

# **U.C. San Diego Foundation**

**Financial Statements**

**June 30, 2024 and 2023**

**U.C. San Diego Foundation**  
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**June 30, 2024 and 2023**

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## **Report of Independent Auditors**

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

### ***Opinion***

We have audited the accompanying financial statements of the U.C. San Diego Foundation (the “Foundation”), a component unit of the University of California (the “University”), which comprise the statements of net position as of June 30, 2024 and 2023, 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, which collectively comprise the Foundation’s basic 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, 2024 and 2023, 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.

### ***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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 5 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Price Waterhouse Coopers LLP

San Francisco, California  
September 20, 2024

## **U.C. San Diego Foundation**

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

#### **June 30, 2024 and 2023**

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The U.C. San Diego Foundation (the Foundation or UCSDF) encourages, accepts, and manages charitable gifts for the benefit of the University of California San Diego (UC San Diego or the 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, 2024, with comparative information for the fiscal years ended June 30, 2023 and 2022. 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 2024, the Foundation's net position, which represents the excess of total assets over liabilities, increased by \$74.7 million. This is compared to an increase in net position during fiscal year 2023 of \$152.0 million and a decrease of \$41.0 million in fiscal year 2022.

The increase or decrease in net position annually is the result of three primary factors: 1) changes from year to year in the contributions made to current use and endowed gift funds, 2) the amount of grants to campus, and 3) the financial investment returns of the Foundation's endowment, its most significant investment portfolio.

Recognized expendable contribution revenue in fiscal year 2024 increased with that of fiscal years 2023 and 2022. Grants to campus in fiscal year 2024 increased compared to fiscal years 2023 and 2022. The fiscal year 2024 increase was largely driven by a new process, approved in consultation with campus leadership, which provides for an automatic transfer of all expendable gifts and endowment payout to campus on a monthly basis, thereby increasing grants to campus. Fiscal year 2024 included significant support for research and department support.

In fiscal year 2024, with the backdrop of high interest rates, inflation, and continued geopolitical tension, the financial markets continued their upward trend. The endowment pool overall had a net total return of 15.5% as of June 30, 2024, compared to 11.3% as of June 30, 2023, and -8.1% as of June 30, 2022.

The Foundation expects fluctuations in contribution revenue for expendable and endowed funds. Significant contributions, including bequests, are periodically received from donors because 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. Similarly, financial markets are unpredictable year-to-year. The Foundation manages the endowment with the objective of real value growth and protection of its purchasing power over the long term so that it will last in perpetuity.

#### **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.

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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 to the Foundation, and grants to UC San Diego, are reported as operating revenue and expense, respectively, and investment results are reported as nonoperating income or expense.

**Condensed Schedules of Net Position**

<i>(in thousands of dollars)</i>	2024	FY 2024-23		2023	FY 2023-22		2022
		Change in Dollars	Change in %		Change in Dollars	Change in %	
<b>Assets</b>							
Current assets	\$ 41,031	\$ (195,211)	(82.6)%	\$ 236,242	\$ 25,962	12.3 %	\$ 210,280
Noncurrent assets	1,764,133	262,576	17.5 %	1,501,557	123,568	9.0 %	1,377,989
Total assets	1,805,164	67,365	3.9 %	1,737,799	149,530	9.4 %	1,588,269
<b>Liabilities</b>							
Current liabilities	21,548	(19,969)	(48.1)%	41,517	833	2.0 %	40,684
Noncurrent liabilities	7,750	(6)	(0.1)%	7,756	183	2.4 %	7,573
Total liabilities	29,298	(19,975)	(40.5)%	49,273	1,016	2.1 %	48,257
Deferred inflows of resources	70,673	12,614	21.7 %	58,059	(3,492)	(5.7)%	61,551
Total net position	\$ 1,705,193	\$ 74,726	4.6 %	\$ 1,630,467	\$ 152,006	10.3 %	\$ 1,478,461

The condensed schedule of net position reflects the assets, liabilities, and net position for fiscal years 2024, 2023, and 2022.

