U.C. San Diego Foundation

Financial Statements
June 30, 2018 and 2017

U.C. San Diego Foundation
Index
June 30, 2018 and 2017

Report of Independent Auditors

To the Board of Trustees of
U. C. San Diego Foundation:

We have audited the accompanying financial statements of U. C. San Diego Foundation (the "Foundation"), a component unit of the University of California, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U. C. San Diego Foundation as of June 30, 2018 and 2017, respectively, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation changed the manner in which it accounts for irrevocable split-interest agreements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 6 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, 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 supplementary 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

October 10, 2018

The U.C. San Diego Foundation (the Foundation) encourages, accepts, and manages charitable gifts for the benefit of the University of California, San Diego (UC San Diego) campus. The Foundation is governed by a board of trustees comprised of the campus' closest alumni, friends, and community members. Gifts that are made to UC San Diego through The Regents of the University of California (The Regents) are not included in these statements.

The following discussion and analysis of the Foundation's financial activities presents an overview of the fiscal year ended June 30, 2018, with comparative information for the fiscal years ended June 30, 2017 and 2016. This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying audited basic financial statements and notes.

Financial Highlights

During fiscal year 2018, the Foundation's net position, which represents the excess of total assets over liabilities, increased by $158.3 million. This is compared to an increase in net position during fiscal year 2017 of $123.9 million and a decrease during fiscal year 2016 of $11.2 million.

The increase or decrease in net position annually is primarily the result of the financial investment returns of the Foundation's primary investment portfolio and permanent asset base, the endowment pool, as well as changes from year to year in the contributions made to current use and endowed gift funds. The endowment pool, had a net total return of 7.6% as of June 30, 2018, compared to 13.9% as of June 30, 2017, and -2.2% as of June 30, 2016.

In fiscal year 2018, the investment return coupled with increased contributions to both current use and endowed gift funds provided for the growth in the net position. While investment returns are a function of the financial markets and asset allocation, the increase in contributions are attributable to efforts underway by the campus towards achieving the $2 billion goal of the Campaign for UC San Diego.

The Foundation expects fluctuations in contribution revenue for both current use and endowment funds, and investment results from year to year. The Foundation manages the endowment portfolio with a long-term philosophy of capital appreciation. 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 or campaign.

Presentation and Using This Report

This annual report consists of a series of financial statements prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board using the accrual basis of accounting. These statements focus the reader of the financial reports on the organization's overall financial condition, and changes in net position and cash flows, taken as a whole.

The keys to understanding the changes in the financial outcomes for the Foundation are the statements of net position; statements of revenue, expenses, and changes in net position; and the statements of cash flows. 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.

The statements of net position include all assets, liabilities, and deferred inflows of resources. The statements of revenue, expenses, and changes in net position report the revenue earned and the expenses incurred during the year as either operating or nonoperating. Incoming gifts and grants made to the Foundation are reported as operating revenue and expense, respectively, and investment results are reported as nonoperating income or expense.

Condensed Schedules of Net Position

(in thousands of dollars)	2018	FY 2018-17 Change in Dollars	2017	FY 2017-16 Change in Dollars	2016
Assets					
Current assets	$ 154,696	$ (50,315)	$ 205,011	$ 87,802	$ 117,209
Noncurrent assets	912,566	142,928	769,638	100,907	668,731
Total assets	1,067,262	92,613	974,649	188,709	785,940
Liabilities					
Current liabilities	7,868	(62,952)	70,820	62,043	8,777
Noncurrent liabilities	7,781	(1,714)	9,495	(109)	9,604
Total liabilities	15,649	(64,666)	80,315	61,934	18,381
Deferred inflows of resources	54,588	(1,036)	55,624	2,895	52,729
Total net position	$ 997,025	$ 158,315	$ 838,710	$ 123,880	$ 714,830

The condensed schedules of net position reflects the assets, liabilities, and net position for fiscal years 2018, 2017, and 2016.

Assets

Current assets, comprised of cash, short-term investments and the portion of pledges due within one year, decreased by $50.3 million during fiscal year 2018. Current assets tend to be fairly level from year to year. However, in fiscal year 2017, the Foundation experienced higher current use fund giving, and received prepayment on a conditional pledge with a $62.8 million balance as of June 30, 2017 held in short-term investments. In fiscal year 2018, the Foundation recognized contribution revenue on the prepayment received in fiscal year 2017, and created a $50.0 million fund functioning as endowment that resulted in a shift from short-term investments to long term investments.

Noncurrent assets consist of long-term investments (primarily related to the endowment), the portions of pledges receivable due beyond one year, and beneficial interest in irrevocable split interest agreements. Noncurrent assets increased by $142.9 million during fiscal year 2018, compared with an increase of $100.9 million during fiscal year 2017. The increase in fiscal year 2018 noncurrent assets is mainly attributable to the net effect of positive investment returns, the $50.0 million fund functioning as endowment noted above, and several significant gifts to endowment.

Liabilities

Current liabilities are comprised of amounts payable to the campus for grants as of year-end, funds held in trust for others and the current portion of liabilities to trust and life income beneficiaries. Current liabilities also tend to be fairly level from year to year, however the prepaid gift noted above explains the increase in current liabilities during fiscal year 2017, and the recognition of contribution revenue for the prepaid gift noted above explains the decrease during fiscal year 2018.

