UC Santa Barbara Foundation

Report on Financial Statements

June 30, 2023 and 2022

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Report of Independent Auditors

To the Board of Trustees of the
UC Santa Barbara Foundation

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
September 15, 2023

The following discussion and analysis presents an overview of the financial performance of the UC Santa Barbara Foundation (the "Foundation"), a component unit of the University of California, as of and for the years ended June 30, 2023 ("FYE 2023"), June 30, 2022 ("FYE 2022") and June 30, 2021 ("FYE 2021"). It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, notes to financial statements, and this discussion and analysis are prepared by management and are the responsibility of management.

Overview

This annual report consists of a series of financial statements prepared in accordance with the statements of the Governmental Accounting Standards Board ("GASB"). These statements focus on the financial condition of the Foundation, its changes in net position and its cash flows, taken as a whole.

One of the most important questions asked about Foundation finances is whether the Foundation is better off or worse off as a result of the year's activities. Perhaps as important is assessing the long-term financial performance of the Foundation. The key to understanding these questions are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The Foundation's net position (the difference between assets and the sum of liabilities and deferred inflows of resources) is one indicator of the Foundation's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Foundation's financial health when considered with other nonfinancial information.

The Statement of Net Position includes all assets, liabilities and deferred inflows of resources. The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating, with gifts received for the benefit of, and disbursements to, The Regents of the University of California Santa Barbara ("Regents") reported as operating revenues and expenses, respectively, and investment results reported as non-operating revenues or expenses. These statements are prepared using the accrual basis of accounting.

Another way to assess the financial health of the Foundation is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows helps users assess an entity's ability to generate net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

Condensed Summary of Net Position

	FYE 2023 (in thousands)	FYE 2022 (in thousands)	FYE 2021 (in thousands)
Assets			
Current assets	$ 37,009	$ 34,118	$ 32,134
Noncurrent assets	402,852	380,938	405,764
Total assets	$ 439,861	$ 415,056	$ 437,898
Liabilities			
Current liabilities	$ 1,496	$ 1,976	$ 2,095
Noncurrent liabilities	14,211	14,449	15,472
Total liabilities	$ 15,707	$ 16,425	$ 17,567
Deferred Inflows of Resources			
Trusts	$ 11,681	$ 11,710	$ 11,853
Net Position			
Unrestricted	1,546	1,288	1,163
Restricted			
Expendable	206,776	189,649	219,575
Nonexpendable (endowment)	204,151	195,984	187,740
Total net position	$ 412,473	$ 386,921	$ 408,478

Assets
FYE 2023
Total current assets increased $2.9 million from $34.1 million to $37.0 million as of FYE 2023, due primarily to a $2.1 million increase in current pledges receivable, a $0.7 million increase in short term investments and a $0.2 million increase in cash from current use gifts that have not yet been transferred to campus. These increases were offset by a decrease in accounts receivable of $0.1 million due to timing.

Noncurrent assets increased $22.0 million from $380.9 million to $402.9 million driven by a net $24.5 million in capital gain of the Foundation's investments. This increase was partially offset by a $2.3 million decrease in noncurrent pledges receivable from donors fulfilling commitments ahead of schedule and a $0.2 million decrease in charitable remainder assets.

Assets
FYE 2022
Total current assets increased $2 million from $32.1 million to $34.1 million as of FYE 2022, due primarily to a $1 million increase in current pledges and an increase in current use gifts of $2 million that have not yet been transferred to campus. These increases were offset by a decrease in both cash and accounts receivable of $1 million due to timing.

Noncurrent assets decreased $24.7 million from $405.7 million to $381.0 million driven by a net $28.1 million in capital loss of the Foundation's investments. This decrease was partially offset by a $1.4 increase in interest income from the Long-Term Investment Pool ("LTIP") reinvested into LTIP and a $2.0 million increase in noncurrent pledges receivable.

