

**University of California,
_____ Foundation
Financial Statements
June 30, 20__ and 20__**

University of California, _____ Foundation
Management's Discussion and Analysis
June 30, 20__ and 20__

Management's Discussion and Analysis

The Foundation implemented a new accounting policy for fiduciary activities. This change in accounting policy requires funds held for others be reported separately as fiduciary activities, with reductions in related assets and liabilities on the statements of net position. Financial information for 2019 and 2018 has been restated to retroactively apply this new accounting policy.

University of California, Berkeley Foundation
Statements of Net Position
June 30, 2020 and 2019

<i>in thousands of dollars</i>	Foundation		Custodial Investment Funds	
	2020	2019	2020	2019
ASSETS				
Current assets				
Cash and cash equivalents	\$	\$ 8,388	\$	\$
Short-term investments		100,131		
Contributions receivable, net		29,167		
Other assets		2,517		
Current assets		<u>140,203</u>		
Noncurrent assets				
Investments				
General endowment pool		2,070,872		
Gift annuity and trusts		126,470		
Other		30,569		
Contributions receivable, net		69,108		
Other assets		4,085		
Noncurrent assets		<u>2,301,104</u>		
Total assets	\$	\$ 2,441,307	\$	\$
LIABILITIES				
Current liabilities				
Accounts payable and other accrued liabilities	\$	\$ 3,944	\$	\$
Funds held for others		7,777		
Gift annuities payable		1,901		
Trust liabilities		6,084		
Current liabilities	<u>\$</u>	<u>19,706</u>	<u>\$</u>	<u>\$</u>
Noncurrent liabilities				
Funds held for others and Other noncurrent liabilities		16,200		
Gift annuities payable		14,912		
Trust liabilities		47,627		
Non current liabilities		<u>78,739</u>		
Total liabilities	\$	\$ 98,445	\$	\$
Deferred Inflows of Resources				
from Irrevocable Split-Interest Agreements	\$	\$ 63,275	\$	\$
NET POSITION				
Restricted:				
Nonexpendable				
Endowments	\$	\$ 1,292,926	\$	\$
Expendable				
Endowments		457,710		
Funds functioning as endowments		393,120		
Gifts		124,746		
Pool participants				
Total expendable		<u>975,576</u>		
Total restricted		2,268,502		
Unrestricted		11,085		
Total net position	\$	\$ 2,279,587	\$	\$

See accompanying Notes to Financial Statements.

University of California, Berkeley Foundation
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2020 and 2019

<i>in thousands of dollars</i>	Foundation		Custodial Investment Funds	
	2020	2019	2020	2019
Operating revenues				
Contributions revenue	\$	\$ 146,998	\$	\$
Other operating revenue		10		
<u>Capital share and individual account transactions:</u>				
<u>Shares sold</u>				
<u>Reinvested distributions</u>				
<u>Shares redeemed</u>				
<u>Net capital share and individual account transactions</u>				
Total operating revenues		147,008		
Operating expenses				
Grant expenses		215,392		
Management and general expenses		12,762		
Total operating expenses		228,154		
Net operating loss		(81,146)		
Nonoperating revenues & expenses				
Investment income, net		11,025		
Change in fair value of investments		95,465		
Total nonoperating revenues & expenses		106,490		
Income before other changes in net position		25,344		
Other changes in net position				
Additions to permanent endowments		118,880		
Change in net position		144,224		
NET POSITION				
Beginning of year		2,135,363		
End of year	\$	\$ 2,279,587	\$	\$

See accompanying Notes to Financial Statements.

University of California, _____ Foundation

Notes to Financial Statements

June 30, 20__ and 20__

1. Organization

The University of California, _____ Foundation (UC__F or the Foundation) is a not for profit organization dedicated to providing to the University of California, _____ (UC__) 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 Board of Trustees, the membership of which includes the Chancellor of UC__. The Foundation was established solely to support the mission of UC__. 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__, provided the Regents of the University 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. 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 the preparation of the accompanying financial statements is presented below:

Basis of Accounting

The financial statements include the accounts of _____. 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 intercompany balances and transactions have been eliminated.

New Accounting Pronouncements

The Foundation implemented GASB Statement No. 84, Fiduciary Activities, effective for the University's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria.