Noncurrent liabilities are primarily comprised of the calculated long-term liability due to trust and life income beneficiaries. The decrease in the liability over the two years is reflective of both maturities during the year and the increasing age overall of the life income beneficiaries.

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.

Changes in deferred inflows of resources are attributable to changes in fair value, change in liabilities due to trust and life income beneficiaries, new split-interest agreements and maturities during the year. The implementation of GASB 81, Irrevocable Split-Interest Agreements, triggered both a reclassification of $6.0 million reported in fiscal year 2017 as net position to deferred inflows of resources, and recording $49.6 million of a beneficial interest in irrevocable split-interest agreements for fiscal year 2017, which is also reflected as deferred inflows of resources. See New Accounting Pronouncements in footnote 2 of the Notes to the Financial Statements for additional information.

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

(in thousands of dollars)	**2018**	**FY 2018-17 Change in Dollars**	**2017**	**FY 2017-16 Change in Dollars**	**2016**
Operating revenue	$ 167,338	$ 60,731	$ 106,607	$ 31,143	$ 75,464
Less: Operating expenses	99,789	121	99,668	4,372	95,296
Operating gain (loss)	67,549	60,610	6,939	26,771	(19,832)
Nonoperating revenue (expenses), net	55,599	(28,245)	83,844	96,704	(12,860)
Contributions to permanent endowments	35,167	2,071	33,096	11,624	21,472
Change in net position	158,315	34,436	123,879	135,099	(11,220)
Net position					
Beginning of year, as previously reported	838,710	123,879	714,831	(18,225)	733,056
Cumulative effect of accounting changes		-		7,005	(7,005)
Beginning of year, as restated	838,710	123,879	714,831	(11,220)	726,051
End of year	$ 997,025	$ 158,315	$ 838,710	$ 123,879	$ 714,831

The condensed schedules of revenue, expenses, and changes in net position reflect operating and nonoperating revenue, and expense, and contributions to permanent endowments, for fiscal years 2018, 2017, and 2016.

Operating revenue for the Foundation consists only of recognizable expendable charitable gifts and pledges, and can fluctuate significantly depending on the contributions received during any fiscal year. Operating revenue increased in fiscal year 2018 by $60.7 million, and $31.1 million in fiscal year 2017 due to several large gifts for research and departmental support.

Operating expenses consist primarily of grants made to UC San Diego of expendable contributions and accumulated endowment payout. The transfers are made as the various campus beneficiaries request the funds. Transfers were level in fiscal years 2018 and 2017. Transfers were higher in fiscal year 2017, as compared to fiscal year 2016, due to increased giving and the related uses of Foundation funds by campus units. The timing of grants to the campus typically lags the timing of the recognition of the incoming contribution revenue and provision of endowment payout. In addition, endowment payout is not recognized as operating revenue, but is included in operating expenses as a portion of grants to campus for programs. Due to differences in the recognition and timing of operating revenue, versus the timing and nature of operating expenses, contribution revenue exceeded grants to campus in fiscal years 2018 and 2017, resulting in an operating gain. During fiscal year 2016 grants made to the campus exceeded recognized contribution revenue resulting in an operating loss.

Net nonoperating income relates primarily to the Foundation's endowment investment portfolio returns. The Foundation uses a balanced and diversified approach to its endowment asset mix within a stated policy. In any one year, certain components of the portfolio may perform better than others. During fiscal years 2018 and 2017, all asset class components contributed positively to returns overall. In fiscal year 2018, the asset class components of domestic equity, international equity, emerging markets and absolute return contributed lower returns over the same classes in fiscal year 2017. During fiscal year 2017, the asset class components of domestic equity, international equity, emerging markets, absolute return and private equity contributed higher returns than the same classes in fiscal year 2016. During fiscal year 2016, domestic equity, international equity, emerging markets, and absolute return contributed negatively to returns overall. The results overall provided net nonoperating income in fiscal years 2018 and 2017, and net nonoperating loss in fiscal year 2016.

The impact of GASB Statement No. 81 is reflected as a cumulative effect of accounting changes.

The Foundation places a high priority on increasing the gifts to and the return on the endowment. The timing of these gifts is unpredictable and may vary significantly from year to year. Endowed gifts received during fiscal year 2018 were higher than in fiscal years 2017 and 2016.

Factors Impacting Future Periods

Factors that can significantly impact future periods include the state of the overall economy, recent 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 San Diego. In the future, due to the Campaign for UC San Diego noted previously, the Foundation anticipates growth in the endowment from new gifts and investment returns, and a higher rate of incoming expendable gifts. The transfer of funds (contributions and endowment payout) to benefit UC San Diego is also anticipated to increase.