Liabilities
FYE 2023
Current liabilities experienced a minimal decrease of $0.5 million due to the closure of a charitable remainder unitrust ("CRUT"). The largest portion of current liabilities is comprised of annual payouts of trusts held at the Foundation, with the largest trust incurring a constant annual current liability of approximately $1.3 million throughout its lifetime.

The noncurrent liabilities net decrease of $0.2 million is the result of the annual calculation to adjust the long-term liabilities for the Charitable Remainder Annuity Trust ("CRAT") and CRUTs to present value offset by the addition of a new CRUT.

Liabilities
FYE 2022
Current liabilities stayed flat. The largest portion of current liabilities is comprised of annual payouts of trusts held at the Foundation, with the largest trust incurring a constant annual current liability of approximately $1.3 million throughout its lifetime.

The $1 million decrease in noncurrent liabilities is the result of the annual calculation to adjust the long-term liabilities for the CRAT and CRUTs to present value.

Deferred Inflows of Resources
FYE 2023
Deferred inflows of resources are defined as an acquisition of net assets by the Foundation that is applicable to a future reporting period. This year, the annual calculation to adjust the Charitable Remainder Annuity Trust ("CRAT") and Charitable Remainder Unitrusts ("CRUTs") to present value lead to minor adjustments only.

Deferred Inflows of Resources
FYE 2022
Deferred inflows of resources are defined as an acquisition of net assets by the Foundation that is applicable to a future reporting period. This year, the annual calculation to adjust the CRAT and CRUTs to present value lead to minor adjustments only.

Net Position
FYE 2023
Total net position increased $25.6 million to $412.5 million at FYE 2023 mostly driven by positive returns in the financial markets. Nonexpendable Assets (Endowments) increased by $8.2 million to $204 million in FYE 2023 again, because of capital gains.

Net Position
FYE 2022
Total net position decreased $21.6 million from $408.5 million at FYE 2021, to $386.9 million at FYE 2022 because of negative returns in the financial markets. However, Nonexpendable Assets (Endowments) increased by $8.3 million to $196 million in FYE 2022 because of net inflows to endowments.

Condensed Summary of Revenues, Expenses and Changes in Net Position

	FYE 2023 (in thousands)	FYE 2022 (in thousands)	FYE 2021 (in thousands)
Operating revenues	$ 28,115	$ 22,954	$ 23,381
Operating expenses	35,023	27,144	22,488
Operating income (loss)	(6,908)	(4,190)	893
Non-operating net revenues (expenses)	25,243	(26,548)	91,392
Permanent Endowment Contributions	7,217	9,181	12,890
Increase (decrease) in net position	25,552	(21,557)	105,175
Net position, beginning of year	386,921	408,478	303,303
Net position, end of year	$ 412,473	$ 386,921	$ 408,478

Revenue and Support
FYE 2023
Operating revenues increased by $5.2 million to $28.1 million, primarily due to an increase in current use gifts compared to last year.

Operating expenses increased by $7.9 million to $35.0 million in FYE 2023. These expenses include all fund transfers from the Foundation to the campus. This year, the Foundation increased payouts to campus for University programs and other designated disbursements by $6.8 million due to an increase in current use giving, by $0.5 million in support of scholarships and awards, and by $0.6 million for general operations.

The Foundation's Endowment Payout Policy, adopted in conformance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), provides prudent capital preservation for both endowment and designated funds. It is also intended to assure a stable flow of payouts in the face of volatile market conditions. The Foundation uses a sixty-month average share value to achieve a more stable payout flow. The Foundation kept the FYE 2023 payout policy percentage at 4.0%, as it was for FYE 2022. The potential payout amount increased in dollar terms because of a $3.83 increase in the sixty-month average share value. The Foundation continues to use an "opt-in" payout policy, wherein no distributions are made unless requested by the Fund Administrator. As in the past, this year the opt-in policy reduced actual distributions to campus to more than $2.0 million below the maximum payouts that could have been made in FYE 2023, as Fund Administrators continued to expend balances on campus and retained funds invested in the endowment.

