Other investments	<u>973</u>	<u>969</u>
Total investments	<u>\$ 1,202,578</u>	<u>\$ 1,002,611</u>

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

3. Investments (Continued)

Credit Risks

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 Foundation 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 Foundation Investments

(in thousands)

	2007	2006
Fixed income securities		
U.S. government guaranteed	\$ 12,090	\$ 10,349
Other U.S. dollar denominated		
AAA	614	409
AA	203	380
A	103	206
BB	—	—
B	97	87
Not rated	<u>—</u>	<u>—</u>
Total other U.S. dollar denominated	<u>1,017</u>	<u>1,082</u>
Commingled funds		
U.S. bond funds: Not rated	98,200	96,827
Non-U.S. bond funds: Not rated	2,974	2,849
Money market funds: Not rated	<u>157,697</u>	<u>141,183</u>
Total commingled funds	<u>258,871</u>	<u>240,859</u>
Mortgage loans: Not rated	<u>6,736</u>	<u>5,475</u>
Total funds subject to credit risk	<u>\$ 278,714</u>	<u>\$ 257,765</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.

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 Foundation maintains investment policies that establish thresholds for holdings of individual securities. The Foundation does not have any holdings meeting or exceeding these threshold levels.

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

3. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Foundation measures interest rate risk using the effective duration method. The Interest Rate Risk schedule summarizes the average effective duration of its fixed income investments. The 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 Lehman 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 Foundation Investments & Investments Sensitive to Changes in Interest Rates

(effective duration in years)	2007	2006
Fixed income securities		
U.S. government		
U.S. Treasury bills	0.4	0.2
U.S. Treasury notes	3.0	3.2
U.S. Treasury bonds	6.9	7.4
U.S. government backed – asset backed securities	3.3	3.2
Other U.S. dollar denominated		
Corporate bonds	2.0	2.1
U.S. agencies – asset-backed securities	0.2	–
Supranational/foreign	1.0	1.0
Other	3.0	3.1
Commingled funds – U.S. bond funds	5.1	5.5
Commingled funds – non-U.S. bond funds	6.0	5.6
Commingled funds – money market funds	<u>1.2</u>	<u>1.2</u>
Mortgage backed securities	<u>\$16.0</u>	<u>\$23.0</u>

Foreign Currency Risk

Exposure from foreign currency risk results from investments in foreign currency-denominated equity or fixed income investments. The UCLA Foundation holds significant 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 Consolidated Financial Statements
June 30, 2007 and 2006

3. Investments (Continued)

Foreign Currency Risk Associated with Foundation Investments

<i>(in thousands)</i>	2007	2006
Equity Securities		
Australian Dollar	\$ 2,568	\$ 1,610
Brazilian Real	3,922	1,392
British Pound	15,230	16,153
Canadian Dollar	2,009	894
Danish Krone	1,007	815
Euro	27,243	21,317
Hong Kong Dollar	3,947	3,464
Indian Rupee	1,873	683
Japanese Yen	15,260	13,609
Mexico Nuevo Peso	2,663	808
Miscellaneous	4,959	1,934
Norwegian Krone	845	396
Singapore Dollar	1,201	1,650
South African Rand	-	177
South Korean Won	1,434	831
Swedish Krona	-	822
Swiss Franc	9,384	7,326
Thai Bhat	<u>533</u>	<u>-</u>
Total exposure to foreign currency risk	<u>\$ 94,078</u>	<u>\$ 73,881</u>

Commingled Funds

Various currency denominations		
Balanced funds	\$ 1,117	\$ 933
Non-U.S. equity	143,367	103,526
Non-U.S. bond	2,915	2,849
Real Estate	3,391	2,047

Futures and Options Contracts

The 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

The UCLA Foundation's return for Short-term Investments was 4.6% (2006: 4.1%). The return on endowed funds for the year ended June 30, 2007 was 18.1% (2006: 13.2%).

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

5. Pledges Receivable

Pledges receivable are unconditional promises to pay a certain amount and consist of the following at June 30, 2007:

<i>(in thousands)</i>	2007	2006
Pledges receivable	\$ 230,281	\$ 266,843
Less		
Allowance for uncollectible pledges	(5,361)	(6,704)
Discount for future payments	<u>(34,586)</u>	<u>(52,569)</u>
Net pledges receivable	<u>\$ 190,334</u>	<u>\$ 207,570</u>
Current pledges receivable, net	\$ 37,342	\$ 36,756
Non-current pledges receivable, net	<u>152,992</u>	<u>170,814</u>
	<u>\$ 190,334</u>	<u>\$ 207,570</u>

The allowance for uncollectible pledges has been established at 2% of pledge contribution revenue. Pledges due beyond one year have been discounted at an annual rate of 5% for pledges received in fiscal year 2007 and 6% for pledges received in prior years. Seventy-six percent of the pledges receivable are from five donors. In 2006, seventy-eight percent of the pledges receivable were from five donors.