**Assets**

Current assets, comprised of cash, short-term investments, and the portion of pledges due within one year, decreased by \$195.2 million during fiscal year 2024, compared to an increase of \$26.0 million during fiscal year 2023. The decrease in current assets is mainly due to the change in policy to transfer expendable gifts and endowment payout to campus on a monthly basis discussed previously. Current assets may increase or decrease depending on the timing of transactions for incoming gifts, outgoing transfers to campus, and investment transactions.

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 \$262.6 million during fiscal year 2024, compared with an increase of \$123.6 million during fiscal year 2023. The rise in fiscal year 2024 is mainly due to favorable investment returns, much like those seen in fiscal year 2023.

**Liabilities**

Current liabilities are comprised of amounts payable to the campus for grants as of year-end, unearned revenue, other current liabilities, and the current portion of liabilities to trust and life income beneficiaries. Current liabilities also tend to be fairly level from year to year, recognition of revenue due to milestone completion resulted in a decrease in fiscal year 2024.

**U.C. San Diego Foundation**  
**Management’s Discussion and Analysis (Unaudited)**  
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Noncurrent liabilities are primarily comprised of the calculated long-term liability due to trust and life income beneficiaries. Annual fluctuations are due to the receipt of new split-interest agreements, maturities, payments to beneficiaries, and the increasing age 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 are attributable to changes in fair value, liabilities due to trust and life income beneficiaries, new split-interest agreements, and maturities during the year.

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

	FY 2024-23			FY 2023-22			2022
	2024	Change in Dollars	Change in %	2023	Change in Dollars	Change in %	
<i>(in thousands of dollars)</i>							
Operating revenue	\$ 137,356	\$ 19,739	16.8 %	\$ 117,617	\$ (18,579)	(13.6)%	\$ 136,196
Less: Operating expenses	360,117	191,400	113.4 %	168,717	43,328	34.6 %	125,389
Operating (loss) income	(222,761)	(171,661)	(335.9)%	(51,100)	(61,907)	(572.8)%	10,807
Nonoperating revenue (expense) revenue, net	236,334	100,228	73.6 %	136,106	248,061	221.6 %	(111,955)
Contributions to permanent endowments	61,153	(5,847)	(8.7)%	67,000	6,858	11.4 %	60,142
Change in net position	74,726	(77,280)	(50.8)%	152,006	193,012	470.7 %	(41,006)
<b>Net position</b>							
Beginning of year	1,630,467	152,006	10.3 %	1,478,461	(41,006)	(2.7)%	1,519,467
End of year	\$ 1,705,193	\$ 74,726	4.6 %	\$ 1,630,467	\$ 152,006	10.3 %	\$ 1,478,461

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 2024, 2023, and 2022.

Operating revenue for the Foundation consists only of recognizable expendable outright charitable gifts and pledges. This revenue can fluctuate significantly each fiscal year depending on the new gift and pledge commitments and their terms. Operating revenue in fiscal year 2024 increased compared to fiscal years 2023 and 2022. In fiscal year 2024 the Foundation recognized several gifts that were individually significant. Operating expenses consist primarily of grants made to UC San Diego of expendable contribution fund balances and accumulated endowment payout balances. In fiscal year 2024, the policy on timing of transfers to campus changed. As expendable gift and endowment payout are received they are transferred to campus for use. As this was the first year this policy was put into practice, outstanding expendable balances were included, leading to the significant increase in fiscal year 2024 compared to fiscal year 2023. Grants to campus increased by \$191.4 million in fiscal year 2024, and \$43.3 million in fiscal year 2023 for the reasons previously discussed.

Net nonoperating revenue (expense) 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 single year, certain components of the portfolio may perform better than others. During fiscal year 2024, positive returns occurred in all asset classes but real assets; public equities contributed the most to the portfolio’s performance. During fiscal year 2023, negative returns occurred in private equity but were offset by positive returns in public equity, absolute return, real assets and fixed income. During fiscal year 2022, most investment asset classes had negative returns, except for real estate and real assets, which contributed positively to the portfolio.

**U.C. San Diego Foundation**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2024 and 2023**

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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 2024 were lower than fiscal year 2023 but fairly level with fiscal year 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.