Non-operating net revenues increased by $51.8 million from negative $26.6 million in FYE 2022 to $25.2 million this year, recovering last year's investment loss of 7.56% with a gain of 8.0% in net returns in FY23.

Revenue and Support
FYE 2022
Operating revenues decreased $0.4 million from $23.4 million in FYE 2021 to $23.0 million, primarily due to a decrease in current use gifts over the prior year.

Operating expenses increased by $4.6 million from $22.5 million in FYE 2021 to $27.1 million in FYE 2022. These expenses include all fund transfers from the Foundation to the campus. This year the Foundation increased the payouts to campus for University programs and other designated disbursements by $3.4 million, $1.0 million in support of scholarship and awards, and $0.2 million for general operations.

The Foundation's Endowment Payout Policy, adopted in conformance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), provides prudent capital preservation for both endowment and designated funds. It is also intended to assure a stable flow of payouts in the face of volatile market conditions. The Foundation uses a sixty-month average share value to achieve a more stable payout flow. The Foundation kept the FYE 2022 payout policy percentage at 4.0%, as it was for FYE 2021. The potential payout amount increased in dollar terms because of a $1.48 increase in the sixty-month average share value. The Foundation continues to use an "opt-in" payout policy, wherein no distributions are made unless requested by the Fund Administrator. Again, this year the opt-in policy reduced actual distributions to campus to more than $2.3 million below the maximum payouts that could have been made in FYE 2022, as Fund Administrators continued to expend balances on campus and retained funds invested in the portfolio.

Non-operating net revenues decreased by $118 million from $91.4 million in FYE 2021 to negative $26.6 million. After last year's stellar investment gains of 33.23%, the Foundation's investments dropped 7.56% in FYE 2022. This decline led to the drastic drop in non-operating net revenues that ended in the red for the year.

Factors Impacting Future Periods

Management expects stable pledge payment deferral rates and pledge default rates in the immediate future based on the most recent pledge payment patterns. The Foundation Board and the management team are careful not to make programmatic commitments based on outstanding pledge balances, so market fluctuations are not material to the Foundation's financial condition. Pledges across all levels from small to large commitments decreased marginally as did allowances for uncollectible pledges. Management expects that this pattern will also remain stable in the near future.

The Foundation's Board approved an Endowment Cost Recovery fee of 0.45% for FYE 2024, consistent with FYE 2023, after having approved a temporary increase to 0.55% in FYE 2022 that financed a long overdue upgrade of the gift processing system.

The Foundation will maintain its 4.0% payout rate based on a 60-months rolling average in FYE 2024. This is consistent with the prudent long-term fiscal strategy taken by management to assure the viability of endowments over time. Management will continue to assess on an annual basis whether further adjustments to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") endowment distribution policy rate are warranted.

The Foundation's 6% gift administrative fee, initially effective in FYE 2013, has been extended for FYE 2024, and it is expected this will remain in place for the long-term. The Foundation's gift fee was originally introduced in conjunction with a parallel action by the campus on all gifts made to the UC Regents.

The investment portfolio is now invested primarily in the Regents' General Endowment Pool ("GEP"). The Foundation still holds residual investments made during the time when the assets were managed by another outside money manager. These residual investments continue to shrink as a percentage of total investments and represent approximately 2% of the Foundation's overall investments currently. Management expects to hold these residual investments until they mature or can be sold at a price commensurate with prudent asset management.

Master Custodial Services and Investment Performance verification will both continue to be provided by State Street Bank & Trust under a contract administered by the UC Regents. The Investment Policy Guidelines of the Foundation will be revised at the 2023 Fall Board Meeting in line with a required annual review of the Investment Policy Guidelines. This review will likely end with minor changes and will have a minor impact on investment strategy because the Investment Policy Statement of the Foundation's largest investment, the General Endowment Pool, has not changed since July 1, 2020 and is not expected to be changed in the near future, either.

