UC Riverside Foundation

Financial Statements
June 30, 2023 and 2022

UC Riverside Foundation
Index
June 30, 2023 and 2022

Report of Independent Auditors

To the Board of Trustees of the
UC Riverside Foundation

Opinion

We have audited the accompanying financial statements of UC Riverside 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 7 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 29, 2023

The following section of the annual financial report of the UC Riverside Foundation (the "Foundation") includes an overview and analysis of the Foundation's financial position and activities for the years ended June 30, 2023 and 2022. This discussion and analysis, as well as the basic financial statements, which it accompanies, are the responsibility of the management of the Foundation.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements include statements of net position; statements of revenue, expenses, and changes in net position; and statements of cash flows. Notes to the basic financial statements 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.

Statements of Net Position

The statements of net position include all assets, liabilities, and deferred inflows of resources. Assets and liabilities are categorized as current or noncurrent, as of June 30, 2023 and 2022. These statements also identify major categories of restrictions on the net position of the Foundation. The Foundation's net position (the difference between assets, liabilities, and deferred inflows of resources) is one indicator of the Foundation's financial health, when considered in combination with other nonfinancial information.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenue, expenses, and changes in net position present the revenue earned and expenses incurred by the Foundation during the years ended June 30, 2023 and 2022, on an accrual basis. Revenue and expenses on these statements are classified as operating or nonoperating. Incoming gifts and grants made to the campus are reported as operating revenue and expense, respectively, and investment results are reported as nonoperating income or loss.

Statements of Cash Flows

The statements of cash flows present the changes in the Foundation's cash for the years ended June 30, 2023 and 2022, summarized by operating, noncapital financing, and investing activities. The statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for each year's activities.

Financial Highlights

The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial condition and activities:

During fiscal year 2023, the Foundation's net position, which represents the excess of total assets over liabilities, increased by $15.1 million. This is compared to a decrease in net position during fiscal year 2022 of $21.2 million and an increase during fiscal year 2021 of $72.4 million. The primary factor for the increase in net position during fiscal year 2023 was due to an increase in value of long-term investments.

During 2023, overall contributions to the Foundation decreased by $0.5 million over that of fiscal year 2022. This was due to a decrease in overall contributions. During 2022, overall contributions to the Foundation decreased by $5.7 million over that of fiscal year 2021.

Nonoperating gains in fiscal year 2023 were $17.4 million as compared to nonoperating losses of $19.9 million in 2022 and nonoperating gains of $65.9 million in 2021. This change was primarily due to the increase in investment returns.

The Foundation expects fluctuations in contribution revenue, additions to permanent endowments and investment results from year to year. The Foundation manages the endowment portfolio in accordance with established financial, investment, and spending objectives. Significant contributions, including bequests, are periodically received from donors as a result of relationships cultivated over many years. The timing of these contributions is not entirely predictable, and often will correlate with a campus initiative.

Condensed Schedule of Net Position

	June 30		
	2023	**2022**	**2021**
Assets			
Current assets	$ 16,646,711	$ 15,047,960	$ 14,341,467
Noncurrent assets	$ 253,952,805	$ 240,589,176	$ 262,820,750
Total assets	$ 270,599,516	$ 255,637,136	$ 277,162,217
Liabilities			
Current liabilities	$ 1,895,371	$ 1,871,656	$ 2,092,044
Noncurrent liabilities	$ 121,150	$ 139,490	$ 189,680
Total liabilities	$ 2,016,521	$ 2,011,146	$ 2,281,724
Deferred Inflows of Resources			
Deferred inflows from split-interest agreements	$ 204,785	$ 339,465	$ 398,151
Total deferred inflows of resources	$ 204,785	$ 339,465	$ 398,151
Net Position			
Restricted			
Nonexpendable	$ 148,386,981	$ 140,336,234	$ 134,048,767
Expendable	$ 119,552,402	$ 112,868,644	$ 140,337,800
Unrestricted	$ 438,827	$ 81,647	$ 95,775
Total net position	$ 268,378,210	$ 253,286,525	$ 274,482,342

Assets

Total current assets increased by $1.6 million during the fiscal year ended June 30, 2023, and increased $0.7 million during the year ended June 30, 2022. The increase in current assets during fiscal year 2023 was primarily due to an increase in cash held in cash and cash equivalent accounts. The increase in current assets during fiscal year 2022 was also primarily due to an increase in cash held in cash and cash equivalent accounts.

