University of California Irvine Foundation

Annual Financial Report
June 30, 2023

University of California Irvine Foundation
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June 30, 2023

Report of Independent Auditors

To the Board of Trustees of the
University of California Irvine Foundation

Opinion

We have audited the accompanying financial statements of University of California Irvine Foundation (the "Foundation"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
September 15, 2023

The University of California Irvine Foundation (the "Foundation") was established in 1968 to encourage financial support through charitable gifts for the benefit of the University of California, Irvine ("UC Irvine"). The Foundation is governed by a local Board of Trustees comprised of UC Irvine's closest alumni, friends, and community members. Gifts made to UC Irvine through The Regents of the University of California are not included in these statements.

The following management's discussion and analysis presents an overview of the financial performance of the Foundation for the fiscal year ended June 30, 2023, with selected comparative information for the year ended June 30, 2022. This discussion and analysis have been prepared by management and should be read in conjunction with the accompanying audited financial statements and related notes to financial statements. The financial statements, related notes to financial statements, and the discussion and analysis, were created by management and are the responsibility of management.

Introduction to the Financial Statements

This annual financial report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended.

The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. Notes to the financial statements and required supplementary information support these statements. All sections must be considered together to obtain a complete understanding of the financial position and changes in financial position of the Foundation.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities of the Foundation, with the difference between the two reported as net position. Assets and liabilities are categorized as current or noncurrent on an accrual basis as of June 30, 2023. This statement also identifies major categories of restrictions on the net position of the Foundation.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred by the Foundation during the year ended June 30, 2023 on an accrual basis. Revenues and expenses on this statement are classified as operating or nonoperating.

Statement of Cash Flows

The Statement of Cash Flows presents the changes in the Foundation's cash and cash equivalents for the year ended June 30, 2023 summarized by operating, noncapital financing, and investing activities. The statement is prepared using the direct method of cash flows and, therefore, presents gross rather than net amounts for the year's activities and also includes a reconciliation of operating loss to net cash used in operating activities.

Analytical Overview

The Foundation's financial position increased during the fiscal year ended June 30, 2023 as a result of fundraising and net investment return. The Foundation's total net position increased approximately $59.9 million to $925.5 million during the year ended June 30, 2023.

The following discussion highlights the key financial aspects of the Foundation's activities:

Condensed Summary of Net Position June 30, 2023 and 2022

	2023	2022
Current assets	$ 83,441,907	$ 93,970,034
Noncurrent assets	846,405,644	775,564,742
Total assets	$ 929,847,551	$ 869,534,776
Current liabilities	$ 2,284,171	$ 1,929,141
Noncurrent liabilities	1,545,728	1,485,258
Total liabilities	$ 3,829,899	$ 3,414,399
Deferred inflows of resources	$ 525,258	$ 486,105
Net position		
Restricted - nonexpendable	$ 507,062,271	$ 484,890,664
Restricted - expendable	400,893,751	365,780,661
Unrestricted	17,536,372	14,962,947
Total net position	$ 925,492,394	$ 865,634,272

Assets
Total current assets decreased approximately $10.5 million to $83.4 million at June 30, 2023. The decrease in current assets was primarily due to a decrease in short-term investments as a result of investing a portion of the balance in long-term investments.

Noncurrent assets increased approximately $70.8 million to $846.4 million at June 30, 2023. The fundraising efforts during the fiscal year resulted in $18.6 million in additions to the permanent endowment. Adding to this increase were unrealized investment returns as a result of favorable market conditions which contributed to a net increase in the fair value of investments of approximately $50.7 million.

Liabilities
Current liabilities consist of payables related to endowment investments, unallocated gifts requiring further documentation, and the current portion of liabilities to life beneficiaries. The noncurrent liabilities are related to the future payments estimated to be paid to the donor on charitable remainder trusts.