The Foundation continues to anticipate ongoing growth in the endowment from new gifts and investment returns, and a similar rate of incoming expendable gifts. With the change to the Grants to campus process new contributions and endowment payout will be available to use to benefit UC San Diego. While this is a positive change, we anticipate more frequent operating losses since these transfers include both expendable contributions, and endowment payout which is a non-operating transaction. We anticipate future years grants to campus will be lower than this year, but higher than prior years.

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, 2024 and 2023**

(in thousands of dollars)

	2024	2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,434	\$ 339
Short-term investments	21,989	217,132
Pledges receivable, net	16,508	18,753
Other assets	100	18
Total current assets	41,031	236,242
Noncurrent assets		
Long-term investments	1,651,919	1,402,053
Pledges receivable, net	45,700	45,069
Beneficial interest in nontrustee split-interest agreements	66,488	54,409
Other assets	26	26
Total noncurrent assets	1,764,133	1,501,557
Total assets	\$ 1,805,164	\$ 1,737,799
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 1,278	\$ 746
Unearned revenue	14,925	34,925
Liabilities to life beneficiaries	945	866
Other current liabilities	4,400	4,980
Total current liabilities	21,548	41,517
Noncurrent liabilities		
Liabilities to life beneficiaries	7,750	7,756
Total noncurrent liabilities	7,750	7,756
Total liabilities	\$ 29,298	\$ 49,273
<b>Deferred inflows of resources</b>		
Deferred inflows from split-interest agreements	\$ 70,673	\$ 58,059
Total deferred inflows of resources	\$ 70,673	\$ 58,059
<b>Net position</b>		
Restricted		
Nonexpendable		
Endowment corpus	\$ 783,818	\$ 716,160
Expendable		
Endowment income and net appreciation	477,347	376,811
Funds functioning as endowments	296,650	265,352
Restricted gift funds	109,740	237,097
Unrestricted	37,638	35,047
Total net position	\$ 1,705,193	\$ 1,630,467

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, 2024 and 2023**

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
<b>Operating revenue</b>		
Contributions, net	\$ 137,356	\$ 117,617
Total operating revenue	<u>137,356</u>	<u>117,617</u>
<b>Operating expenses</b>		
Grants to campus for programs	360,047	168,608
Administrative and other operating expenses	70	109
Total operating expenses	<u>360,117</u>	<u>168,717</u>
Operating (loss)	<u>(222,761)</u>	<u>(51,100)</u>
<b>Nonoperating revenue</b>		
Investment income, net	22,892	22,871
Realized/unrealized gains on investments, net	213,381	113,174
Other nonoperating income	61	61
Total nonoperating income	<u>236,334</u>	<u>136,106</u>
Gain before contributions to permanent endowments	13,573	85,006
<b>Other changes in net position</b>		
Contributions to permanent endowments	<u>61,153</u>	<u>67,000</u>
Change in net position	74,726	152,006
<b>Net position</b>		
Beginning of year	<u>1,630,467</u>	<u>1,478,461</u>
End of year	<u>\$ 1,705,193</u>	<u>\$ 1,630,467</u>

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

**U.C. San Diego Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

(in thousands of dollars)