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

U.C. San Diego Foundation
Statements of Net Position
June 30, 2018 and 2017

(in thousands of dollars)	**2018**	**2017**
Assets		
Current assets		
Cash and cash equivalents	$ 1,039	$ 1,253
Short-term investments	131,755	183,883
Pledges receivable, net	21,837	19,789
Other assets	65	86
Total current assets	154,696	205,011
Noncurrent assets		
Long-term investments	794,528	680,356
Pledges receivable, net	66,942	39,679
Beneficial interest in nontrustee split interest agreements	51,070	49,577
Other assets	26	26
Total noncurrent assets	912,566	769,638
Total assets	$ 1,067,262	$ 974,649
Liabilities		
Current liabilities		
Accounts payable	$ 597	$ 510
Agency funds	6,238	6,149
Unearned revenue	25	62,750
Liabilities to life beneficiaries, current portion	1,008	1,411
Total current liabilities	7,868	70,820
Noncurrent liabilities		
Liabilities to life beneficiaries, net of current portion	7,781	9,495
Total noncurrent liabilities	7,781	9,495
Total liabilities	$ 15,649	$ 80,315
Deferred Inflows of Resources		
Deferred inflows from split-interest agreements	$ 54,588	$ 55,624
Total deferred inflows of resources	$ 54,588	$ 55,624
Net position		
Restricted		
Nonexpendable		
Endowment corpus	$ 454,343	$ 417,895
Expendable		
Endowment income and net appreciation	194,712	178,013
Funds functioning as endowments	96,635	32,362
Restricted gift funds	227,445	188,288
Unrestricted	23,890	22,152
Total net position	$ 997,025	$ 838,710

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

U.C. San Diego Foundation
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended June 30, 2018 and 2017

(in thousands of dollars)	2018	2017
Operating revenue		
Contributions, net	$ 167,338	$ 106,607
Total operating revenue	167,338	106,607
Operating expenses		
Grants to campus for programs	99,775	99,643
Administrative and other operating expenses	14	25
Total operating expenses	99,789	99,668
Operating income	67,549	6,939
Nonoperating revenue (expenses)		
Investment income, net	8,791	7,857
Realized/unrealized gains on investments, net	46,819	75,982
Other nonoperating income, net	(11)	5
Total nonoperating revenue, net	55,599	83,844
Gain before contributions to permanent endowments	123,148	90,783
Contributions to permanent endowments	35,167	33,096
Change in net position	158,315	123,879
Net position		
Beginning of year, as previously reported	838,710	721,079
Cumulative effect of accounting changes	-	(6,248)
Beginning of year, as restated	838,710	714,831
End of year	$ 997,025	$ 838,710

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

U.C. San Diego Foundation
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

(in thousands of dollars)	**2018**	**2017**
Cash flows from operating activities		
Receipts from contributions	$ 65,273	$ 96,684
Payments to campus	(99,679)	(100,178)
Receipts of prepaid contributions	-	62,750
Beneficiary payments	(1,024)	(1,407)
Other receipts (payments), net	(185)	(123)
Net cash (used in) provided by operating activities	(35,615)	57,726
Cash flows from noncapital financing activity		
Receipts from contributions to permanent endowments	26,744	30,877
Net cash provided by noncapital financing activity	26,744	30,877
Cash flows from investing activities		
Proceeds from sale and maturities of investments	161,866	131,715
Purchases of investments	(162,194)	(228,100)
Investment income, net of investment expense	8,985	8,044
Net cash provided by (used in) investing activities	8,657	(88,341)
Net (decrease) increase in cash and cash equivalents	(214)	262
Cash and cash equivalents		
Beginning of year	1,253	991
End of year	$ 1,039	$ 1,253
Reconciliation of operating gain to net cash (used in) provided by operating activities		
Operating income	$ 67,549	$ 6,939
Adjustments to reconcile operating gain to net cash (used in) provided by operating activities		
Noncash gifts	(6,678)	(3,621)
Allowance on pledges receivable	573	3,872
Changes in operating assets and liabilities		
Other assets	81	84
Pledges receivable, net	(33,238)	(10,175)
Unearned revenue	(62,725)	62,750
Accounts payable and agency funds	(457)	(1,281)
Liabilities to life beneficiaries	(720)	(842)
Net cash (used in) provided by operating activities	$ (35,615)	$ 57,726
Supplemental noncash activities		
Contributions of securities for expendable funds	$ 2,935	$ 2,787
Residual income from matured life income gifts	3,743	319
Beneficial interest in irrevocable split interest agreements	176	755
Other noncash contributions for expendable funds	-	515
Total noncash gifts for expendable funds	$ 6,854	$ 4,376
Contributions of securities for permanent endowments	$ 7,072	$ 1,826
Residual income from matured life income gifts	1,351	375
Beneficial interest in irrevocable split interest agreements	1,318	48,822
Total noncash gifts for permanent endowments	$ 9,741	$ 51,023

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

1. Organization

The U.C. San Diego Foundation (UCSDF or the Foundation) is a not-for-profit organization formed in 1972, dedicated to providing to the University of California San Diego (UC San Diego or the campus) the financial benefits generated from its fund-raising efforts and investment earnings. 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 governed by a 42-member Board of Trustees, the membership of which includes the Chancellor of UC San Diego, the Vice Chancellor of Advancement, when filled, and a faculty representative from UC San Diego. As a public charity, the Foundation accepts donations to enhance the campus' teaching, research, and public service programs, as well as to support capital projects and other related campus improvements. Upon dissolution, liquidation, or winding-up of the Foundation, the assets remaining after payment, or provision for payment, of all debts and liabilities of the Foundation, shall be distributed to the Regents for the benefit of UC San Diego, provided the Regents have maintained tax-exempt status under the Internal Revenue Code and relevant California laws. Accordingly, the Foundation is considered a governmental not-for-profit organization, subject to reporting under the Governmental Accounting Standards Board (the GASB).

The Foundation is a component unit of the University of California (UC or the University). Accordingly, its financial statements are included in the financial statements of the University of California as a discretely presented component unit, combined with the other University of California campus foundations.