Total noncurrent assets increased by $13.4 million during the fiscal year ended June 30, 2023, and decreased by $22.2 million during fiscal year June 30, 2022. The increase in noncurrent assets during fiscal year 2023 was primarily attributable to an increase in value of long-term investments. The decrease in noncurrent assets during fiscal year 2022 was primarily attributable to a decrease in value of long-term investments.

Liabilities

Current liabilities represent accrued Foundation administrative expenses, reimbursements due to the University of California, Riverside ("UC Riverside" or "UCR") from the Foundation for expenses, and liabilities to life beneficiaries on trusts in the coming year. The noncurrent liabilities are liabilities to life beneficiaries on trusts beyond one year.

Current liabilities increased by approximately $24,000 and noncurrent liabilities decreased by approximately $18,000 in fiscal year 2023, due to an increase in accrued expenses and decrease in liabilities to life beneficiaries.

Current liabilities decreased by approximately $220,000 and noncurrent liabilities decreased by approximately $50,000 in fiscal year 2022, due to a decrease in liabilities to life beneficiaries and accrued expenses.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Foundation classifies changes in irrevocable split-interest agreements as deferred inflows of resources.

Deferred inflows from split-interest agreements decreased by approximately $135,000 in fiscal year 2023.

Deferred inflows from split-interest agreements decreased by approximately $59,000 in fiscal year 2022.

Restricted Net Position

Net position of the Foundation includes funds that have donor 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:

Summary of Restricted Net Position

	June 30		
	2023	2022	2021
Nonexpendable			
Endowments	$ 148,386,981	$ 140,336,234	$ 134,048,767
Total nonexpendable	$ 148,386,981	$ 140,336,234	$ 134,048,767
Expendable			
Endowment income and appreciation	$ 86,839,045	$ 80,817,067	$ 107,909,258
Funds functioning as endowments	16,647,923	15,817,259	17,641,979
Gifts	16,065,434	16,234,318	14,786,563
Total expendable	$ 119,552,402	$ 112,868,644	$ 140,337,800

Net position increased by $15.1 million in fiscal year 2023 and net position decreased by $21.2 million in fiscal year 2022, as reflected below:

Condensed Schedule of Revenue, Expenses, and Changes in Net Position

	June 30		
	2023	**2022**	**2021**
Operating revenue	$ 6,343,009	$ 6,642,398	$ 9,120,538
Operating expenses	14,973,106	14,158,030	12,129,101
Operating loss	(8,630,097)	(7,515,632)	(3,008,563)
Nonoperating (loss) income, net	17,359,424	(19,930,850)	65,854,568
Contributions to permanent endowments	6,362,358	6,250,665	9,546,202
Change in net position	15,091,685	(21,195,817)	72,392,207
Net position			
Beginning of year	253,286,525	274,482,342	202,090,135
End of year	$ 268,378,210	$ 253,286,525	$ 274,482,342

Revenue and Expense

Operating revenue from contributions decreased $0.6 million from fiscal year 2022 to 2023. This was primarily due to a decrease in contribution pledges. Contributions to endowments increased this year compared to fiscal year 2022 by $0.1 million. This was primarily due to an increase in outright cash contributions.

Operating expense consists primarily of grants made to UC Riverside of expendable contributions and accumulated endowed payout for the many purposes intended by the donors. The timing of grants to the campus lags the timing of the incoming contribution revenue and endowed payout. In addition, endowed payout is not recognized as operating revenue, but operating expense upon the transfer of payout to the campus. Due to these factors, and similar to fiscal years 2021 and 2022, in fiscal year 2023 grants made to the campus exceeded recognized contribution revenue, resulting in an operating loss.