Net Position increased by $59.9 million in the current fiscal year, as reflected below:

	2023	2022
Operating revenues	$ 58,912,832	$ 115,064,588
Less: Operating expenses	78,714,468	124,989,226
Operating loss	(19,801,636)	(9,924,638)
Nonoperating income (expense), net	61,096,993	(53,741,098)
Contributions for permanent endowments	18,562,765	48,609,121
Change in net position	59,858,122	(15,056,615)
Net position		
Beginning of year	865,634,272	880,690,887
End of year	$ 925,492,394	$ 865,634,272

Revenues
Operating revenues decreased from prior year by $56.2 million to $58.9 million. The decrease is due to a decrease in current use contributions.

Operating expenses decreased $46.3 million to $78.7 million for the year ended June 30, 2023. The decrease is mostly due to the decrease in disbursements to UC Irvine related to draws on funds for campus improvement projects that occurred in the prior year.

Nonoperating income increased $114.8 million to a total nonoperating income of $61.1 million for the year ended June 30, 2023. This increase is reflective of the positive investment performance during the year, resulting in the net increase in the fair value of investments.

Restricted Resources
Net Position of the Foundation includes funds that have legal restrictions on their use. Funds may be expendable for a specific purpose or they may be nonexpendable.

The following table summarizes which funds are restricted, the type of restriction, and the amount:

	2023	2022
Restricted funds at June 30		
Nonexpendable		
Endowments	$ 507,062,271	$ 484,890,664
Total nonexpendable	$ 507,062,271	$ 484,890,664
Expendable		
Endowments	$ 141,554,127	$ 124,768,504
Funds functioning as endowments	147,268,193	114,305,695
Gifts	112,071,431	126,706,462
Total expendable	$ 400,893,751	$ 365,780,661

University of California Irvine Foundation
Statement of Net Position
June 30, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 3,012,236
Short-term investments	65,751,059
Pledges receivable, net	14,403,418
Other current assets	275,194
Total current assets	83,441,907
Noncurrent assets	
Long-term investments	790,719,525
Pledges receivable, net	51,376,922
Assets held in charitable remainder trusts	2,177,145
Other noncurrent assets	2,132,052
Total noncurrent assets	846,405,644
Total assets	$ 929,847,551
Liabilities and Net Position	
Current liabilities	
Other current liabilities	$ 2,178,012
Liabilities to life beneficiaries, current portion	106,159
Total current liabilities	2,284,171
Noncurrent liabilities	
Liabilities to life beneficiaries, net of current portion	1,545,728
Total liabilities	$ 3,829,899
Deferred inflows from irrevocable split interest agreements	$ 525,258
Net Position	
Restricted	
Nonexpendable	
Endowments	$ 507,062,271
Expendable	
Endowments	141,554,127
Funds functioning as endowments	147,268,193
Gifts	112,071,431
Unrestricted	17,536,372
Total net position	$ 925,492,394

The accompanying notes are an integral part of these financial statements

University of California Irvine Foundation
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

Operating revenues	
Contributions	$ 58,735,084
Other operating revenue	177,748
Total operating revenues	58,912,832
Operating expenses	
Disbursements to University of California, Irvine	77,469,623
Administrative and other operating expenses	1,244,845
Total operating expenses	78,714,468
Operating loss before other changes in net position	(19,801,636)
Nonoperating income	
Investment income, net	10,388,047
Net increase in the fair value of investments	50,708,946
Total nonoperating income	61,096,993
Contributions for permanent endowments	18,562,765
Change in net position	59,858,122
Net position	
Beginning of year	865,634,272
End of year	$ 925,492,394