6. Amounts Held For Others

Amounts held for others as of June 30, 2007 of \$75.5 million (2006: \$67.0 million) represent amounts held by The UCLA Foundation under agency relationships with various support groups of UCLA and other outside entities. Such amounts are not assets owned by or contributed to The UCLA Foundation and, accordingly, are recorded as liabilities and not as support and revenue. The offsetting assets are included in the Consolidated Statements of Net Assets as investments.

7. Revolving Line of Credit

In April 2002, The UCLA Foundation obtained a revolving line of credit for \$25 million from the Bank of New York expiring in April 2012, which is collateralized by cash and securities. There were no outstanding loan balances as of June 30, 2007 and 2006.

8. Securities Lending

The UCLA Foundation has a securities lending agreement with the Bank of New York. A combination of cash, letter of credit and/or U.S. government securities collateralize the loaned securities. Collateral required is at least 102% of the current market value of the loaned securities. Income earned from the lending transactions is recorded as investment income. The UCLA Foundation carries the loaned securities as assets in the Consolidated Statement of Net Assets. In addition, The UCLA Foundation has recorded an asset and an offsetting liability of \$47.6 million and \$50.4 million as of June 30, 2007 and 2006, respectively, to reflect the cash collateral related to the lent securities under the securities lending agreement.

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

8. Securities Lending (Continued)

The UCLA Foundation does not maintain specific policies related to investment risks of security lending investments. However, the lending agreement with Bank of New York establishes restrictions for the investment of cash collateral including the type of investments allowed and minimum credit ratings. Policies or restrictions related to concentration risk, custody risk and interest rate risk are not specifically defined; however, the investments are not subject to custody risk. Investments in foreign securities are not allowed.

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

(in thousands)

	2007	2006
Securities lent		
For cash collateral		
Equity securities		
Domestic	\$ 45,812	\$ 49,531
Foreign	<u>—</u>	<u>—</u>
Total securities lent for cash collateral	<u>45,812</u>	<u>49,531</u>
For securities collateral		
Equity securities		
Domestic	<u>—</u>	<u>447</u>
Total securities lent	<u>\$ 45,812</u>	<u>\$ 49,978</u>
Collateral received		
Cash	<u>\$ 47,600</u>	<u>\$ 50,372</u>
Total cash collateral received	<u>\$ 47,600</u>	<u>\$ 50,372</u>
Investment of Cash Collateral		
Fixed income securities		
Other U.S. dollar denominated		
Corporate bonds	\$ 11,583	\$ 10,000
Repurchase agreements	175	8,032
Corporate – asset-backed securities	3,226	9,347
Certificates of deposit/time deposits	24,074	9,995
Other (Bank Notes)	<u>8,542</u>	<u>12,998</u>
Total investment of cash collateral	<u>\$ 47,600</u>	<u>\$ 50,372</u>
Securities Lending Income and Expense		
Securities lending income	\$ 3,507	\$ 1,752
Securities lending fees and rebates	<u>(3,388)</u>	<u>(1,676)</u>
Securities lending investment income, net	<u>\$ 119</u>	<u>\$ 76</u>

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

8. Securities Lending (Continued)

Securities Lending – Credit Risk Profile of Foundation Investments

<i>(in thousands)</i>	2007	2006
Fixed income securities		
Other U.S. dollar denominated		
AAA	\$ 8,270	\$ 10,347
AA	23,085	20,496
A	16,070	11,497
Not rated	<u>175</u>	<u>8,032</u>
Total investment of cash collateral	<u>\$ 47,600</u>	<u>\$ 50,372</u>

Securities Lending – Concentration Risk Profile of Foundation Investments

<i>(in thousands)</i>	2007	2006
Issuer		
Morgan Stanley & Company Inc.	\$ –	\$ 8,056
General Electric Capital Corporation	3,039	–
Nordea Bank Yankee	3,011	–
Deutsche Bank AG Yankee	3,009	–
Bank of Ireland Yankee	3,008	–
Calyon Yankee	3,007	–
Suntrust Bank	3,001	–
Goldman Sachs Group	2,502	–

At June 30, 2007, the threshold for concentration risk was \$2,380,000 (5% of total cash collateral invested of \$47,600,000). At June 30, 2006, the threshold for concentration risk was \$2,519,000 (5% of total cash collateral invested of \$50,372,000).

Securities Lending – Interest Rate Risk Profile of Foundation Investments

<i>(weighted average maturity in days)</i>	2007	2006
Fixed income securities		
Other U.S. dollar denominated		
Corporate bonds	24.7	44.3
Repurchase agreements	2.0	3.0
Corporate – asset-backed securities	25.0	25.0
Certificates of deposit/time deposits	14.6	13.5
Bank Notes	31.6	17.2

Investments highly sensitive to changes in interest rates include asset-backed securities of \$3,226,000 and \$9,347,000 for fiscal year 2007 and 2006, respectively. The weighted average maturity is 225 days and 588 days for fiscal year 2007 and 2006, respectively.

The UCLA Foundation
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

9. Commitments

As of June 30, 2007, The UCLA Foundation has contractual commitments to invest an additional \$133 million in various limited partnership investments through December 31, 2020.

LEADERSHIP

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