	2024	2023
<b>Cash flows from operating activities</b>		
Receipts from contributions	\$ 114,553	\$ 114,639
Payments to campus	(345,532)	(157,116)
Beneficiary payments	(925)	(858)
Other receipts, net	<u>(14,621)</u>	<u>(10,250)</u>
Net cash (used) by operating activities	<u>(246,525)</u>	<u>(53,585)</u>
<b>Cash flows from noncapital financing activity</b>		
Receipts from contributions to permanent endowments	<u>56,478</u>	<u>56,929</u>
Net cash provided by noncapital financing activity	<u>56,478</u>	<u>56,929</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investments	359,016	162,951
Purchases of investments	(189,859)	(195,842)
Investment income, net of investment expense	<u>22,985</u>	<u>22,694</u>
Net cash provided (used) by investing activities	<u>192,142</u>	<u>(10,197)</u>
Net increase (decrease) in cash and cash equivalents	2,095	(6,853)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>339</u>	<u>7,192</u>
End of year	<u>\$ 2,434</u>	<u>\$ 339</u>
<b>Reconciliation of operating income to net cash (used) by operating activities</b>		
Operating (loss)	\$ (222,761)	\$ (51,100)
Adjustments to reconcile operating income to net cash (used) by operating activities		
Noncash gifts	(23,271)	(3,063)
Allowance on pledges receivable	577	14,550
Changes in operating assets and liabilities		
Other assets	61	55
Pledges receivable, net	(109)	(14,465)
Accounts payable and other current liabilities	(611)	502
Liabilities to life beneficiaries	<u>(411)</u>	<u>(64)</u>
Net cash (used) by operating activities	<u>\$ (246,525)</u>	<u>\$ (53,585)</u>
<b>Supplemental noncash activities</b>		
Contributions of securities for expendable funds	\$ 3,268	\$ 2,611
Residual income from matured life income gifts	-	453
Beneficial interest in irrevocable split-interest agreements	<u>9,852</u>	<u>1,333</u>
Total noncash gifts for expendable funds	<u>\$ 13,120</u>	<u>\$ 4,397</u>
Contributions of securities for permanent endowments	\$ 4,675	\$ 10,071
Beneficial interest in irrevocable split-interest agreements	<u>3,875</u>	<u>315</u>
Total noncash gifts for permanent endowments	<u>\$ 8,550</u>	<u>\$ 10,386</u>
Change in unrealized appreciation on investments	<u>\$ 193,107</u>	<u>\$ 103,318</u>
	<u>\$ 193,107</u>	<u>\$ 103,318</u>

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

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**1. Organization**

The U.C. San Diego Foundation is a not-for-profit organization formed in 1972, dedicated to providing UC San Diego with 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 established administrative guidelines for the Foundation regarding 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 48-member Board of Trustees, the membership of which includes the Chancellor of UC San Diego, the Vice Chancellor of Advancement, 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). As a result, 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 the 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 inter-organization balances and transactions have been eliminated.

**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.

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**Pledges Receivable**

Pledges receivables represent written unconditional promises to give by donors. Pledges receivable, other than endowment pledges, are recognized as contribution revenue in the period pledged if 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, 2024 and 2023, which are expected to be collected after one year have been discounted at 4.19% and 2.78%, 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 several 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 other alternative 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. Marketable securities reflect fair values based on market quotes obtained from independent sources. Donated real estate, when held, is appraised and adjusted to fair value annually.

Realized gains or losses are recorded as the difference between the proceeds from the sale and the cost of the investment sold. Unrealized gains, net 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.

Charitable Remainder Trust (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 fair 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 requires 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.

**Beneficial Interest in Nontrustee 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

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expected life of the life beneficiaries, in accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

**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 payments received that do not meet the revenue recognition terms of GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. Revenue is recognized when the recognition terms are met.

**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 Trust or 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 noncurrent.

**Net Position**

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

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***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 given by donors that the University has designated for endowment in accordance with the University of California system-wide gift allocation policy and funds that are restricted by the donor for endowment, wherein the donor also allows the corpus to be spent down over time to fund their intended purpose. *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***

*Unrestricted* 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 information on the administrative costs of the Foundation and endowment cost recovery fees.

Nonoperating revenues and expenses include investment income, realized/unrealized gains, net, 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, 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.

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The Uniform Prudent Management of Institutional Funds Act (UPMIFA) guides 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 2024 and 2023 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 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.



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**3. Cash and Cash Equivalents**

Cash and cash equivalents consist 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.

The 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 UC San Diego campus (which is invested in the University of California short-term investment pool); or 4) at a credit card processor.

Cash and cash equivalents consist of the following as of June 30, 2024 and 2023:

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
<b>Cash and cash equivalents</b>		
FDIC insured commercial banks	\$ 3	\$ 122
Money market funds	189	115
University of California short-term investment pool	2,242	102
Total cash and cash equivalents	<u>\$ 2,434</u>	<u>\$ 339</u>