The accompanying notes are an integral part of these financial statements

University of California Irvine Foundation
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities	
Contributions	$ 51,034,760
Disbursements to University of California, Irvine	(77,469,623)
Payments to beneficiaries	(118,527)
Payments for administrative and other operating expenses	(1,244,845)
Other receipts	234,510
Net cash used in operating activities	(27,563,725)
Cash flows from noncapital financing activities	
Contributions for permanent endowments	15,555,143
Net cash provided by noncapital financing activities	15,555,143
Cash flows from investing activities	
Proceeds from sales and maturities of investments	64,794,482
Purchases of investments	(62,155,509)
Investment income, net	10,355,540
Net cash provided by investing activities	12,994,513
Net increase in cash and cash equivalents	985,931
Cash and cash equivalents	
Beginning of year	2,026,305
End of year	$ 3,012,236
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (19,801,636)
Adjustments necessary to reconcile operating loss to net cash used in operating activities	
Allowance for uncollectible receivables	(66,427)
Receipt of contributed securities	(6,154,655)
Changes in operating assets and liabilities	
Pledges receivable	(1,859,007)
Liabilities to life beneficiaries	(61,766)
Other current liabilities	379,766
Net cash used in operating activities	$ (27,563,725)
Supplemental noncash activities information	
Gifts of marketable securities - operating	$ 6,154,655
Gifts of marketable securities - permanent endowment	3,007,622

The accompanying notes are an integral part of these financial statements

1. Organization

The University of California Irvine Foundation (the “Foundation”), a California not-for-profit organization, was formed for the purpose of encouraging voluntary gifts, trusts, and bequests for the benefit of the University of California, Irvine (“UCI”). The Foundation provides financial support for various UCI schools and programs, including research grants, student scholarships, instructional support, equipment purchases, capital improvements, and education.

The Foundation is subject to the policies and procedures of The Regents of the University of California (“The Regents”). The Regents established administrative guidelines for the Foundation with regard to the Foundation’s ability to conduct operations through its policy on campus foundations. The Regents’ policy limits the ability of the Foundation to make certain expenditures and provides a general framework for its operations. The Foundation is considered a component unit of The Regents and was established solely to support the mission of UCI and is considered a governmental not-for-profit organization subject to financial reporting under the standards promulgated by the Governmental Accounting Standards Board (“GASB”).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation are prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of GASB, using the economic resources measurement focus and the accrual basis of accounting.

Use of Estimates

The 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.

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments including demand deposits with original maturities of three months or less to be cash and cash equivalents.

Investments

Investments are stated 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 commingled funds, the fair value is determined based on the number of units held in the fund multiplied by the price per unit share as quoted.

For alternative investments, which are principally limited partnership investments in private equity, real estate, natural resources and hedge funds, the fair value is primarily based on the Net Asset Value (“NAV”). The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2023, which is considered a practical expedient to fair value. These investments are generally less liquid than other investments, and the fair value reported may differ from the fair values that would have been reported had a ready market for these investments existed.

The Foundation exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers and believes the Foundation's proportionate share of the carrying amount of these alternative investments is a reasonable estimate of fair value. Such due diligence procedures include, but are not limited to, ongoing communication, on-site visits, and review of information from the external investment managers as well as review of performance. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, such as market conditions, redemption terms and restrictions, and risks inherent in the inputs of the external investment managers' valuation.

Short-term investments consist of money market accounts. Short-term investments are carried at amortized cost, which approximates fair value. All endowment and trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the 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.

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 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 Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA does not set specific expenditure limits; instead a standard of prudence is prescribed, whereas a charity can spend the amount the charity deems prudent after considering the donors intent that the endowment continue permanently, the purpose of the fund, and relevant economic factors. The Foundation's Board of Trustees approved a 4.5% spending rate of the endowment fund's average unit market value for fiscal year 2023. For fiscal year 2023, the average unit market value is calculated using the closing unit market value on the last day of each of the 36 contiguous months, the last of which ended on June 30, 2023. This policy is consistent with the Endowment Investment and Spending Policy and Guidelines adopted by the Board of Trustees. Earnings in excess of the payout rate are retained in the endowments as expendable.

Assets Held in Charitable Remainder Trusts, Assets of Charitable Remainder Trusts, and Liabilities to Life Beneficiaries

The Foundation has been designated as the trustee or co-trustee for several charitable remainder trusts (the "Trusts"). The Trusts are established by donors to provide income, generally for life, to designated beneficiaries. Each year, beneficiaries receive payments based on a percentage of the Trusts' fair value (standard unitrust) or the net income (net income unitrust) as specified in the trust agreement. Upon the death of the beneficiaries or termination of the Trusts, the remaining assets of the Trusts will become contributions to the Foundation, as stipulated in the trust agreements.