Nonoperating income increased by $37.3 million in comparison with the prior year mainly due to the change in investment performance. The Foundation had net investment income of $2.7 million and a net increase in the fair value of investments of $14.6 million for the year ended June 30, 2023.

Operating revenue from contributions decreased $2.4 million from fiscal year 2021 to 2022. This decrease was mainly attributed to a $5.0 million pledge in fiscal year 2021. Contributions to endowments decreased in fiscal year 2022 compared to fiscal year 2021 by $3.3 million. This was primarily due to a decrease in outright cash contributions.

Nonoperating income decreased by $85.8 million from fiscal year 2021 to 2022 mainly due to the change in investment performance. The Foundation had net investment income of $0.7 million and a net decrease in the fair value of investments of $20.7 million for the year ended June 30, 2022.

Factors Impacting Future Periods

Factors that can significantly impact future periods include the state of the overall economy, tax law changes and the financial markets, which impact charitable giving and the value of investments. The Board of Trustees of the Foundation monitors the status of the economy, its impact on overall giving, pledges receivable, and the investment pools.

Charitable support is an important resource to UC Riverside. UCR's first comprehensive fundraising campaign, the Campaign for UC Riverside, successfully closed in December 2020, raising $313.0 million, exceeding the campaign goal of $300 million. In October 2021, the Beyond Brilliant fundraising initiative was launched with a goal to raise $50 million over the next five years to support all aspects of UC Riverside students' educational experience. The Beyond Brilliant fundraising initiative exceeded the $50 million goal within two years, raising $53 million by June 30, 2023. The Beyond Brilliant fundraising initiative raised funds for scholarships and graduate fellowships, experiential learning opportunities, and health and wellness resources. As new fundraising initiatives are planned and executed, the Foundation anticipates maintaining giving seen during the Campaign for UC Riverside in the endowment from new gifts, and a steady rate of incoming expendable gifts. The annual endowment payout to UC Riverside will continue to rise due to a spending policy change that increased the rate of the average unit market value of the endowment fund in the endowment payout calculation that was effective in fiscal year 2021.

Management is not aware of any other factors within management's control that would have a significant impact on future periods.

UC Riverside Foundation
Statements of Net Position
June 30, 2023 and 2022

		2023		2022
Assets				
Current assets				
Cash and cash equivalents	$	14,279,920	$	13,029,960
Pledges receivable, net	$	2,366,791	$	2,018,000
Total current assets	$	16,646,711	$	15,047,960
Noncurrent assets				
Long-term investments	$	249,748,725	$	235,642,977
Investments held in charitable remainder trusts	$	345,047	$	521,904
Pledges receivable, net of current portion	$	3,859,033	$	4,424,295
Total noncurrent assets	$	253,952,805	$	240,589,176
Total assets	$	270,599,516	$	255,637,136
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$	1,876,259	$	1,828,707
Liabilities to life beneficiaries	$	19,112	$	42,949
Total current liabilities	$	1,895,371	$	1,871,656
Noncurrent liabilities				
Liabilities to life beneficiaries, net of current portion	$	121,150	$	139,490
Total liabilities	$	2,016,521	$	2,011,146
Deferred Inflows of Resources				
Deferred inflows from split-interest agreements	$	204,785	$	339,465
Total deferred inflows of resources	$	204,785	$	339,465
Net Position				
Restricted				
Nonexpendable				
Endowments	$	148,386,981	$	140,336,234
Expendable				
Endowment income and appreciation	$	86,839,045	$	80,817,067
Funds functioning as endowments for specific departments	$	16,647,923	$	15,817,259
Gifts	$	16,065,434	$	16,234,318
Unrestricted	$	438,827	$	81,647
Total net position	$	268,378,210	$	253,286,525