In addressing the impacts of the technical changes inherent in the implementation of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), management shifted the payout practice of the Foundation to an "opt-in" model in FYE 2010 and will continue with this model in FYE 2024. This model encourages Fund Administrators on campus to use unexpended balances prior to drawing additional funds from the endowment. The strategy has proved to be highly effective as payouts continued to be considerably below the maximum available payout in FY 2023 as well.

The Foundation holds most charitable remainder unitrust ("CRUT") assets at State Street Bank & Trust's Charitable Asset Management Group and has established a CRUT at BNY Mellon in FY 23. Management expects that future CRUTs will also be established at BNY Mellon.

Management is not aware of any other factors that could have a significant impact on future periods.

UC Santa Barbara Foundation
Statements of Net Position
FYE 2023 and FYE 2022

Assets	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Current assets		
Cash and cash equivalents	$ 1,471	$ 1,243
Short-term investments	28,398	27,682
Pledges receivable - current portion, net	7,137	5,028
Accounts receivable	3	165
Total current assets	37,009	34,118
Noncurrent assets		
Pledges receivable, net	3,974	6,298
Assets held in charitable remainder annuity trust	23,093	23,477
Investments held in charitable remainder unitrusts	4,221	4,118
Beneficial interest in non-trustee split interest trusts	74	73
Long-term investments	371,490	346,972
Total noncurrent assets	402,852	380,938
Total assets	$ 439,861	$ 415,056
Liabilities		
Current liabilities		
Accounts payable	$ -	$ 467
Charitable remainder annuity trust liability	1,270	1,270
Charitable trust unitrust liability	226	239
Total current liabilities	1,496	1,976
Noncurrent liabilities		
Charitable remainder annuity trust liability	11,350	12,027
Charitable remainder unitrust liability	2,861	2,422
Total noncurrent liabilities	14,211	14,449
Total liabilities	$ 15,707	$ 16,425
Deferred Inflows of Resources		
Deferred charitable remainder annuity trust	$ 10,472	$ 10,179
Deferred charitable remainder unitrusts	1,135	1,458
Deferred split-interest trust held by non-trustee	74	73
Total deferred inflows of resources	$ 11,681	$ 11,710
Net position		
Unrestricted	$ 1,546	$ 1,288
Restricted:		
Expendable		
Endowment	89,338	80,509
Funds functioning as endowments	83,540	75,883
Gifts	33,898	33,257
Nonexpendable		
Endowment	204.151	195,984
Total net position	$ 412,473	$ 386,921

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

UC Santa Barbara Foundation
Statements of Revenues, Expenses and Changes in Net Position
FYE 2023 and FYE 2022

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Operating revenues		
Contributions	$ 28,107	$ 22,946
Other revenue	8	8
Total operating revenues	28,115	22,954
Operating expenses		
General operations	4,300	3,706
University programs and other designated disbursements	25,884	19,084
Scholarships and awards	4,839	4,354
Total operating expenses	35,023	27,144
Operating (loss)	(6,908)	(4,190)
Non-operating revenues (expenses), net		
Realized/unrealized gains (losses) on investments, net	20,604	(28,052)
Interest and dividends	4,639	1,504
Total non-operating revenues (expenses), net	25,243	(26,548)
Change in net position before permanent endowment contributions	18,335	(30,738)
Other changes in net position		
Permanent endowment contributions	7,217	9,181
Change in net position	25,552	(21,557)
Net position		
Beginning of year	386,921	408,478
End of year	$ 412,473	$ 386,921