The Foundation recognizes the assets held in charitable remainder trusts at fair value. A liability is established for the estimated future payments to the donors or other beneficiaries. This liability is adjusted as benefit payments are made to the donors and beneficiaries each year and as life expectancies change. Any fluctuations in the fair value of the related trust assets and any income earned on the trust assets affect this liability. These assets are administered by and invested with a third party.

The Trusts are separate legal entities, created under the provisions of the Internal Revenue Code and applicable California state law. The Trusts have a calendar year-end as required under the Tax Reform Act of 1986 and are exempt from federal and California income taxes on investment income accumulated for future distributions and any net capital gains retained in the Trusts.

The Foundation periodically receives notification that it has a financial interest in irrevocable split-interest agreements where the assets are invested and administered by outside trustees. The Foundation records the value of this interest as the net of the fair value of the underlying investments offset by the present value of the estimated future beneficiary payments over the expected life of the life beneficiaries, in accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that apply to a future period. The Foundation classifies changes in irrevocable split-interest agreements as deferred inflows of resources. These amounts will be recognized as revenue at the termination of the split-interest agreements.

Pledges Receivable

Pledges receivable are written unconditional promises to make future gifts. The Foundation recognizes a receivable and contribution revenue at the time the pledge is made by the donor if the pledge is verifiable, measurable, probable of collection, and meets all other applicable eligibility requirements. These eligibility requirements require 1) the Foundation to be stated as the recipient of the pledge; 2) the pledge is considered available for use and can be sold, disbursed, consumed, or invested for a term or in perpetuity; 3) any contingencies on the pledge are met; and 4) if a reimbursement of expenses, allowable costs have been incurred.

Pledge payments scheduled for collection within the next fiscal year are recorded as current assets. Pledge payments scheduled to be collected beyond one year are discounted to recognize the present value of the expected future cash flows in accordance with policies established by the Regents. 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 based on management's assessment of the collectability of outstanding pledges.

Conditional pledges, which depend on the occurrence of uncertain or specified future events, such as matching gifts from other donors, are recognized when the condition is met.

Pledges for endowments are not recorded as revenue or a pledge receivable at the time the pledge is made, as the funds are not available to be invested in perpetuity as specified by the donor. Revenue is recognized on payments on endowed pledges when the cash is received and is recorded in contributions to permanent endowments.

Donated Properties

Donations of securities, real estate, and other nonmonetary items are recorded at their fair value at the date of donation and are classified as investments on the statement of net position. Real estate is recorded at the lower of the independently appraised value or fair value, less estimated selling expenses.

Net Position

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, net position 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 position* 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. Income and change in fair value of endowment investments are classified as restricted-nonexpendable net position unless otherwise specified by the donor.

- *Restricted – expendable net position* relate to contributions designated by donors for use by particular entities or programs or for specific purposes or functions of UCI. They also include quasi-endowments, of which the corpus can be expended.

- *Unrestricted net position* are those net positions of the Foundation that are not subject to donor-imposed restrictions.

The Foundation has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

Administrative and Other Operating Expenses

The Board of Trustees of the Foundation has established a policy whereby the Foundation's endowment accounts may be charged an administrative fee to reimburse the Foundation for operating expenses. During the year ended June 30, 2023, the endowment accounts were charged an administrative fee of 0.5% of the fair value.

Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Classification of Operating and Nonoperating Revenues and Expenses

The Foundation considers contributions to be operating revenues, as fund-raising is the primary activity of the Foundation. Operating expenses consist primarily of disbursements to UCI and administrative expenses. Nonoperating revenues consist of investment income, investment management fees, and changes in the fair value of investments. Contributions for permanent endowments are considered nonoperating and consist of current year contributions for endowments and current year payments on existing pledges for endowments.