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

UC Riverside Foundation
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenue		
Contributions, net	$ 6,015,190	$ 6,600,197
Other operating revenue	$ 327,819	$ 42,201
Total operating revenue	$ 6,343,009	$ 6,642,398
Operating expenses		
Grants to campus	$ 14,864,395	$ 14,026,380
Administrative and other operating expenses	$ 108,711	$ 131,650
Total operating expenses	$ 14,973,106	$ 14,158,030
Operating loss	$ (8,630,097)	$ (7,515,632)
Nonoperating income		
Investment income, net	$ 2,716,075	$ 744,818
Realized/unrealized (losses) gains on investments, net	$ 14,643,349	$ (20,675,668)
Nonoperating (loss) income, net	$ 17,359,424	$ (19,930,850)
(Loss) income before contributions to permanent endowments	$ 8,729,327	$ (27,446,482)
Other changes in net position		
Contributions to permanent endowments	$ 6,362,358	$ 6,250,665
Change in net position	$ 15,091,685	$ (21,195,817)
Net position, beginning of year		
Beginning of year	$ 253,286,525	$ 274,482,342
End of year	$ 268,378,210	$ 253,286,525

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

UC Riverside Foundation
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

		2023		2022
Cash flows from operating activities				
Receipts from contributions	$	6,412,668	$	6,690,971
Payments to campus	$	(14,772,875)		(14,253,539)
Payments to beneficiaries	$	(21,531)		(41,614)
Payments for administrative or operating expenses	$	(116,542)		(127,548)
Other receipts	$	86,567		49,747
Net cash used in operating activities	$	(8,411,713)		(7,681,983)
Cash flows from noncapital financing activity				
Contributions to permanent endowments	$	6,155,939		5,186,348
Net cash provided by noncapital financing activity	$	6,155,939		5,186,348
Cash flows from investing activities				
Proceeds from sales and maturities of investments	$	11,078,441		11,791,517
Purchases of investments	$	(7,693,252)		(8,861,086)
Investment income, net of investment expense	$	120,545		14,479
Net cash provided by investing activities	$	3,505,734		2,944,910
Net change in cash and cash equivalents	$	1,249,960		449,275
Cash and cash equivalents				
Beginning of year	$	13,029,960		12,580,685
End of year	$	14,279,920	$	13,029,960
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	$	(8,630,097)	$	(7,515,632)
Adjustments to reconcile operating loss to net cash used in operating activities				
Noncash gifts	$	(31,775)		(213,401)
Changes in operating assets and liabilities	$	-		
Pledges receivable, net	$	216,471		301,910
Accounts payable and accrued expenses	$	47,551		(223,058)
Liabilities to life beneficiaries	$	(13,863)		(31,802)
Net cash used in operating activities	$	(8,411,713)	$	(7,681,983)
Supplemental noncash activities information				
Contributions of marketable securities – operating	$	27,912	$	213,401
Contributions of marketable securities – endowment	$	206,419		1,064,317

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

1. Organization

The UC Riverside Foundation (the "Foundation") is governed by an independent Board of Trustees, the membership of which includes the Chancellor of the University of California, Riverside ("UCR"). It is considered a governmental not-for-profit organization, subject to financial reporting under standards promulgated by the Governmental Accounting Standards Board ("GASB"). It was formed in December 1974 for the purpose of supporting education, research and public functions, and programs of the Riverside campus of the University of California (the "University"). Upon dissolution, liquidation, or winding up of the Foundation, the assets remaining after all debts have been satisfied, shall be distributed, transferred, conveyed, delivered, and paid over to the Regents of the University of California ("The Regents") for the benefit of UCR as provided in the Foundation's Articles of Incorporation, provided The Regents have maintained tax-exempt status under the Internal Revenue Code and relevant California laws.

Oversight by the University of California

The Foundation is subject to the policies and procedures of The Regents. All contributions to the Foundation ultimately benefit UCR. The Regents established the *Policy and Administrative Guidelines for Campus Foundations*, which requires that the Foundation transfer contributed expendable funds and endowment payout to UCR for ultimate expenditure in compliance with donor restrictions on gifts. Contributions that are made directly to The Regents for the benefit of UCR are not recorded by the Foundation and are not reflected in the accompanying financial statements; they are reflected in the financial statements of the University.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Foundation follows accounting principles issued by GASB.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 statements of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business operations, to be liquidated within 12 months of the statements of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

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

Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Included in the Foundation's cash equivalents are amounts in the UC Regents Short Term Investment Pool (STIP).