2. Summary of Significant Accounting Policies

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

Basis of Accounting

The accompanying financial statements have been prepared using U.S. generally accepted accounting principles, including all effective applicable statements of the GASB. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All interorganization balances and transactions have been eliminated.

New Accounting Pronouncements

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the Foundation's fiscal year beginning July 1, 2017. This statement establishes standards for accounting and financial reporting for irrevocable split-interest agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts – or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, charitable gift annuity, and life-interests in real estate. This statement requires that the Foundation a) recognize assets, liabilities, and deferred inflows of resources for split-interest agreements administered by the Foundation at the inception of the agreement; b) recognize assets and deferred inflows representing its beneficial interests in irrevocable split-interest agreements administered by third parties; and c) recognize revenue when the resources become available to spend.

The effects of reporting Statement No. 81 in the UC San Diego Foundation's financial statements for the year ended June 30, 2017, were as follows:

(in thousands of dollars)	**As Reported Previously**	**Effect of Adoption of Statement No. 81**	**As Restated**
Statement of net position			
Beneficial interest in non-trustee split interest agreements	-	49,577	49,577
Noncurrent assets	720,061	49,577	769,638
Total assets	925,072	49,577	974,649
Deferred inflows of resources	-	55,624	55,624
Restricted net position: Nonexpendable: Trusts and other life income fund	2,638	(2,638)	-
Restricted net position: Expendable: Trusts and other life income funds	3,409	(3,409)	-
Total net position	844,757	(6,047)	838,710
Statement of revenue, expenses and changes in net position			
Change in calculated value of liabilities to life beneficiaries	(201)	201	-
Total nonoperating revenue (expenses), net	83,643	201	83,844
Gain (loss) before contributions to permanent endowments	90,582	201	90,783
Change in net position	123,678	201	123,879

Cash and 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 Short Term Investment Pool (STIP), reflected as an agency fund in UC San Diego's accounting records.

Pledges Receivable
Pledges receivable represent written unconditional promises to give by donors. Pledges receivable, other than endowment pledges, are recognized as contribution revenue in the period pledged as long as they are verifiable, measurable, probable of collection, and they meet all the eligibility requirements specified by GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. Endowment pledges are recognized as contributions to permanent endowment at the time payment is received. Pledge payments, expected to be collected during the next fiscal year, are recorded at estimated net realizable value. Pledges recognized during the years ended June 30, 2018 and 2017, which are expected to be collected after one year have been discounted at 1.60 % and 1.20%, respectively. In addition, an allowance for uncollectible pledges of 0.80% is recorded based on management's assessment of the collectability of outstanding pledges. Should there be concern about the collectability of a specific pledge, management will record a specific 100% allowance on that pledge until such time as payment is received or the pledge is written off.

Investments
The Foundation has pooled investments, including alternative investments in limited partnerships, managed by multiple investment managers in accordance with the Foundation's investment policy as adopted by the Board of Trustees. The value of the investments is based on the underlying assets, which include equity securities, fixed-income securities, and certain other asset classes.

The Foundation reports its investments at fair value. Because certain investments are not readily marketable, the estimated value may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. Fair values are based on the valuation policies established by the respective fund managers. Traditional and marketable securities reflect fair values based on market quotes obtained from independent sources.

The change in the fair value of investments represents the difference between the fair value of investments at the beginning of the year and the end of the year, taking into consideration investment purchases, sales, and redemptions.

Trust and Charitable Gift Annuity (CGA) assets are invested in a diversified portfolio of institutional quality, no load mutual funds, and are recorded at quoted market values at fiscal year-end. Additionally, for the CGA pool, the State of California Department of Insurance and the Foundation's CGA investment policy require that a minimum of 50% of the required reserve be invested in U.S. Treasury and U.S. government agency fixed-income investments of any maturity.

Real estate is recorded at appraised fair value at the time of donation, annually appraised, and adjusted to fair value.

Beneficial Interest in Non-Trustee Split Interest Agreements

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*.

Other Assets
Other assets represent other receivables, art, and stock proceeds in transit.

Agency Affiliations
The Foundation held and invested funds under an agency relationship with the UC San Diego Alumni Association, and the Sanford Consortium for Regenerative Medicine. Both are entities affiliated with UC San Diego.

The UC San Diego Alumni Association is a legally separate 501(c)(3) support group organized to support various UC San Diego activities primarily for UC San Diego alumni. The Foundation, as the financial fiduciary for these funds, reflects this balance on the financial statements as a current liability. The corresponding assets are included in investments. The Alumni Association's expendable funds totaled approximately $10,300 and $20,000 at June 30, 2018 and 2017, respectively.

The Sanford Consortium for Regenerative Medicine is a legally separate 501(c) (3) organized to bring together scientists from five world-class research institutions to conduct multi-disciplinary, basic research that is envisioned to translate discoveries into clinical cures. UC San Diego is one of the collaborating organizations. The Foundation, as the financial fiduciary for these funds, reflects this balance on the financial statements as a current liability. The corresponding assets are included in investments. The Sanford Consortium for Regenerative Medicines' balance totaled approximately $6.2 million and $6.1 million at June 30, 2018 and 2017, respectively.

Donated Property
Donations of securities, real estate, and other nonmonetary items are recorded at their fair value on the date of the gift. For gifts of marketable securities, fair value is calculated using an average of the high and low value of the security on the date of receipt in the Foundation's custody account. For gifts of real estate, nonmarketable securities, and other nonmonetary items, fair value is determined using an independent appraisal.