**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, 2024 and 2023:

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<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
<b>Short-term investments</b>		
University of California short-term investment pool	\$ 21,989	\$ 216,645
<b>Fixed Income</b>		
U.S. Treasury notes	-	487
Total short-term investments	21,989	217,132
<b>Long-term investments</b>		
Equity securities – domestic	1,138	733
<b>Fixed-income investments</b>		
U.S. Treasury notes	3,537	2,862
U.S. Treasury strips	216	220
U.S. Agencies - asset-backed securities	89	-
<b>Commingled funds</b>		
Balanced funds	1,124,973	948,511
Commodities	522	452
U.S. equity funds	501,492	424,067
Non-U.S. equity funds	3,029	3,011
Real estate funds	3,732	6,752
U.S. bond funds	9,819	13,043
Non-U.S. bond funds	26	25
<b>Other</b>		
Other	3,346	2,377
Total long-term investments	1,651,919	1,402,053
Total investments	\$ 1,673,908	\$ 1,619,185

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 two University of California managed commingled funds (UC pooled funds), offered to the campus foundations by UC Investments. UC Investments manages 68.5% of total Foundation investments, or \$1.15 billion. The Foundation’s largest investment in the UC pooled funds is in the General Endowment Pool (GEP), which is a diversified portfolio of public equity, fixed income, alternative investments and cash, and is reflected above under long-term investments as commingled balanced funds. As a result of it being a commingled balanced fund, the investments in the GEP are not further broken out in the subsequent portions of the investment notes that follow.

Short-term investments consist of the portion of bonds held that will mature within the next twelve months, along with the investment of surplus cash balances in one fund managed by UC Investments.

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**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 unrealized appreciation on investments reported in the prior year and the current year. The components of the realized/unrealized gains on investments, net are as follows:

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
Change in unrealized appreciation on investments	\$ 193,107	\$ 103,318
Realized gains on investments, net	<u>20,274</u>	<u>9,856</u>
Realized/unrealized gains on investments, net	<u>\$ 213,381</u>	<u>\$ 113,174</u>

The Foundation's net income yield on the current use investment pool for the year ended June 30, 2024 was 4.4%, as compared to 2.84% as of June 30, 2023. The net total return on the Foundation's endowment pool for the year ended June 30, 2024 was 15.5%, as compared to - 11.3% for June 30, 2023.

**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.

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The credit risk profile for fixed-income securities at June 30, 2024 and 2023 is as follows:

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>	<b>Credit Rating</b>
<b>Fixed-income investments</b>			
U.S. government guaranteed	\$ 3,753	\$ 3,569	AA+
U.S. agencies – asset-backed securities	89	-	AA+
	<u>3,842</u>	<u>3,569</u>	
<b>Commingled funds</b>			
U.S. bond funds	9,819	13,043	Not Rated
Non-U.S. bond funds	26	25	Not Rated
University of California short-term investment pool	21,989	216,645	Not Rated
	<u>31,834</u>	<u>229,713</u>	
Total fixed-income investments	<u>\$ 35,676</u>	<u>\$ 233,282</u>	

**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.

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The Foundation’s operating practice is to ladder the maturities of the direct fixed-income investments or invest in funds that 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 of the Foundation’s fixed-income securities at June 30, 2024 and 2023 is as follows:

<i>(in thousands of dollars)</i>	Fair Value		Average Maturity	
	2024	2023	2024	2023
<b>Fixed income investments</b>				
U.S. government guaranteed				
U.S. Treasury notes	\$ 3,537	\$ 3,349	3.65 years	3.47 years
U.S. Treasury strips	216	220	10.46 years	11.60 years
Total U.S. government guaranteed	<u>3,753</u>	<u>3,569</u>		
<b>Other U.S. dollar denominated</b>				
U.S. agencies – asset-backed securities	89	-	3.14 years	0
Total other U.S. dollar denominated	<u>89</u>	<u>-</u>		
<b>Commingled funds</b>				
U.S. bond funds	9,819	13,043	5.96 years	6.48 years
Non-U.S. bond funds	26	25	6.12 years	6.90 years
Money market funds	21,989	216,645	0.09 years	0.23 years
Total commingled funds	<u>31,834</u>	<u>229,713</u>		
Total fixed income	<u>\$ 35,676</u>	<u>\$ 233,282</u>		

**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, 2024 and 2023. The Foundation’s investment policies prohibit direct foreign currency speculation.