Disbursements to UCI

The primary purpose of the Foundation is to provide funds for the support of UCI. During the year ended June 30, 2023, the Foundation transferred amounts to the campus as follows:

School of Medicine	$ 21,535,546
College of Health Science	14,755,361
Health Affairs	8,056,494
Non-Academic units	6,509,184
Henry Samueli School of Engineering	5,996,137
Donald Bren School of Information and Computer Science	3,158,923
Other	2,541,171
Office of Research	2,483,924
Physical Sciences	1,718,485
School of Law	1,454,480
Social Ecology	1,313,355
Claire Trevor School of the Arts	1,195,840
Humanities	1,144,340
Social Sciences	1,028,691
Pharmaceutical Sciences	970,398
School of Education	929,790
School of Biological Sciences	732,733
Athletics	708,051
UCI Libraries	428,663
Program in Public Health	298,731
Center for Neurobiology of Learning & Memory	242,274
Sue & Bill Gross School of Nursing	134,829
Paul Merage School of Business	71,509
UCI Medical Center	60,714
	$ 77,469,623

Income Taxes

The Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

3. Cash, Cash Equivalents, and Short-Term Investments

Cash, cash equivalents, and short-term investments are reported on the Statement of Net Position as follows:

Cash and cash equivalents	$ 3,012,236
Short-term investments	65,751,059
	$ 68,763,295

The Foundation manages a substantial amount of its cash through The Regent's Short Term Investment Pool ("STIP"); other cash intended to meet operating needs is maintained in demand deposit accounts. All cash balances are minimized by sweeping available balances into investment accounts on an as needed basis.

At June 30, 2023, the Foundation's cash and cash equivalent deposits, held in nationally recognized banking institutions, was $2,906,182, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000.

Included in short-term investments are deposits in STIP of $65,342,867 at June 30, 2023. STIP is a money market portfolio, which serves as the Foundation's core investment vehicle for expendable funds.

The Foundation does not have any exposure to foreign currency risk in demand deposit accounts.

4. Investments

The composition of investments at June 30, 2023 is as follows:

Domestic	$ 31,919,082
Equity securities	31,919,082
Commingled funds	
Absolute return funds	73,679,839
Balanced funds (General Endowment Pool)	328,490,713
U.S. equity funds	105,974,200
Non-U.S. equity funds	95,203,299
U.S. bond funds	35,966,178
Non-U.S. bond funds	9,037,822
Private equity	99,104,198
REITs	7,764,195
Money market funds (Short Term Investment Pool)	65,342,867
Commingled funds	820,563,311
Real estate	3,580,000
Other	408,191
Total investments	856,470,584
Less short-term investments	65,751,059
Total long-term investments	$ 790,719,525

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Foundation's investments are reported by investment type at fair value in the composition of investments above. 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 Foundation to manage those risks.

The Board of Trustees of the Foundation, as the governing board, is responsible for oversight of the Foundation's investments. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for its campus foundation may determine that all or a portion of its investments will be managed by the Treasurer of The Regents. Asset allocation guidelines are provided to the Foundation by the Investment Committee of The Regents.

The 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. These funds are classified as part of the commingled funds. The investment guidelines also permit alternative investments in partnerships where the Foundation is a limited partner relying upon the expertise of experienced general partners. All limited partnerships in which the Foundation invests are subject to annual audits.

The STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities. Cash to provide for transfers to campus is invested in the STIP. The available cash in the endowment investment pools awaiting investment is also invested in the STIP.

Investments authorized by The Regents for the STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, The Regents have also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

The General Endowment Pool ("GEP") is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. The GEP is a balanced portfolio, and is classified as commingled funds.

Investments authorized by The Regents for the GEP and other investment pools include equity securities, fixed-income securities, and certain other asset classes. The equity portion of the investment portfolios may include both domestic and foreign common and preferred stocks, actively managed and passive (index) strategies, along with a modest exposure to private equities. Private equities include venture capital partnerships, buy-outs, and international funds. The Regents' investment portfolios may include certain foreign currency denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Derivative contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Real estate investments are authorized for the GEP. Absolute return strategies, incorporating short sales, plus derivative or option positions to implement or hedge an investment position, are also authorized for the GEP.