Unearned Revenue
Unearned revenue is comprised of a prepayment on a pledge that does not meet the revenue recognition terms of GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*.

Liabilities to Life Beneficiaries
The liabilities for payments to life beneficiaries includes payments due on gift annuities, annuity trusts, and unitrust gifts made to the Foundation in which a designated beneficiary retains an interest in the gift as specified in the agreement and in which the Foundation is the trustee. For these funds, a liability for beneficiary payment is established representing the present value of estimated future beneficiary payments over the expected life of the life beneficiaries. The liability is calculated using recent life expectancy tables and certain other estimates in computing a present value of the liability. All income and expenses associated with life income funds are reflected as part of the change in Deferred Inflows of Resources from Split-Interest Agreements. Upon the death of the life beneficiaries or at the end of the trust term, the Charitable Remainder Trust (trust) or Charitable Gift Annuity (CGA) contract is terminated, the remaining assets are transferred to the appropriate Foundation fund and revenue is recognized.

Deferred Inflow of Resources from Split-Interest Agreements
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. These amounts will be recognized as revenue upon the termination of the split-interest agreement.

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

Net Position
The Foundation's net position is classified into the following categories:

Restricted Nonexpendable
Endowment corpus is comprised of the corpus of true-donor-restricted endowments. Also included are additions to corpus as required or allowed for by donor's agreements. To the extent that the fair value of the corpus is below its historical cost, the decrease is recorded in this category on the statements of net position.

Restricted Expendable
Endowment income and net appreciation is comprised of net accumulated appreciation on endowments and net accumulated endowment spending allocations.

Funds functioning as endowments are comprised of a combination of funds restricted by the donor for endowment where the donor will allow the corpus to be spent down over time to fund their intended purpose and funds given by donors that the University has designated for endowment in accordance with the University of California systemwide gift allocation policy.

Restricted gifts are comprised of funds received that the donor has restricted to be expended to benefit particular purpose or function of the University.

Unrestricted net position is comprised of funds not subject to donor-imposed restrictions.

When restricted and unrestricted funds are available for the same purpose, the Foundation encourages the use of restricted funds first.

Classification of Revenue and Expenses
Operating revenues 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 revenues are derived from gifts and other fund-raising activities. Operating expenses include grants to the campus and administrative expenses. Grants include expendable gifts and endowment payout distributions, in support of activities consistent with the donor's wishes, and endowment cost recovery remitted to UC San Diego. See note 10 for discussion on gift administration and endowment cost recovery fees.

Nonoperating revenues and expenses include investment income, the change in the fair value of investments, which consists of the net realized gain on the sale of investments, and the change in unrealized appreciation in the fair value of investments.

Gifts for permanent endowment purposes are classified as contributions to permanent endowments and are recognized only when received and not in the period pledged.

Endowments and Endowment Payout Policy
The Foundation's endowment funds are managed in a unitized investment pool in accordance with the Foundation's Board-approved *Endowment Investment and Spending Policies*. Transactions within each individual endowment in the pool are based on the unit value at the end of the month during which the transactions take place. Investment decisions are based on a long-term investment strategy intended to preserve investment capital and its purchasing power, meet payout requirements, and maximize the endowment portfolio's long-term total return.

The Foundation Board adopted the Uniform Prudent Management of Institutional Funds Act UPMIFA), effective January 1, 2009, which provides statutory guidance for management, investment, and expenditures of endowment funds. UPMIFA does not distinguish between original corpus, income, and capital appreciation and permits all endowment funds to receive payout as deemed prudent by the Board and UPMIFA.

The Foundation Board establishes the endowment payout rate annually, giving prudent consideration to asset allocation, expected returns, future capital market assumptions, inflation, other market conditions, and the budgetary needs of the endowment fund holders. The rate used to calculate spending for both fiscal years 2018 and 2017 was 4.75% of the 60-month average unitized value, with 0.55% of that used to recover noninvestment-related endowment administration costs. Endowment cost recovery fees are remitted to UC San Diego and recorded along with the endowment payout on the accompanying financial statements as grants to campus.

Charitable Remainder Trusts and Charitable Gift Annuities
The Foundation is the designated trustee for several charitable remainder trusts. For these trusts, the fair value of the trust assets and a liability for the future payments to the beneficiary, 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 on a percentage of the trust assets or income as specified in the trust agreement. 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 each trust.

The Foundation is licensed by the State of California Department of Insurance as a Grants and Annuities Society, and as such, may issue CGAs. CGAs are planned giving vehicles through which donors gift assets in exchange for fixed annuity payments over the lifetime of the annuitant(s). Assets contributed are separately invested and are used to fund the payments to the annuitants. The liability for payments to life income beneficiaries under CGA contracts is not limited to the CGA pool of assets, but is a liability of the Foundation itself.

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.

Use of Estimates
The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclose contingent assets and liabilities at the date of the financial statements, and report amounts of support, revenue, disbursements, and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications not affecting change in net position have been made to the June 30, 2017 financial statements to conform to the June 30, 2018 presentation.

3. Cash and Cash Equivalents

Cash and cash equivalents consists of balances in the UC San Diego campus depository accounts under an agency relationship as previously described, a major banking institution, and various brokerage accounts.

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, with the intention of having no uninsured balances. A certain portion of the balance may occasionally be exposed to custodial credit risk due to the timing of when dividends and gifts are deposited, which are transferred as soon as possible.