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

UC Santa Barbara Foundation
Statements of Cash Flows
FYE 2023 and FYE 2022

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Cash flows from operating activities		
Receipts from contributions	$ 25,467	$ 15,235
Payments to campus	(30,723)	(23,438)
Payments to beneficiaries	(1,466)	(1,542)
Payments for administrative expenses	(4,300)	(3,706)
Other receipts, net	1,069	1,711
Net cash (used in) operating activities	(9,953)	(11,740)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	6,424	5,770
Net cash provided by non-capital financing activities	6,424	5,770
Cash flows from investing activities		
Proceeds from sale of investments	24,168	22,219
Purchases of investments	(25,050)	(18,137)
Interest and dividends on investments	4,639	1,504
Net cash provided by investing activities	3,757	5,586
Net increase (decrease) in cash and cash equivalents	228	(384)
Cash and cash equivalents – beginning of year	1,243	1,627
Cash and cash equivalents – end of year	$ 1,471	$ 1,243
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating (loss)	$ (6,908)	$ (4,190)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities		
Noncash gifts	(2,955)	(5,042)
Changes in assets and liabilities		
Increase in accounts receivable	162	638
Increase (decrease) in pledges receivable	215	(3,069)
Decrease in accounts payable	(467)	(77)
Net cash (used in) operating activities	$ (9,953)	$ (11,740)
Supplemental Disclosure of Noncash Gifts		
Contributions of marketable securities		
Operating	$ 2,955	$ 5,042
Endowment	793	3,410

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

1. Organization

The UC Santa Barbara Foundation ("UCSBF" or "the Foundation") is a not-for-profit organization formed in 1973 dedicated to providing to the University of California, Santa Barbara ("UCSB") 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 have 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 UCSB. The Foundation was established solely to support the mission of UCSB. 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 UCSB, provided the Regents have maintained tax-exempt status under the Internal Revenue Code and relevant California laws. The Foundation is considered a governmental not-for-profit organization, subject to reporting under the Governmental Accounting Standards Board (GASB).

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

Funds raised through the Foundation on behalf of the Regents are made directly to the Regents and are not included in the accompanying financial statements. The Foundation provides financial support for various UCSB-related programs, including faculty research and teaching activities, student scholarships, equipment purchases and capital improvements. The Foundation transfers monies to UCSB, which assumes responsibility for actual disbursement.

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:

(a) 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.

(b) Cash Equivalents

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

(c) Contributions and Pledges

Pledges receivable and the corresponding revenue are recorded by the Foundation when they are verifiable, measurable, probable of collection, and all other 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 based on historical write-offs.

Contributions receivable represent 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 GASB33, *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.

New pledges due beyond one year have been discounted at an annual rate of 2.8%, reflecting the fair value rate. Prior year pledges due beyond one year were discounted at annual rates varying between 0.4% and 2.4%.

(d) Investments
The Foundation invests all of its investments in the Regents' managed investment pools, with the exception of some residual alternative assets that are illiquid and a holdover from the time when another outside money manager managed the assets. Beginning in 2021, the Foundation also accepted funds into the "Dean's Investment Fund" that are managed by a student group under the supervision of faculty members and an advisory board. The net asset value of the Dean's Investment Fund was $257,118 at FYE 2023. The $257,118 are shown on the Statements of Net Position within the Long and Short-term Investments.

Investments consisted principally of investments in the Regents' Short Term Investment Pool ("STIP") and the UC Santa Barbara Foundation Long Term Investment Pool ("LTIP"). The primary investment vehicle for the Foundation's LTIP is the General Endowment Pool ("GEP") managed by the Chief Investment Office in the UC Office of the President ("UCOP").

Short-term investments consist primarily of STIP. Short-term investments are reported at fair value. All endowment and trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Foundation's ability to use these investments.

Endowment funds are invested in accordance with the *Endowment Investment Spending Policies and Guidelines*, adopted by the Board of Trustees ("the Board"), and the UPMIFA. Investment decisions are based on a long-term investment strategy, with an objective of maximizing the endowment portfolio's long-term total return (yield plus appreciation). Following the Foundation's by-laws, the Investment Committee approves the Foundation's Investment Policy Guidelines ("IPG") annually and did so on October 28, 2022. The Foundation's IPG incorporates the Regents' General Endowment Pool (GEP) investment policy statement effective July 1, 2020.

Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investments in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by broker/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments in registered investment companies are valued based upon the reported Net Asset Value (NAV) of those companies. The Foundation exercises due diligence in assessing the external managers' use of, and adherence to, fair value principles.

Investments also include private equities, absolute return funds, real estate, real assets and certain asset-backed securities. Private equities include venture capital partnerships and buyout funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the NAV of the underlying investments and NAV is considered as a practical expedient for fair value. 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 FYE 2023 and FYE 2022, respectively. The valuation of assets referenced above is consistent with the implementation standards of GASB72, *Fair Value Measurement and Application*.

The fair value of interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable and are generally less liquid, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed.

Estimates of the fair value of interests in externally held irrevocable trusts where the Foundation is the beneficiary of either the income or the remainder are based upon the present value of the expected future income or, if available, the Foundation's proportional interest in the fair value of the trust assets.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the Foundation's Statement of Revenues, Expenses and Changes in Net Position.

Gifts of securities are recorded based on fair value at the date of donation and are liquidated as soon as possible. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

It is the goal of the Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power.
- Generate sufficient resources to meet spending needs (payout).
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

(e) Beneficial Interest in Non-Trustee Split Interest Trusts
The Foundation has been named the irrevocable beneficiary for several charitable remainder trusts for which the Foundation is not the trustee. Upon maturity of each trust, the beneficial remainder of the trust corpus will be transferred to the Foundation. The Foundation treats these irrevocable split-interest trusts according to GASB81, *Irrevocable Split Interest Agreements*.

(f) Investments Held in Charitable Remainder Unitrusts and Annuity Trusts
The Foundation has been designated as the trustee for several charitable remainder trusts (the Trusts) and irrevocable unitrusts. The Trust agreements require that the Foundation make annual payments to the Trust beneficiaries, for which a liability is established. Upon the death of the beneficiaries or termination of the Trusts, as defined, the remaining assets of the Trusts will become available to the Foundation, as stipulated in the Trust agreements. Charitable Unitrusts are invested through an agreement with State Street Charitable Asset Management.

The Trusts are established by donors to provide income, generally for life, to designated beneficiaries. Each year, beneficiaries receive payments as specified in the trust agreement, a fixed payment (annuity trusts) or a percentage of the Trusts' fair value (standard unitrust).
In FYE 2018, a $25.3 million Charitable Remainder Annuity Trust ("CRAT") was set up with the Foundation serving as trustee. The CRAT was funded with a transfer of marketable securities with a fair value of $25.4 million. These funds and the subsequent interest earnings were then used by the CRAT to issue a single asset in the form of a note with the UC Regents, and to pay for the beneficiary distributions made prior to the note. For FYE 2023, the CRAT distributed $1.27 million to the beneficiaries. The debt service payments on this note cover the quarterly payments to the beneficiary and all administrative expenses of the CRAT for the twenty year duration of the CRAT. Should the donors both die prior to the twenty-year duration expiring, the unpaid balance to the donors shall be forgiven.

(g) Trust Liabilities
Trust liabilities include the obligations related to irrevocable annuity 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 the beneficiary payments is established representing the present value of estimated future beneficiary payments over the expected life of the life beneficiaries or term as designate in the trust agreement. The liability is calculated using standard gift annuity tables and applicable Internal Revenue Service guidelines. The difference between the fair value of the trust assets and the liability for beneficiary payments is recorded as deferred inflows of resources at date of gift.

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

(i) Other Deferred Gifts
Other than charitable remainder trusts, a deferred gift is recorded when a donor makes an immediate transfer of the remainder interest of an asset to the Foundation but the Foundation is not able to use the asset for the purposes set forth by the donor until subsequent periods. Upon the death of the donor, or as described in the agreement, the remainder interest of the asset will become contributions to the Foundation as stipulated in the agreement.

The Foundation has been notified of certain deferred gifts (intentions to give, interests in charitable annuity pools) from which it will receive assets. These deferred gifts, which are revocable, are not reflected in the accompanying financial statements.