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

The effects of reporting Statement No. 84 in the Foundation's financial statements for the year ended June 30, 2019, are as follows:

in thousands of dollars

UNIVERSITY OF CALIFORNIA _____ FOUNDATION			
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019			
	AS PREVIOUSLY REPORTED	EFFECT OF ADOPTION OF STATEMENT NO. 84	AS RESTATED
STATEMENT OF NET POSITION			
Cash, and cash equivalents	\$	\$	\$
Investments			
Noncurrent assets			
Total assets			
Funds held for others			
Current liabilities			
Total liabilities			
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Other nonoperating revenues (expenses)	\$	\$	\$
Net nonoperating revenues (expenses)			
Income (loss) before other changes in net position			
STATEMENT OF CASH FLOWS			
Proceeds from sales of maturities of investments	\$	\$	\$
Purchase of investments			
Investment income, net of investment expenses			
Net cash provided (used) by investing activities			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents, end of year			
Investments held by trustees			
Net cash used by operating activities			

University of California, _____ Foundation

Notes to Financial Statements

June 30, 20__ and 20__

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits, money market accounts and balances with The Regent's Short Term Investment Pool (STIP). 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 STIP.

Contributions and Pledges

Pledges receivable and the corresponding revenue are recorded by the Foundation when they are verifiable, measurable, probable of collection, and all applicable eligibility requirements have been met. Pledges receivable scheduled for collection within the next fiscal year are recorded as current assets. Long term pledges are reflected in the financial statements at net present value. Management has established an allowance for uncollectible contributions, which includes 100% of the pledge balance that is past due longer than one year.

Contributions receivable represent written unconditional promises to give by donors. Contributions 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 the eligibility requirements specified by GASB Statement No. 33, Accounting and Reporting for Nonexchange Transactions. Endowment pledges are recognized as additions to the endowment at the time payment is received. Contributions which are expected to be collected during the next fiscal year are recorded at estimated net realizable value. Contributions recognized during the years ended June 30, 20__ and 20__, which are expected to be collected after one year have been discounted at __% for both years 20__ and 20__, and are reflected in the financial statements at their net present value.

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. It does not represent any changes in fair value that could be material subsequent to year end.

Trust 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.

Real estate is recorded at estimated fair value at the time of donation and annually appraised and marked to market.

Other Assets

Other assets represent other receivables, prepaid expenses, and stock proceeds in transit.

University of California, _____ Foundation

Notes to Financial Statements

June 30, 20__ and 20__

Funds Held in Trust by Others

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's accounting policy is to not record these gifts until the time requirements have been met and the gifts are received. Consistent with the Foundation's recognition policy for pledges of endowment, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The Foundation recognizes the related contribution revenue when all eligibility requirements have been met.

Custodial Investment Funds

Custodial Investment Funds represent funds held by the Foundation under an agency relationship with various support groups of UC_F or are funds held on behalf of the UC_F campus.

Gift Annuities Payable and Trust Liabilities

Trusts include irrevocable 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 trust agreement. The Foundation is the trustee for these trusts. 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 standard gift annuity tables and applicable IRS guidelines. The difference between the fair value of the trust assets and the liability for beneficiary payments is recorded as revenue at date of gift.

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

Net position includes the following:

Restricted nonexpendable net position consists of permanent endowments and charitable remainder trust funds, which will become permanent endowments. Such funds are generally subject to donor restrictions requiring that the principal be invested in perpetuity for the purpose of producing investment income and appreciation that may be expended or added to principal in accordance with donors' wishes. The Foundation classifies the original endowment gift and any amounts added to principal per the donor's wishes as restricted nonexpendable net position. Trust resources that are not expendable upon maturity are also classified as restricted nonexpendable net position.

Restricted expendable net position relates to contributions designated by donors for use by particular entities or programs or for specific purposes or functions of the University. They also include funds functioning as endowments, which can be expended. Investment income and appreciation of endowment investments are classified as restricted expendable net position unless otherwise specified by the donor. Trust resources that are expendable upon maturity are classified as restricted expendable net position.

Unrestricted net position is net position of the Foundation that is not subject to donor imposed restrictions.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use restricted resources first, and then unrestricted resources when they are needed.

University of California, _____ Foundation

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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 and other disbursements to the University and administrative expenses. Grants to University include distributions made to UC Davis departments, units, or programs. Grants include expendable gift proceeds and payout of endowment investment income. Other disbursements to the University include gift fees discussed in Note 6. Administrative expenses include management, administrative, and other operating expenses such as audit and accounting fees, cost of board of trustee meetings, and other similar expenses.

Nonoperating revenues and expenses include investment income, the change in the carrying value of trust liabilities, interest and dividends, the change in fair value of investments, which consists of the net realized gain (loss) on the sale of investments, and change in unrealized appreciation (depreciation) in the fair value of investments.

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

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 conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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, 20__ financial statements to conform to the June 30, 20__ presentation.