The Foundation's policy is to limit all cash accounts to be 1) held in a bank account in an institution insured by the Federal Deposit Insurance Company (FDIC), with the Foundation as the legal account holder, and maintain balances under the $250,000 FDIC insurance level, 2) in a separate custodial trust account whereby the Foundation's assets are not available to the creditors of the bank, 3) in an agency cash sweep account with the University, or 4) at a credit card processor.

Cash and cash equivalents consist of the following as of June 30, 2018 and 2017:

(in thousands of dollars)	2018	2017
Cash and cash equivalents		
FDIC insured commercial banks	$ 1	$ 304
Money market funds	762	501
University of California short-term investment pool	276	448
Total cash and cash equivalents	$ 1,039	$ 1,253

4. Investments

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

Investments consist of the following as of June 30, 2018 and 2017:

(in thousands of dollars)	**2018**	**2017**
Short-term investments		
University of California short-term investment pool	$ 104,831	$ 156,831
Commingled		
Balanced Funds	26,298	26,701
Fixed income		
U.S. Treasury notes	502	351
U.S. agencies – asset-backed securities	124	-
Total short-term investments	131,755	183,883
Investments		
Equity securities – domestic	471	349
Fixed-income investments		
U.S. Treasury notes	1,464	1,777
U.S. Treasury strips	212	215
U.S. agencies – asset-backed securities	930	1,028
Supranational/foreign	630	657
Commingled funds		
Balanced funds	396,655	378,561
Commodities	538	644
Absolute return	78,413	39,198
Private equity	5,414	3,812
U.S. equity funds	107,041	70,819
Non-U.S. equity funds	98,925	103,678
Real estate	57,034	36,609
U.S. bond funds	45,715	41,898
Non-U.S. bond funds	65	260
Other		
Other	1,021	851
Total long-term investments	794,528	680,356
Total investments	$ 926,283	$ 864,239

The Foundation holds equity, fixed-income, and alternative investments. The largest portion of these investments relates to the Foundation's endowment. The Investment/Finance Committee, with Board oversight and approval, manages the investments. The Foundation has several investments in external funds and uses several University of California managed commingled funds (UC pooled funds), offered to the campus foundations by the Office of the Chief Investment Officer of the Regents (OCIO). The OCIO manages 60.3% of total Foundation investments, or $558.7 million.

Short-term investments consists of the portion of bonds held that will mature within the next twelve months, along with the investment of surplus cash balances in two funds managed by the OCIO.

Investment Performance

The calculation of realized gains and losses are independent of the calculation of the change in unrealized appreciation on investments. Additionally, realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year, were included as a change in the fair value of investments reported in the prior year and the current year. The components of the realized/unrealized gains on investments, net are as follows:

(in thousands of dollars)	2018	2017
Change in unrealized appreciation on investments	$ 34,186	$ 61,562
Realized gains on investments, net	12,633	14,420
Realized/unrealized gains on investments, net	$ 46,819	$ 75,982

The Foundation's net income yield on the current use investment pool for the year ended June 30, 2018 was 2.4%, as compared to 2.9% as of June 30, 2017. The net total return on the Foundation's endowment pool for the year ended June 30, 2018 was 7.6%, as compared to 13.9% for June 30, 2017.

Investment Risk Factors

There are many factors that can affect the value of investments. In addition to market risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed-income securities. Equity securities are affected by such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risk, inflation, 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 the security price to decline. The circumstances may arise due to a variety of factors, such as financial weakness or bankruptcy. Certain fixed-income securities, including obligations of the U.S. government, or those explicitly guaranteed by the U.S. government, are considered to have little 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, such as Moody's Investors Service or Standard and Poor's. 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 the yield to compensate for the additional risk. Credit agencies' opinions and, therefore, ratings can change as market conditions change.

The Foundation recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides an incremental risk adjusted return of its benchmark.

The credit risk profile for fixed-income securities at June 30, 2018 and 2017 is as follows:

(in thousands of dollars)	2018	2017	Credit Rating
Fixed-income investments			
U.S. government guaranteed	$ 2,178	$ 2,343	AAA
U.S. agencies – asset-backed securities	1,054	1,028	AAA
Supranational/foreign	630	657	A-/BBB+
	3,862	4,028	
Commingled funds			
U.S. bond funds	45,715	41,898	Not Rated
Non-U.S. bond funds	65	260	Not Rated
University of California short-term investment pool	104,831	156,831	Not Rated
	150,611	198,989	
Total fixed-income investments	$ 154,473	$ 203,017	

Custodial and Counterparty 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 registered in the custodian's nominee name for the benefit of the Foundation. The majority of trust assets are held in the street name of the custodian for the benefit of the Foundation. Other types of investments represent ownership interests not subject to custodial credit risk.

In the course of investing the portfolio, the Foundation may be exposed to counterparty risk. These are risks that either party may fail to meet their obligations in a contractual arrangement. Counterparty risks are considered at the time of investment, and are not believed to materially impact the financial position of the Foundation.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss 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. Per Foundation policy, no individual equity or fixed-income security shall comprise more than 5% of the total individual equities and fixed-income securities held and no more than 5% of the equity or fixed-income securities of a single issuer. The Foundation is diversified in its asset allocation.

Interest Rate Risk
Interest rate risk is the risk that the value of fixed-income investments will decline with rising interest rates. The market 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.