The Absolute Return unitized program provides diversification benefits by offering returns that have low correlation to the performance of other asset classes. Investments authorized by The Regents for the Absolute Return portfolio include funds that invest primarily in Long/Short strategies (including U.S., dedicated non-U.S., short bias, and global equities), Relative Value strategies (including equity market neutral, convertible bond arbitrage, and fixed income), Event Driven strategies (including distressed securities, special situations, capital structure arbitrage, relative value credit, and risk arbitrage strategies), and Opportunistic strategies (including macro and emerging markets).

The Foundation's investments in pools managed by The Regents are classified by investment type purposes as commingled balanced funds, commingled money market funds, commingled absolute return, or private equity depending on whether they are invested in the GEP, STIP, Absolute Return Unitized Program, or private equity, respectively.

Of the $856.5 million of total investments, the portion of investments included in endowments is as follows:

Restricted	
Nonexpendable	$ 507,062,271
Endowments	507,062,271
Total nonexpendable	
Expendable	
Endowments	141,554,127
Funds functioning as endowments	147,268,193
Total expendable	288,822,320
Total endowments	$ 795,884,591

The components of the net increase in fair value of investments for the year ended June 30, 2023 is as follows:

Net realized gains on sale of investments	$ 7,339,996
Net unrealized appreciation on investments held at year-end	43,368,950
Net increase in fair value of investments	$ 50,708,946

Investment Risk Factors
There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. The fixed-income securities are part of the commingled funds. The Foundation has established investment policies to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

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 circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance in the rating agency's opinion that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The Foundation's investment in the Regents' STIP which is considered to be an investment in an external investment pool is "unrated." The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk-adjusted return over its benchmark (the benchmark for STIP is the 2-year Treasury note). No more than 5% of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, BA, or lower). The average credit quality of the STIP must be A or better, and commercial paper must be rated A-1, P-1, or F-1.

The Regents recognize that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed-income portion of those pools. That benchmark, the Citigroup Large Pension Fund Index (LPF) is comprised of approximately 30% high-grade corporate bonds, all of which carry some degree of credit risk. Credit risk in the GEP is managed primarily by diversifying across issuers, and portfolio guidelines mandate that no more than 10% of the market value of fixed income may be invested in issues with a credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

The credit risk profile for fixed-income securities in commingled funds at June 30, 2023 is as follows:

Commingled funds	
U.S. bond funds - not rated	$ 35,966,178
Non-U.S. bond funds - not rated	9,037,822
Money market funds - not rated	65,342,867
Total commingled funds	$ 110,346,867

Custodial Credit Risk
Custodial credit risk is the risk that in the event of the failure of the custodian, the Foundation's investments may not be recovered.

The Foundation Board has chosen to primarily use the various pooled investment vehicles managed by The Regents' Treasurer as its core investments for the endowment and expendable funds, and for its trusts. These pools are considered to be investments in external pools and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Similarly, the investment accounts held at the Foundation's custodian are also externally managed pools, and the assets are held in custody or trust and would not be available to the custodian's creditors because they are excluded from the assets of the custodian.

It is the policy of the Foundation that all other direct investments made by the Foundation are held in custodial accounts, and the securities are registered solely in the name of the Foundation. All investments are transacted with nationally reputable brokerage firms, offering protection by the Securities Investor Protection Corporation.

The Foundation minimizes cash balances by sweeping available balances into investment accounts on a regular basis. The majority of the cash balance not invested is maintained in The Regents' STIP fund. The STIP fund is managed by the Treasurer of The Regents.
The Regents are responsible for managing the University of California's pooled investments and

establishing policy, which is carried out by the Treasurer. STIP in the cash equivalent category is considered to be an external investment pool and therefore is not subject to deposit custodial credit risk. Remaining cash is maintained in accounts that are established as segregated trusts, protected against any creditors of the bank, and in money market mutual funds. Although they are not insured and are uncollateralized, these accounts are held in the name of the Foundation. Accounts may also be maintained at FDIC insured banking institutions up to the insured level. There is no custodial credit risk or foreign currency risk associated with balances maintained at the banks' trust departments and investment in the STIP. The Foundation's policy is to limit all cash accounts to be 1) in separate custodial trust accounts and where the Foundation's assets are not available to the creditors of the bank, 2) in an agency cash sweep account with the University, or 3) at a credit card processor. A certain portion of the balance may occasionally be exposed to custodial risk due to unforeseen dividends and gifts deposited at fiscal year end, but are rectified as soon as possible.