3. Cash and Cash Equivalents

The Foundation manages its cash through a major banking institution. At June 30, 20__ and 20__, the carrying amount of the Foundation's general ledger cash held in a nationally recognized banking institution was approximately \$__ million and \$__ million, respectively. Bank balances are insured by the Federal Deposit Insurance Corporation up to the applicable limits.

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

Cash and cash equivalents consist of balances in bank demand deposits and funds held with the University of California. The Foundation invests surplus cash balances in the Short-Term Investment Pool

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June 30, 20__ and 20__

(STIP) managed by the Treasurer of The University of California. Substantially all of the Foundation’s cash is deposited into the STIP. The Foundation deposits into the STIP are considered demand deposits. Unrealized gains and losses associated with the fluctuation in the fair value of the investment included in the STIP are not recorded by the Foundation but are absorbed by the University of California as manager of the pool.

in thousands of dollars

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Cash and cash equivalents	\$	\$	\$	\$
Short-term investments				
Total				

At June 30, 20__ and 20__, the carrying amounts of the Foundation’s demand deposits were \$__ and \$__ and the bank balances were \$__ and \$__, respectively. The difference between the carrying amount and the bank balance is due to outstanding transfers, checks, and other reconciling items.

The checking accounts at June 30, 20__ and 20__ were insured by federal depository insurance up to \$__. Checking account balances at June 30, 20__ and 20__ were \$__ and \$__, respectively. At no time during the years ended June 30, 20__ and 20__, did the Foundation hold amounts in checking accounts in excess of federally insured limits. The Foundation minimizes cash balances held in checking accounts by sweeping available balances into investment accounts on a regular basis. To mitigate the risk of custodial credit risk, the Foundation’s cash and investments have been placed with high quality counter parties. The University of California’s STIP invests primarily in U.S. Treasury securities, prime-grade commercial paper, and short-term corporate notes with cost approximating market value. The Foundation earns income based on its average investment in the pool and such income is reported as investment income in the statements of revenue, expenses, and changes in net position. The STIP is considered to be an external investment pool and is not rated; therefore, there is no associated custodial credit risk. The STIP has no foreign investments; therefore, there is no foreign currency risk associated with investments in the STIP. None of the amounts held in the STIP are insured by federal depository insurance. Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University’s Mortgage Origination Program with terms up to 40 years.

4. Investments

GASB 31 Requirements:

“15. Governmental entities should make the following disclosures in the notes to the financial statements:

- a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices
- b. The policy for determining which investments, if any, are reported at amortized cost

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares

d. Any involuntary participation in an external investment pool

e. If an entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate

f. Any income from investments associated with one fund that is assigned to another fund.”

UC Annual Financial Report Example:

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), UCRS, UCRHBT and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Committee on Investments of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

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

TRIP allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed income and alternative investments.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

Investments authorized by The Regents for GEP, UCRS, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except for STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds is not managed by the Chief Investment Officer and totaled \$2.8 billion at June 30, 20__.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 28 days at June 30, 20__. The fair value of UCRHBT's investment in this portfolio was \$53.6 million at June 30, 20__. These are measured at net asset value as of June 30, 20__.

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

The composition of the Foundation's investments as of June 30, 20__ and 20__ is as follows:

<i>in thousands of dollars</i>				
	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Equity securities:				
Domestic	\$	\$	\$	\$
Foreign				
Equity securities				
Fixed- or variable-income securities:				
U.S. government-guaranteed:				
U.S. Treasury bills, notes and bonds				
U.S. Treasury strips				
U.S. TIPS				
U.S. government-backed securities				
U.S. government-backed mortgage-backed securities				
U.S. government-guaranteed				
Other U.S. dollar-denominated:				
Corporate bonds				
Commercial paper				
U.S. agencies				
U.S. agencies - asset-backed securities				
Corporate - asset-backed securities				
Supranational/foreign				
Other				
Other U.S. dollar-denominated				
Foreign currency-denominated:				
Corporate				
Government/sovereign				
Foreign currency-denominated				
Commingled funds:				
Absolute return funds				
Non-U.S. equity funds				
Private equity				
Money market funds				
U.S. equity funds				
Real estate investment trusts				
Real assets				
U.S. bond funds				
Non-U.S. bond funds				
Balanced funds				
Commingled funds				
Investment derivatives				
Publicly traded real estate investment trusts				
Mortgage loans				
Real estate				
Other investments				
Campus foundations' investments with the University				
UCRS investment in the STIP				
Held by custodial investment funds	()	()
Total investments				
Less: Current portion				
Noncurrent portion	\$	\$	\$	\$

University of California, _____ Foundation
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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.