Contributions and Pledges

Pledges receivables 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 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 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.

Noncash contributions are recorded at the appraised value of the asset at the date of donation. Fair value is determined based on appraisals or other third-party sources. Gifts of securities are recorded based on fair value at the date of donation.

Investments

Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. 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.

Investments consist principally of investments with UC Investments, General Endowment Pool (GEP). Investments also include separately held interests in private equity investments for which fair value is based on Net Asset Value ("NAV"). The net asset value (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 is adjusted for capital calls, distributions, and significant known valuation changes, if any, of its related portfolio through June 30, 2023 and 2022, respectively, 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 external managers' use of and adherence to fair value principles.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the cost of the investment sold. Dividend and interest income are accrued as earned.

Investments Held in Charitable Remainder Trusts

The Foundation has been designated as the trustee for several charitable remainder unitrusts. The trust agreements require that the trustee make annual payments to the beneficiaries. Upon the death of the life beneficiaries or termination of the trusts, as defined, the remaining assets of the trusts will become contributions to the Foundation, as stipulated in the trust agreements.

The fair value of the trust assets and a liability for the estimated future payments to the donor or other beneficiaries are recorded on the Foundation's financial statements in the year the trusts were given to the Foundation. The trusts are established by donors to provide income, generally for life, to the designated beneficiaries. Each year, beneficiaries receive payments based upon a percentage of the trust assets as specified in the trust agreement. The investment account is credited with investment activity and is charged with payments to beneficiaries. Each trust is a separate legal entity from the Foundation, and liability for trust payments to the life beneficiaries is limited to the assets of the trust. The trust assets are administered by and invested with a third-party trust administrator.

The Foundation periodically receives notification that it has a financial interest charitable remainder trust where the assets are invested and administered by outside trustees. The Foundation records the value of this interest as the net 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*.

Real Estate

From time to time, the Foundation receives assets other than cash from its donors. It is the Foundation's policy to sell these assets as soon as it is practicable to support campus programs or, in the case of endowment funds, to invest the proceeds from the sales in accordance with the Foundation's investment policy and donor agreement. Real estate is recorded at the lower of the independently appraised value or fair value, less estimated selling expenses. As of June 30, 2023 and 2022, the Foundation does not hold any real estate.

Net Position

The Foundation's net position is classified as follows:

Restricted – Nonexpendable

Assets, which are subject to externally imposed restrictions, requiring the Foundation to invest principal in perpetuity for the purpose of producing income that may be expended or added to principal. Net position in this category consists of permanent endowments held by the Foundation.

Restricted – Expendable

Assets, which are subject to externally imposed restrictions that can be fulfilled by the actions of the Foundation or by the passage of time. Funds functioning as endowments are contributions designated by the donor for various campus departments, which have been accumulated by those departments as quasi-endowments. Income and appreciation earned on funds functioning as endowment are expendable by the designated department. Endowment income and appreciation represents the expendable earnings on endowments. Restricted gifts are comprised of funds received that the donor has restricted to be expended to benefit a particular purpose or function of the University.

Unrestricted

All other categories of net position are those that are not subject to donor-imposed restrictions. In addition, management of the Foundation may designate unrestricted net position for use.

Classification of Revenue and Expenses

Operating revenue and expenses are distinguished from nonoperating items and generally result from providing services in connection with ongoing operations and stewarding of current funds. The principal operating revenue is derived from contributions and other fund-raising activities. Operating expenses consist primarily of grants to the campus and administrative expenses.

Nonoperating revenue and expenses consist of investment income, investment management services fees, realized gains (losses) on investments, and the change in unrealized appreciation (depreciation) in the fair value of investments.

Contributions for permanent endowment purposes are classified as other changes in net position.

Spending Policy of Endowments

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the state of California in January 2009. UPMIFA does not set specific expenditure limits; instead, a standard of prudence is prescribed, whereas a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continues 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 value effective fiscal year 2021. 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 60 contiguous months, the last of which ended on May 31 of such fiscal year. 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 restricted expendable.

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.