In a low interest rate environment, the fixed-income portfolio is subject to reinvestment risk as well. As securities mature, reinvestment may yield a lower return.

The Foundation's operating practice is to ladder the maturities of the direct fixed-income investments, or invest in funds which ladder the maturities of their underlying holdings, with staggered maturity dates from one to ten years and use the effective-duration method to identify and manage interest rate risk.

The effective duration (in years) of the Foundation's fixed-income securities at June 30, 2018 and 2017 is as follows:

	Fair Value		Effective Duration in Years	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Fixed income investments				
U.S. government guaranteed	$ 2,178	$ 2,343	4.47 years	4.52 years
Total U.S. government guaranteed	2,178	2,343		
Other U.S. dollar denominated				
U.S. agencies – asset-backed securities	1,054	1,028	2.26 years	3.29 years
Supranational/foreign	630	657	2.45 years	3.31 years
Total other U.S. dollar denominated	1,684	1,685		
Commingled funds				
U.S. bond funds	45,715	41,898	5.76 years	5.38 years
Non-U.S. bond funds	65	260	6.01 years	6.69 years
Money market funds	104,831	156,831	2.01 years	1.49 years
Total commingled funds	150,611	198,989		
Total fixed income	$ 154,473	$ 203,017		

Foreign Currency Risk
The Foundation's asset allocation includes non-U.S. equities and non-U.S. fixed-income securities, which are denominated in a variety of currencies. The Foundation considers currency in its investment decision-making, and its underlying investment managers may hedge some or all of their exposures. In some circumstances, the Foundation may hedge currency exposure outside of the funds it has invested in, and would enter into currency exchange contracts (forward exchange or future) for such hedging purposes. UC San Diego Foundation did not have any such contracts in place at June 30, 2018 and 2017. The Foundation's investment policies prohibit direct foreign currency speculation.

At June 30, 2018 and 2017, the U.S. dollar balances of Foundation investments that carry foreign currency risk are as follows:

(in thousands of dollars)	**2018**	**2017**
Commingled funds		
Various currency denominations		
Non-U.S. equity funds	$ 98,925	$ 103,678
Non-U.S. bond funds	65	260
Total exposure to foreign currency risk	$ 98,990	$ 103,938

Alternative Investment Risks

Alternative investments are defined as marketable alternatives (hedge funds, including absolute return and long/short equity strategies), limited partnerships, private equity, venture capital, and private real estate funds. Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or offshore. Generally, there is little or no regulation of these investment vehicles by the Securities and Exchange Commission or the applicable state agencies. The underlying investments may be leveraged to enhance the total investment return and may include financial assets such as marketable securities, nonmarketable securities, derivatives, and other synthetic and structured instruments as well as tangible and intangible assets. Generally, these alternative investments do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risk generally associated with equities and fixed-income instruments, with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests. The carrying value of alternative investments was $96.4 million and $51.4 million as of June 30, 2018 and 2017, respectively, which is reflected in investments in the accompanying Statements of Net Position.

Fair Value Measurements

The Foundation categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application.* 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 asset.

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, exchange traded commingled funds, 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 certain fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are not valued using market information.

Level 3 Investments and other assets 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 and other assets are based upon the best information in the circumstance and may require significant management judgement. Level 3 financial instruments include private equity securities, real estate and beneficial interests in irrevocable split-interest agreements.

Net Asset Value (NAV)

Investments whose fair value is measured at NAV, which is considered a practical expedient for 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. 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 is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2018 and 2017.

Not leveled

Investments that are not leveled are measured at other than fair value (for example, amortized cost) including investments such as life insurance contracts and cash equivalents or money market investments.

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2018 and June 30, 2017, respectively.

	June 30, 2018					
(in thousands of dollars)	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**	**Not Leveled**	**Total 2018**
Equity securities	$ 471	$ -	$ -	$ -	$ -	$ 471
Fixed or variable income securities						
U.S. government guaranteed	-	2,178	-	-	-	2,178
Other U.S. dollar denominated	666	1,018	-	-	-	1,684
Commingled funds	211,092	-	895	709,836	-	921,823
Other investments	-	-	-	-	127	127
Beneficial interests in irrevocable split-interest agreements	-	-	51,070	-	-	51,070
	$ 212,229	$ 3,196	$ 51,965	$ 709,836	$ 127	$ 977,353

	June 30, 2017					
(in thousands of dollars)	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**	**Not Leveled**	**Total 2017**
Equity securities	$ 349	$ -	$ -	$ -	$ -	$ 349
Fixed or variable income securities						
U.S. government guaranteed	-	2,343	-	-	-	2,343
Other U.S. dollar denominated	654	1,031	-	-	-	1,685
Commingled funds	160,293	-	745	698,718	-	859,756
Other investments	-	-	-	-	106	106
Beneficial interests in irrevocable split-interest agreements	-	-	49,577	-	-	49,577
	$ 161,296	$ 3,374	$ 50,322	$ 698,718	$ 106	$ 913,816

Investments Measured at NAV

The Foundation's investments measured at NAV, along with investment commitments as of June 30, 2018 are as follows:

(in thousands of dollars)	Net Asset Value	Unfunded Commitment	Redemption Terms and Restrictions
Investment type			
Commingled funds			
Balanced funds	$ 422,953	$ -	30 day notice
Money market funds	104,831	-	Daily liquidity
Non-U.S. equity funds	86,507	-	30 day notice
Absolute return and hedge funds	78,413	-	30 day notice
Real estate	11,718	4,367	LP, not able to sell per subscription agreement
Real assets	-	10,000	30 day notice
Private equities	5,414	108,109	30 day notice
	$ 709,836	$ 122,476	

5. Endowment Payout

Endowment payout, when transferred to UC San Diego at the request of the benefitting department, is recorded as a component of grants to campus in the statements of revenue, expenses, and changes in net position. The calculated endowment payout by the Foundation policy, for both donor-designated and funds functioning as endowment, for the years ended June 30, 2018 and 2017 and the sources of payout are as follows:

(in thousands of dollars)	2018	2017
Calculated payout		
Endowment payout allocation	$ 26,523	$ 22,867
Endowment administration cost recovery	3,427	2,929
	$ 29,950	$ 25,796
Sources of payout		
Net cash earnings	$ 5,967	$ 5,463
Net use of accumulated gains and/or corpus	23,983	20,333
	$ 29,950	$ 25,796

6. Commitments

As of June 30, 2018, the Foundation's only commitments are investment related commitments as disclosed in footnote 4, above.

7. Pledges Receivable, net

At June 30, 2018 and 2017, pledges receivable balances for expendable funds were restricted for the following UC San Diego purposes:

(in thousands of dollars)	2018	2017
Departmental support	$ 62,076	$ 24,477
Research	19,865	22,826
Capital projects	18,171	20,643
Student support	837	422
Other	780	877
Total gross pledges	101,729	69,245
Less: Unamortized discount to present value	(12,078)	(9,223)
Allowance for uncollectible pledges	(872)	(554)
Total pledges receivable, net	88,779	59,468
Less: Current portion of pledges receivable, net	(21,837)	(19,789)
Noncurrent portion of pledges receivable	$ 66,942	$ 39,679

These gross pledges are expected to be collected in future years as follows:

(in thousands of dollars)	
Payments through June 30,	
2019	$ 22,072
2020	17,385
2021	9,730
2022	5,477
2023	4,854
Thereafter	42,211
	$ 101,729

As in previous years, an allowance for uncollectible pledges has been established based on specifically identified pledges, combined with a general allowance rate. Pledge payments extending beyond one year are discounted to recognize the present value of the future cash flows.

Pledges receivable have discount rates ranging from 1.20% to 5.00%. The discount rates will be applied for the life of the pledges. Pledges recorded during fiscal years 2018 and 2017 were discounted at 1.60% and 1.20%, respectively. Pledges receivable from 25 donors and 20 donors accounted for approximately 95.1% and 92.0% of the gross pledges receivable balance at June 30, 2018 and 2017, respectively.

8. Liabilities to Life Beneficiaries

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

	Balance at June 30, 2017	New Obligations	Adjustments to Existing Liabilities	Reclassification to Current	Beneficiary Payments	Balance at June 30, 2018
Liabilities to life beneficiaries, current	$ 1,411	$ -	$ -	$ 657	$ (1,060)	$ 1,008
Liabilities to life beneficiaries, noncurrent	9,495	378	(1,435)	(657)		7,781
	$ 10,906	$ 378	$ (1,435)	$ -	$ (1,060)	$ 8,789

9. Grants to Campus for Programs

One of the primary purposes of the Foundation is to receive donations for the support of UC San Diego. During the years ended June 30, 2018 and 2017, the Foundation made grants to UC San Diego in compliance with donor restrictions for the purposes noted below. There were 155 areas of UC San Diego that were the beneficiaries of these grants in fiscal year 2018.

(in thousands of dollars)	2018	2017
Research and related faculty support	$ 43,778	$ 27,530
General departmental support	34,883	28,827
Student aid (undergraduate and graduate)	11,141	9,074
Capital projects	3,958	29,731
Cost recovery fees on investment pools to support the campus	3,639	3,123
Interest earnings granted to support the campus	2,376	1,358
	$ 99,775	$ 99,643

10. Related-Party Transactions

The Foundation supports UC San Diego and has the following organizational relationship with the campus:

Administrative Costs
The Foundation has a Board of Trustees, and designated officers; however, the Foundation does not have any employees. All functions and activities are conducted by employees of the University. The University employees serving Foundation functions are covered by The Regents pension plan and postretirement healthcare plan. All of the Foundation's office space is provided by the campus.

Endowment Cost Recovery Fees and Interest on Short-Term Investments
In accordance with relevant UC San Diego policies, endowment cost recovery fees and interest on short-term investments are paid by the Foundation to the campus to cover administrative costs as described above. The payment of these amounts is included in grants to campus for programs in the accompanying financial statements and totaled $6.0 million and $4.5 million for the years ended June 30, 2018 and 2017, respectively.

Contributions and outstanding pledges received from trustees, trustees emeriti and chair emeriti of the board, and corporations or organizations affiliated with those individuals, or senior management are as follows:

(in thousands of dollars)	2018		2017	
Contributions for current use and new pledges, net of discount	$ 10,186	6%	$ 8,577	8%
Contributions to permanent endowments	3,530	10%	3,650	11%
Pledges receivable, net of allowance and discount	11,832	13%	7,722	13%

11. Subsequent Events

The Foundation has evaluated subsequent events from the net position date through October 10, 2018, the date which the financial statements were available to be issued, and determined there are no items to disclose.