At June 30, 2024 and 2023, the U.S. dollar balances of Foundation investments that carry foreign currency risk are as follows:

<i>(in thousands of dollars)</i>	2024	2023
<b>Commingled funds</b>		
Various currency denominations		
Non-U.S. equity funds	\$ 3,029	\$ 3,011
Non-U.S. bond funds	26	25
Total exposure to foreign currency risk	<u>\$ 3,055</u>	<u>\$ 3,036</u>

### **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. Alternative investments are included in the commingled funds managed by UC Investments as previously discussed. The carrying value of the separately held alternative investments was \$6.5 million and \$8.4 million as of June 30, 2024 and 2023, 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 consider 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.

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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, 2024 and 2023.

**Not Levelled**

Investments that are not levelled 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, 2024 and June 30, 2023, respectively.

	June 30, 2024					
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Levelled	Total 2024
<i>(in thousands of dollars)</i>						
Equity securities	\$ 911	\$ -	\$ 227	\$ -	\$ -	\$ 1,138
Fixed or variable income securities						
U.S. government guaranteed	-	3,753	-	-	-	3,753
Commingled funds		89				89
Other investments	515,459	-	3,086	1,150,123	-	1,668,668
Beneficial interests in irrevocable split-interest agreements					260	260
	-	-	66,488	-	-	66,488
	<u>\$ 516,370</u>	<u>\$ 3,842</u>	<u>\$ 69,801</u>	<u>\$ 1,150,123</u>	<u>\$ 260</u>	<u>\$ 1,740,396</u>
	June 30, 2023					
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Levelled	Total 2023
<i>(in thousands of dollars)</i>						
Equity securities	\$ 733	\$ -	\$ -	\$ -	\$ -	\$ 733
Fixed or variable income securities						
U.S. government guaranteed	-	3,569	-	-	-	3,569
Commingled funds	441,123	-	2,154	1,171,383	-	1,614,660
Other investments					223	223
Beneficial interests in irrevocable split-interest agreements			54,409			54,409
	<u>\$ 441,856</u>	<u>\$ 3,569</u>	<u>\$ 56,563</u>	<u>\$ 1,171,383</u>	<u>\$ 223</u>	<u>\$ 1,673,594</u>

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**Investments Measured at NAV**

The Foundation's investments measured at NAV, along with investment commitments as of June 30, 2024 are as follows:

<i>(in thousands of dollars)</i>	Net Asset Value	Unfunded Commitment	Redemption Terms and Restrictions
<b>Investment type</b>			
Commingled funds			
Balanced funds	\$ 1,124,973	\$ -	30 day notice
Money market funds	21,989		Daily liquidity
Real estate	3,160	6,474	LP, not able to sell per subscription agreement
	<u>\$ 1,150,122</u>	<u>\$ 6,474</u>	

**5. Endowment Payout**

Endowment payout, when transferred to UC San Diego, 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, 2024 and 2023 and the sources of payout are as follows:

<i>(in thousands of dollars)</i>	2024	2023
<b>Calculated payout</b>		
Endowment payout allocation	\$ 52,579	\$ 45,872
Endowment administration cost recovery	6,576	5,831
	<u>\$ 59,155</u>	<u>\$ 51,703</u>
<b>Sources of payout</b>		
Net cash earnings	\$ 13,939	\$ 16,223
Net use of accumulated gains and/or corpus	45,216	35,480
	<u>\$ 59,155</u>	<u>\$ 51,703</u>

**6. Commitments**

As of June 30, 2024, the Foundation's only commitments are investment related commitments as disclosed in footnote 4, above.



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**7. Pledges Receivable, Net**

At June 30, 2024 and 2023, pledges receivable balances for expendable funds were restricted for the following UC San Diego purposes:

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
Departmental support	\$ 46,871	\$ 40,298
Research	11,950	19,222
Capital projects	6,073	6,295
Student support	2,722	2,871
Other	5,506	1,686
Total gross pledges	<u>73,122</u>	<u>70,372</u>
Less:		
Unamortized discount to present value	(10,329)	(5,987)
Allowance for uncollectible pledges	(585)	(563)
Total pledges receivable, net	<u>62,208</u>	<u>63,822</u>
Less: Current portion of pledges receivable, net	<u>(16,508)</u>	<u>(18,753)</u>
Noncurrent portion of pledges receivable	<u>\$ 45,700</u>	<u>\$ 45,069</u>

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

<i>(in thousands of dollars)</i>		
<b>Payments through June 30,</b>		
2025	\$	16,641
2026		10,756
2027		7,412
2028		5,732
2029		5,445
Thereafter		<u>27,136</u>
	<u>\$</u>	<u>73,122</u>

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 0.38% to 5.00%. The discount rates will be applied for the life of the pledges. Pledges recorded during fiscal years 2024 and 2023 were discounted at 4.19% and 2.78%, respectively. Pledges receivable from 21 donors and 26 donors accounted for approximately 90.7% and 92.0% of the gross pledges receivable balance at June 30, 2024 and 2023, respectively.