Liabilities to Life Beneficiaries

The Foundation uses the actuarial method of recording split-interest agreements. Under this method, when a gift is received, the present value of the expected payments to life beneficiaries is recorded as a liability and the remainder is recorded as deferred inflows of resources from split-interest agreements. Annually, adjustments are made between the liability account and the deferred inflows of resources account for changes in value of split interest agreements caused primarily by changes in life expectancies.

The present value of liabilities to life beneficiaries is calculated using discount rates based upon the U.S. government securities, treasury constant maturities, and nominal rate tables. The discount rates ranged from 2.73% to 8.23%.

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.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

		2023		2022
Demand deposits	$	263,235	$	224,953
Money market	$	9,373	$	742
Marketable Securities	$	971,332		
UC Regents Short Term Investment Pool (STIP)	$	13,035,980	$	12,804,265
	$	14,279,920	$	13,029,960

The Foundation maintains centralized management for substantially all of its cash. Cash in demand deposit accounts is minimized by sweeping available cash balances into the STIP on an as-needed basis. STIP is a money market portfolio, which serves as the Foundation's core cash vehicle for expendable funds. The Foundation does not have any exposure to foreign currency risk in demand deposit accounts.

Cash and cash equivalents as reported on the statements of financial position comprise demand deposits maintained at the Foundation's bank as well as amounts deposited in money market accounts and the STIP. The bank balance of demand deposits at financial institutions was $263,235 and $224,953 at June 30, 2023 and 2022, respectively. Demand deposits held at financial institutions were insured by the Federal Depository Insurance Corporation (FDIC) up to $250,000 per account at June 30, 2023. Money market accounts, funds held in STIP, and marketable securities held in a brokerage account totaling $14,016,685 and $12,805,007 at June 30, 2023 and 2022, respectively, were not insured by either the FDIC or Securities Investor Protection Corporation and were uncollateralized.

4. Investments and Investments in Trusts

At June 30, 2023 and 2022, the composition of investments and investments held in charitable remainder trusts is summarized as follows:

		2023		2022
Equity securities - U.S.	$	165,013	$	120,363
Exchange Traded Products - U.S.	$	75,546	$	97,187
Other	$	2,832	$	2,572
Commingled funds				
Balanced funds	$	246,439,293	$	232,517,272
Private equity	$	3,066,041	$	2,905,582
U.S. equity funds	$	179,137	$	251,889
Non-U.S. equity funds	$	49,522	$	74,377
U.S. bond funds	$	113,693	$	190,225
Money market	$	2,695	$	5,414
Total investments and investments held in trusts	$	250,093,772	$	236,164,881

The Foundation holds the majority of investment assets in UC Investments GEP. GEP is a balanced portfolio containing U.S. and foreign equities, high-yield U.S. equities, U.S. and foreign bonds, and real estate that provide diversification and economies of scale. The equity securities include common stocks, alternative investments (private equity and venture capital partnerships; and absolute return investments), emerging market indexed funds, and real estate. Each individual fund within the GEP subscribes to or disposes of units on the basis of the fair value per unit at the end of the month in which the transaction takes place. The primary goal is to maximize long-term total return, growth of principal, and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. This fund is used as the core investment vehicle for the Foundation's endowed contributions and may be redeemed monthly with 30 days' notice; however, a withdrawal from corpus of more than five percent for endowments with a market value of more than $5.0 million must have the University President's approval. The investments are managed by the Finance and Investment Committee with Board approval. The Foundation uses several Regents of the University of California charitable asset management (CAM) commingled funds (UC pooled funds), offered to the campus foundations by UC Investments, for its charitable remainder unitrust investments.

Investment Performance

The components of realized/unrealized gains and losses on investments are as follows:

	2023	2022
Unrealized gains (losses) on investments	$ 11,011,731	$ (20,662,151)
Realized gains (losses) on investments, net	$ 3,631,618	$ (13,517)
Realized/unrealized gains (losses) on investments, net	$ 14,643,349	$ (20,675,668)

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.