University of California, _____ Foundation
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June 30, 20__ and 20__

The credit risk profile for fixed income securities at June 30, 20__ and 20__ is as follows:

in thousands of dollars

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Fixed- or variable-income securities:				
U.S. government-guaranteed:	\$	\$	\$	\$
Other U.S. dollar-denominated:				
AAA				
AA				
A				
BBB				
BB				
B				
CCC or below				
Not rated				
Foreign currency-denominated:				
BBB				
B				
CCC or below				
Commingled funds:				
U.S. bond funds: Not rated				
Non-U.S. bond funds: Not rated				
Money market funds: Not rated				
Mortgage loans: Not rated				
Investment derivatives: Not rated				

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 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. Counter party 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 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. Though the Foundation's investment guidelines do not address concentration of credit risk, the Foundation is cognizant of this risk and is diversified in its asset allocation.

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Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities 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 short-term investments are primarily held in STIP. There is no restriction on the weighted average maturity of the portfolio as it is managed relative to the maturity structure of the liabilities, that is, the liquidity demands of the Foundation. The nature and maturity of individual securities in the STIP allow for the use of weighted average maturity as an effective risk management tool. The Foundation periodically reviews the investment policy to address interest rate risk in its fixed income portfolio.

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The effective duration (in years) of the Foundation's fixed income securities at June 30, 20__ and 20__ is as follows:

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Fixed- or variable-income securities:				
U.S. government-guaranteed:				
U.S. Treasury bills, notes and bonds				
U.S. Treasury strips				
U.S. TIPS				
U.S. government-backed securities				
U.S. government-backed mortgage-backed securities				
Other U.S. dollar-denominated:				
Corporate bonds				
U.S. agencies				
U.S. agencies - asset-backed securities				
Corporate - asset-backed securities				
Supranational/foreign				
Other				
Foreign currency-denominated:				
Corporate				
Government/sovereign				
Commingled funds:				
U.S. bond funds				
Non-U.S. bond funds				
Money market funds*				

*Foundation investment in STIP

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__F did not have any such contracts in place at June 30, 20__ and 20__. The Foundation investment policies prohibit direct foreign currency speculation.

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At June 30, 20__ and 20__, the U.S. dollar balances of Foundation investments that carry foreign currency risk are as follows:

in thousands of dollars

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
<i>Equity securities:</i>				
Australian Dollar	\$	\$	\$	\$
Brazilian Real				
British Pound				
Canadian Dollar				
Chinese Yuan				
Danish Krone				
Euro				
Hong Kong Dollar				
Indian Rupee				
Japanese Yen				
Mexican Peso				
New Taiwan Dollar				
Norwegian Krone				
Singapore Dollar				
South Africa Rand				
South Korean Won				
Swedish Krona				
Swiss Franc				
Thailand Baht				
Other				
Subtotal				
<i>Fixed-income securities:</i>				
Euro				
Mexican Peso				
Subtotal				
<i>Commingled funds (various currency denominations):</i>				
Absolute return funds				
Non-U.S. equity funds				
Private equity				
Real estate investment trusts				
Real assets				
Non U.S bond funds				
Balanced funds				
Subtotal				
Total exposure to foreign currency risk	\$	\$	\$	\$

University of California, _____ Foundation

Notes to Financial Statements

June 30, 20__ and 20__

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 risks 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 \$_____ million and \$_____ million as of June 30, 20__ and 20__, respectively, which is reflected in investments in the accompanying Statements of Net Position.

5. Fair Value

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, 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 fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

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

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental 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.

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

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 20__:

in thousands of dollars

	Foundation					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	OTHER OBSERVABLE INPUTS	UNOBSERVABLE INPUTS	NET ASSET VALUE	NOT LEVELED
		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities:	\$	\$	\$	\$	\$	\$
Fixed- or variable-income securities:						
U.S. government-guaranteed						
Other U.S. dollar-denominated						
Foreign currency-denominated						
Commingled funds						
Investment derivatives						
Real estate						
<u>Held by custodial investment funds</u>	()	()	()	()	()	()
Total investments	\$	\$	\$	\$	\$	\$
Securities landing investments of cash collateral	\$	\$	\$	\$	\$	\$
Beneficial interests included in other noncurrent assets	\$	\$	\$	\$	\$	\$

in thousands of dollars

	Custodial Investment Funds					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	OTHER OBSERVABLE INPUTS	UNOBSERVABLE INPUTS	NET ASSET VALUE	NOT LEVELED
		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities:	\$	\$	\$	\$	\$	\$
Fixed- or variable-income securities:						
U.S. government-guaranteed						
Other U.S. dollar-denominated						
Foreign currency-denominated						
Commingled funds						
Investment derivatives						
Real estate						
Total investments	\$	\$	\$	\$	\$	\$
Securities landing investments of cash collateral	\$	\$	\$	\$	\$	\$
Beneficial interests included in other noncurrent assets	\$	\$	\$	\$	\$	\$