There is minimal custodial credit risk for fixed income securities at June 30, 2023.

Concentration of Credit Risk
Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The U.S. and non-U.S. equity portions of The Regents and the Foundation portfolios may be managed either passively or actively. For the portion managed passively, the concentration of individual securities is exactly equal to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, The Regents consider that passive management results in an absence of concentration of credit risk. For the portion managed actively, portfolio guidelines do not specifically address concentration risk, but do state that the U.S. equity asset class in the aggregate will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters.

Investment guidelines addressing concentration of credit risk related to the fixed-income portion of The Regents portfolios include a limit of no more than 3% of the portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. Treasury or its agencies). These same guidelines apply to the STIP.

The Foundation's investment policy includes a limit of no more than 5% of the portfolio's assets to be invested in any single issuer. At June 30, 2023, the Foundation did not hold a single investment that was greater than 5% of the portfolio.

Interest Rate Risk
Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates, rather than a measure of time.

Interest rate risk for the STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the maturity structure of the liabilities, that is, the liquidity demands of the investors. The nature and maturity of individual securities in the STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

Portfolio guidelines for the fixed-income portion of GEP limit weighted average effective duration to plus or minus 20% of the effective duration of the benchmark (Citigroup Large Pension Fund). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark.

The effective duration for fixed-income securities held in commingled funds at June 30, 2023 is as follows:

	Fair value June 30, 2023	Weighted Average Maturity
Commingled funds - U.S. bond funds	$ 35,966,178	5.97
Commingled funds - non-U.S. bond funds	9,037,822	8.93
Commingled funds - STIP	65,342,867	0.23

Foreign Currency Risk
Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Regent's strategic asset allocation policy for GEP includes an allocation to non-U.S. equities. These equity investments are not hedged; therefore, foreign currency risk is an essential part of the investment strategy. Their portfolio guidelines for fixed-income securities also allow exposure to non-U.S. dollar-denominated bonds up to 10% of total the portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage.

Commingled funds	
Various currency denominations	
Non-U.S. equity	$ 95,203,299
Non-U.S. bond	9,037,822
Total exposure to foreign currency risk	$ 104,241,121

Alternative Investment Risks
Alternative investments include ownership interests in a wide variety of partnership and fund structures that may be domestic, off-shore or foreign. Generally there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture

capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. Underlying investments can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally, these investments do not have a ready market or may not be traded without approval of the general partner or fund management.

5. Fair Value

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

The Foundation categorizes its fair value measurement within the fair value hierarchy established by GASB statement (GASB 72) *Fair Value Measurement and Application*. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities and other publicly traded securities.

Level 2 Quoted prices in the markets that are not considered to be active, dealer quotations, or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3 Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments may include private equity investments, real estate and split interest agreements.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV, which is considered a practical expedient to fair value, are excluded from the fair value hierarchy. Investments in nongovernmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV included hedge funds, private equity investments, and commingled funds.

Not Leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2023:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled	Total
Equity securities	$ 31,919,082	$ -	$ -	$ -	$ -	$ 31,919,082
Commingled funds	136,328,765	-	-	684,234,546	-	820,563,311
Real estate	-	-	3,580,000	-	-	3,580,000
Other investments	-	-	-	-	408,191	408,191
Total investments	$ 168,247,847	$ -	$ 3,580,000	$ 684,234,546	$ 408,191	$ 856,470,584
Assets held in charitable remainder trusts	$ 2,177,145	$ -	$ -	$ -	$ -	$ 2,177,145

The Foundation addresses the nature and risks of the investments and whether the investments are probable of being sold at amounts different from the NAV per share (or its equivalent).