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 credit risk profile for the Foundation's fixed-income securities at June 30, 2023 and 2022 is as follows:

	2023	2022
Commingled funds		
U.S. bond funds–not rated	$ 113,693	$ 190,225
Money market–not rated	$ 2,695	$ 5,414
	$ 116,388	$ 195,639

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 returned. Substantially, all of the Foundation's investments are issued, registered, or held in the name of the Foundation by its master custodian, as agent for the Foundation. Other types of investments represent ownership interests that do not exist in physical or book-entry form.

Substantially, the majority of the Foundation's endowment investment assets are invested with the various investment pools overseen by UC Investments, which complies with the risk guidelines for GEP and STIP as approved by the Regents. 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.

As a result, custodial risk is considered to be remote.

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. Concentration of credit risk associated with the Foundation's investments must be disclosed if investments in any one issuer represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

At June 30, 2023 and 2022, the Foundation did not hold qualifying investments that were greater than 5% of the investment 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% point) change in the level of interest rates. It is not a measure of time.

The effective duration for the Foundation's fixed-income securities at June 30, 2023 and 2022 is as follows:

	2023	2022
Commingled funds		
U.S. bond funds	1.7 years	2.3 years

The Foundation considers the effective duration to be zero for money market accounts because they are designed to have a constant $1 share value due to the short term, liquid nature of the underlying securities.

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 Foundation's endowment and charitable remainder trust asset allocation policies include allocations to non-U.S. securities that incurs foreign currency risk. This exposure is obtained through investment in non U.S. equity mutual and ETF funds, and a University of California CAM commingled non-U.S. equity fund. These funds may hold foreign currency denominated investments.

At June 30, 2023 and 2022, the U.S. dollar balances of investments that carry foreign currency risk type are as follows:

	2023	2022
Commingled funds		
Non-U.S. equity funds	$ 49,522	$ 74,377
	$ 49,522	$ 74,377

Alternative Investment Risks
Alternative investments include ownership interests in a wide variety of partnership and fund structures that may be domestic, offshore, 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 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.

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.

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 include hedge funds, private equity investments, and commingled funds. Investments measured at NAV include commingled GEP funds.

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

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

	Markets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Value (NAV)	Not Leveled	Total
Equity securities	$ 165,013	$ -	$ -	$ -	$ -	$ 165,013
Exchange Traded Products	$ 75,546					$ 75,546
Commingled funds	$ -			$ 249,847,686		$ 249,847,686
Money market funds	$ 2,695					$ 2,695
Other					$ 2,832	$ 2,832
Total investments and investments held in trusts	$ 243,254	$ -	$ -	$ 249,847,686	$ 2,832	$ 250,093,772

The following table summarizes the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2022:

	Markets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Value (NAV)	Not Leveled	Total
Equity securities	$ 120,363	$ -	$ -	$ -	$ -	$ 120,363
Exchange Traded Products	97,187	-	-	-	-	97,187
Commingled funds	-	-	-	235,939,345	-	235,939,345
Money market funds	5,414	-	-	-	-	5,414
Other	-	-	-	-	2,572	2,572
Total investments and investments held in trusts	$ 222,964	$ -	$ -	$ 235,939,345	$ 2,572	$ 236,164,881

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).

Investment Related Commitments
The Foundation has contractual commitments to make additional investments in private equity and other privately structured investment vehicles reported at NAV. The following table presents significant terms of such agreements, including unfunded commitments, redemption frequency and redemption notice period, for the Foundation's alternative investments measured at NAV as of June 30, 2023.

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Type				
Commingled funds				
Balanced Funds	$ 246,439,293		Monthly	30 day notice
U.S. equity	$ 179,137		Monthly	5 business days before end of month
Non-U.S. equity	$ 49,522		Monthly	5 business days before end of month
U.S. bond funds	$ 113,693		Monthly	5 business days before end of month
	$ -			
Private equity	$ 3,066,041	$ -	Not eligible for redemption	n/a
Total investments measured at NAV	$ 249,847,686	$ -		

The following table presents significant terms of such agreements, including unfunded commitments, redemption frequency and redemption notice period, for the Foundation's alternative investments measured at NAV as of June 30, 2022.