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 20__:

in thousands of dollars

	Foundation					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	OTHER OBSERVABLE INPUTS	UNOBSERVABLE INPUTS	NET ASSET VALUE	NOT LEVELED
		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities:	\$	\$	\$	\$	\$	\$
Fixed- or variable-income securities:						
U.S. government-guaranteed						
Other U.S. dollar-denominated						
Foreign currency-denominated						
Commingled funds						
Investment derivatives						
Real estate						
<u>Held by custodial investment funds</u>	()	()	()	()	()	()
Total investments	\$	\$	\$	\$	\$	\$
Securities landing investments of cash collateral	\$	\$	\$	\$	\$	\$
Beneficial interests included in other noncurrent assets	\$	\$	\$	\$	\$	\$

in thousands of dollars

	Custodial Investment Funds					
	TOTAL	QUOTED PRICES IN ACTIVE MARKETS	OTHER OBSERVABLE INPUTS	UNOBSERVABLE INPUTS	NET ASSET VALUE	NOT LEVELED
		(Level 1)	(Level 2)	(Level 3)	(NAV)	
Equity securities:	\$	\$	\$	\$	\$	\$
Fixed- or variable-income securities:						
U.S. government-guaranteed						
Other U.S. dollar-denominated						
Foreign currency-denominated						
Commingled funds						
Investment derivatives						
Real estate						
Total investments	\$	\$	\$	\$	\$	\$
Securities landing investments of cash collateral	\$	\$	\$	\$	\$	\$
Beneficial interests included in other noncurrent assets	\$	\$	\$	\$	\$	\$

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

A substantial portion of the assets of the Foundation are invested in a general endowment pool. Investment income, gains, and losses are allocated monthly to individual endowment funds based on the proportion of each fund's fair value to the total fair value of invested endowment funds. Investment management fees are offset against investment income. Certain endowment funds are separately invested in accordance with donor specifications.

6. Pledges Receivable

Promises to give, net of discount of present value and allowance for doubtful accounts, are due to be collected as of June 30, 20__ and 20__ as follows:

in thousands of dollars

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Total pledges receivable outstanding	\$	\$	\$	\$
Unamortized discount to present value				
Allowance for uncollectible pledges				
Total pledges receivable, net				
Less: Current portion of pledges receivable				
Noncurrent portion of pledges receivable	\$	\$	\$	\$

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 20__ and thereafter are as follows:

in thousands of dollars

	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Year Ending June 30				
2021	\$	\$	\$	\$
2022				
2023				
2024				
2025				
202-2030				
Beyond 2030				
Total payments on pledges receivable	\$	\$	\$	\$

Conditional promises depend on the occurrence of a specified future or uncertain event, such as matching gifts from other donors. They are recognized when the conditions are substantially met. As of June 30, 20__, the Foundation had received conditional promises to give up to \$__. Such promises to give are conditional upon matching requirements, \$__ of which have been met as of June 30, 20__ and are included in contributions revenue in the statements of revenue, expenses, and changes in net position. If matching gifts or pledges are not received, \$__ will expire by ____, 20__.

7. Taxes

The Foundation is a tax exempt, not for profit organization 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

University of California, _____ Foundation
Notes to Financial Statements
June 30, 20__ and 20__

purposes for which it was 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 financial statements taken as a whole.

8. Commitments

The following table presents significant terms of certain investments at June 30, 20__:

in thousands of dollars

Investment Type	Foundation		Custodial Investment Funds	
	20__	20__	20__	20__
Absolute return	\$	\$	\$	\$
Private equities				
Other investments				
Real estate and real estate investment trusts				
U.S. equity and Non-U.S. equity funds				
Total	\$	\$	\$	\$

9. Related Parties

The Foundation supports the University and has the following organizational relationship with the University:

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 University.

Gift and Endowed Cost Recovery Fees

In accordance with relevant University policies, gift fees are paid by the Foundation to the University to cover administrative costs as described above. Gift fees are included in management and general expense in the accompanying financial statements and totaled \$__ million and \$__ million for the years ended June 30, 20__ and 20__, respectively.

Interest on Short-Term Investments

Interest on short term investments is credited either to the benefiting fund or remitted to UC__ on a periodic basis. During fiscal years 20__ and 20__, \$__ million and \$__ million were transferred to UC__, respectively

10. Subsequent Events

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