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**8. Liabilities to Life Beneficiaries**

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

<i>(in thousands of dollars)</i>	Balance at June 30, 2023	New Obligations	Adjustments to Existing Liabilities	Reclassification to Current	Beneficiary Payments	Balance at June 30, 2024
Liabilities to Life Beneficiaries, current	\$ 866	\$ -	\$ -	\$ 1,047	\$ (968)	\$ 945
Liabilities to Life Beneficiaries, noncurrent	7,756	265	776	(1,047)	-	7,750
	<u>\$ 8,622</u>	<u>\$ 265</u>	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ (968)</u>	<u>\$ 8,695</u>

<i>(in thousands of dollars)</i>	Balance at June 30, 2022	New Obligations	Adjustments to Existing Liabilities	Reclassification to Current	Beneficiary Payments	Balance at June 30, 2023
Liabilities to Life Beneficiaries, current	\$ 870	\$ -	\$ -	\$ 890	\$ (894)	\$ 866
Liabilities to Life Beneficiaries, noncurrent	7,573	313	760	(890)	-	7,756
	<u>\$ 8,443</u>	<u>\$ 313</u>	<u>\$ 760</u>	<u>\$ -</u>	<u>\$ (894)</u>	<u>\$ 8,622</u>

**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, 2024 and 2023, the Foundation made grants to UC San Diego in compliance with donor restrictions for the purposes noted below. There were 50 areas of UC San Diego that were the beneficiaries of these grants in fiscal year 2024.

<i>(in thousands of dollars)</i>	<b>2024</b>	<b>2023</b>
Research and related faculty support	\$ 151,310	\$ 74,842
General departmental support	135,133	58,750
Student support	30,116	16,531
Capital projects	26,122	5,690
Patient care	2,851	1,303
Cost recovery fees on payout to support the campus	6,722	6,002
Interest earnings granted to support the campus	7,793	5,490
	<u>\$ 360,047</u>	<u>\$ 168,608</u>

**10. Related-Party Transactions**

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

**U.C. San Diego Foundation**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**Administrative Costs**

The Foundation operates with a Board of Trustees, and designated officers; however, the Foundation does not have any employees. All functions and activities of the Foundation are conducted by employees of the University and all budgetary resources are provided by the campus. The Foundation operates within the Policy and Guidelines provided by The Regents. 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 and interest on short-term investments are transferred by the Foundation to the campus to assist with covering the both the Foundation’s operational costs as described above, as well as assisting the campus with the costs of fundraising and endowment administration. The payment of these amounts is included in grants to campus for programs in the accompanying statements of revenue, expenses and changes in net position and totaled \$14.5 million and \$11.5 million in the years ended June 30, 2024 and 2023, respectively.

Contributions and outstanding pledges received from trustees, trustee’s emeriti and chair emeriti of the board, and corporations or organizations affiliated with those individuals, or senior management are as follows. Percentages shown are the percentage of the respective total line item presented on the Statements of Net Position or the Statement of Revenue, Expenses and Changes in Net Position, as applicable.

<i>(in thousands of dollars)</i>	<b>2024</b>		<b>2023</b>	
	\$	%	\$	%
Contributions for current use and new pledges, net of discount	\$ 25,264	18.4 %	\$ 20,570	17.5 %
Contributions to permanent endowments	21,911	35.8 %	27,050	40.4 %
Pledges receivable, net of allowance and discount	21,449	34.5 %	24,933	39.1 %

**11. Subsequent Events**

The Foundation has evaluated subsequent events from the net position date through September 20, 2024, the date which the financial statements were available to be issued and determined there are no items to disclose.