	2023		
	Fair Value	Unfunded Commitments	Redemption Terms and Restrictions
Absolute return and hedge funds	$ 73,679,839	$ -	Not eligible for redemption and lock up provisions ranging from 0 to 3 years. For securities not eligible for redemption, the underlying assets are estimated to be liquidated within 3 to 5 years. For securities eligible for redemptions, after initial lock-up expires, redemptions are available on a rolling basis and require 30 to 95 day notice.
Commingled funds	511,450,509	-	Eligible for redemption with 30 day notice.
Private equities	99,104,198	48,939,011	Not eligible for redemption. Estimated to be liquidated in 0-15 years.
	$ 684,234,546	$ 48,939,011	

6. Real Estate

As of June 30, 2023, the Foundation held real estate previously contributed as part of endowment and restricted funds. Donated real estate at June 30, 2023 is comprised of the following:

Land and building - Endowment	$ 2,000,000
Land and building - Restricted	1,580,000
	$ 3,580,000

Land and Building – Endowment
The building represents a 50% undivided interest in a commercial building that was donated to the Foundation, along with the land, during the year ended June 30, 1998. Upon donation of the building, the Foundation became party to an existing noncancelable operating lease. The building lease is set to terminate during December 2024.

Land and Building – Restricted
The land represents a 50% interest in an undivided leased fee interest and the land associated with the building. Both plots of land were donated to the Foundation during the year ended June 30, 1998. The land, representing an undivided leased fee interest, is subject to a noncancelable ground lease that is set to terminate during June 2025.

Total rental income earned under such leases during the year ended June 30, 2023 was $231,198, of which $103,500 is included in investment income and $127,698 is included in other operating income in the accompanying financial statements.

Future minimum rental income under noncancelable leases as of June 30, 2023 is as follows:

Payments through June 30,	
2024	$ 232,537
2025	180,787
	$ 413,324

7. Pledges Receivable, Net

Pledges receivables are expected to be collected in future years as follows:

2024	$ 15,293,212
2025	11,239,678
2026	9,911,809
2027	7,959,787
2028	8,399,310
Thereafter	16,398,620
	69,202,416
Less: Amounts representing discounted cash flows	(2,289,255)
Present value of pledges receivable	66,913,161
Less:	
Current portion of allowance for uncollectible pledges	(889,794)
Noncurrent portion of allowance for uncollectible pledges	(243,027)
	$ 65,780,340

The Foundation discounts the noncurrent portion of pledges receivable when the contribution is initially recognized and does not revise the rate subsequently. Pledges receivable have discount rates ranging from 0.38% - 5%. The rate is determined by the current rate of the short-term investment pool, which was 2.78% as of June 30, 2023.

An allowance for potentially uncollectible pledges of $1,132,821 was recorded as of June 30, 2023.

8. Liabilities to Life Beneficiaries

Changes in liabilities to life beneficiaries during the current fiscal year are summarized as follows:

	Balance at June 30, 2022	Additions	Decreases	Balance at June 30, 2023
Liabilities to life beneficiaries	$ 1,616,153	$ 35,734	$ -	$ 1,651,887

9. Related Party Transactions

UCI provides facilities and various financial, administrative, and other services to the Foundation. No value has been determined for these services, and as such, no amounts have been reflected in the accompanying financial statements. UCI pays vendors on behalf of the Foundation, which totaled approximately $0.8 million and is included within administrative and other operating expenses in the accompanying statement of revenues, expenses, and changes in net position.

10. Commitments

The Foundation's Board of Trustees has approved alternative investment commitments of approximately $48.9 million as of June 30, 2023. This amount represents the remaining commitment on existing private equity investments.

11. Subsequent Events

The Foundation has evaluated subsequent events from the net position date through September 15, 2023, the date which the financial statements were available to be issued, and determined there are no items to disclose.