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment Type				
Commingled funds				
Balanced Funds	$ 232,517,272		Monthly	30 day notice
U.S. equity	$ 251,889		Monthly	5 business days before end of month
Non-U.S. equity	$ 74,377		Monthly	5 business days before end of month
U.S. bond funds	$ 190,225		Monthly	5 business days before end of month
Private equity	$ 2,905,582	$ 200,000	Not eligible for redemption	n/a
Total investments measured at NAV	$ 235,939,345	$ 200,000		

6. Pledges Receivable

Pledges receivables represent unconditional promises of contributions to be collected in future periods. Included in pledges receivable at June 30, 2023 and 2022, are pledges made by trustees of the Foundation, with the net amount of such receivables totaling $4,409,333 and $5,018,394, respectively.

Management evaluates the collectability of its receivables and records an allowance for estimated uncollectible amounts. Pledges due beyond one year are discounted using rates ranging from .2% to 2.4% as of June 30, 2023 and 2022. The discount rates will be established upon receipt of the pledge and applied for the life of the respective pledges. Pledges recorded during fiscal years 2023 and 2022 were discounted at 0.2% and 0.4% respectively. This discount rate is the average rate of the STIP for these respective years. In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Pledges receivables consist of the following at June 30:

	2023	2022
Pledges receivable due in one year or less	$ 2,366,791	$ 2,018,000
Pledges receivable due between one and five years	$ 3,915,958	$ 4,516,362
Less: Discount for future payments	$ (56,925)	$ (92,067)
Net pledges receivable	$ 6,225,824	$ 6,442,295
Current pledges receivable, net	$ 2,366,791	$ 2,018,000
Noncurrent pledges receivable, net	$ 3,859,033	$ 4,424,295
	$ 6,225,824	$ 6,442,295

7. Liabilities to Life Beneficiaries

At June 30, 2023 and 2022, the Foundation was the remainderman and trustee of $345,047 and $521,904 respectively, of trust assets from charitable remainder trusts. The trust assets were recorded at fair value as of the date at which the Foundation became the trustee of the trust and are adjusted each reporting period. The trusts make periodic annuity payments to designated individuals or beneficiaries over their lifetimes. The difference between the liability to the life beneficiaries and the fair value of the trust assets at the time of donation is recorded as deferred inflows from split-interest agreements. Liabilities to life beneficiaries of $140,262 and $182,439 at June 30, 2023 and 2022, respectively, represent the actuarially determined present value of payments over the expected lives of the beneficiaries discounted to their expected present value using rates ranging from 2.73% to 8.23%.

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	$ 182,439	$ -	$ (42,177)	$ 140,262

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

	Balance at June 30, 2021	Additions	Decreases	Balance at June 30, 2022
Liabilities to life beneficiaries	$ 229,959	$ -	$ (47,520)	$ 182,439

8. Transactions with UC Riverside

UC Riverside provides the facilities, personnel, and operating budget for the Foundation. All pension and postretirement benefit expenses and liabilities related to these personnel provided, are recorded on the financial statements of UC Riverside.

Per UC Riverside campus policies, the Foundation remits a gift fee of 5% on each gift, as well as the short-term interest and dividend earnings on its expendable gift and accumulated endowment payout balances to the campus. These fees become a resource of the Chancellor to help support costs of the campus and in particular those related to Advancement. In addition, per campus policy and as permitted by law, an endowment cost recovery fee is assessed annually on the endowment and endowment-related funds to offset the campus costs of administering and carrying out the terms of the endowment and endowment-related funds. For the years ended June 30, 2023 and 2022, the gift fee, interest and dividend earnings, and the cost recovery fees amounted to $1,576,000 and $1,500,989, respectively, and are reflected within grants to campus on the statements of revenue, expenses, and changes in net position.

9. Related-Party Transactions

During the years ended June 30, 2023 and 2022, $4,163,132 and $4,010,550, respectively, were received in contributions from Trustees of the Board.

10. Subsequent Events

The Foundation has evaluated subsequent events from the net position date through September 29, 2023 the date which the financial statements were available to be issued and determined there are no items to disclose.