(j) 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.

(k) Net Position
Net position includes the following:

Net investments in capital assets – Net investments in capital assets are used to account for equipment, net of accumulated depreciation.

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

Restricted, expendable – Net positions of restricted, expendable funds relate to contributions designated by the donor for use by particular entities or programs or for specific purposes or functions of UCSB. 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.

Restricted, nonexpendable (endowment or otherwise permanently restricted) – Restricted, nonexpendable net positions are used to account for net position that are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested, and permitting only a certain amount of the annual return generated by the investment to be distributed (spending). The spending component of restricted net position, nonexpendable is classified as restricted net position, expendable as all investment return associated with these gifts is purpose-restricted.

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

(l) Classification of Revenues and Expenses
Operating revenues and expenses are distinguished from non-operating items and generally result from providing services in connection with ongoing operations and stewardship of current funds.

The principal operating revenues are derived from gifts and other fundraising activities. Operating expenses include distributions to UCSB and administrative expenses.

Disbursements to UCSB also include distributions made to UCSB departments, academic or research units, or programs. These include expendable gift proceeds and payout of endowment investment income.
Other disbursements to UCSB include gift fees. 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.

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

Current period gifts for permanent endowment purposes are classified as other changes in net position in the Statements of Revenues, Expenses and Changes in Net Position.

(m) Income Tax Status

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.

(n) Use of Estimates

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

3. Cash and Investment Management

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* ("GASB 40") the Foundation's investments are reported by investment type at fair value in the composition of investments below. GASB40 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.

Cash and investments consist of the following as of FYE 2023 and FYE2022:

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Cash		
Commercial banks	$ 1,471	$ 1,243
Total cash	1,471	1,243
Investments		
Equity securities		
Domestic	464	313
Commingled funds		
Balanced funds	369,788	345,125
Money market funds	28,398	27,682
Charitable remainder unitrusts	4,221	4,118
Other investments	1,238	1,534
Total investments	404,109	378,772
Total cash and investments	$ 405,580	$ 380,015
Current assets – cash	$ 1,471	$ 1,243
Current assets – short-term investments	28,398	27,682
Noncurrent assets – investments (including assets of investments held in unitrusts)	375,711	351,090
Total cash and investments	$ 405,580	$ 380,015

The Foundation deposits and maintains cash in a commercial bank to meet its operating needs and transfers the excess funds as often as necessary to its primary investment account at UCOP.

The majority of the Foundation's investments are with the UC GEP and the UC STIP with the exception of some residual alternative investments which are either illiquid or where the sale of the asset in the secondary markets has not been beneficial to the Foundation. The Dean's Investment Fund is also managed separately as described in Note 2(d) "Investments".

The Foundation utilizes the passively managed investment funds in a structure overseen and held in custody accounts at State Street Global Advisors and administered by State Street Charitable Asset Management: U.S. equity funds, Non-U.S. equity, U.S. bonds, and Real Estate Investment Trusts. In FY 2023, the Foundation also started to utilize passively managed investment funds in a structure overseen and held in custody accounts at BNY Mellon and administered by UCOP.

At the request of the trust beneficiaries, the Foundation may utilize a pre-approved set of other actively managed investment funds. This alternative structure is also managed by State Street Global Advisors and administered by State Street Charitable Asset Management. This portfolio serves as a supplement to the passively managed core products referenced above in order to provide greater portfolio diversity. Only one trust is currently being administered in this fashion.

4. Endowment Payout

In 2009, the Foundation adopted the provisions contained in the UPMIFA in management of its endowment and similar funds. UPMIFA eliminates the concept of 'historic dollar value' and states that "the institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established." Under this approach, during FYE 2023 and FYE 2022 the Foundation approved an endowment payout rate of 4.0% of the 60-month rolling average fair values of the endowment as of December 31, 2021 and 2020, respectively. To the extent that net income earned (interest and dividends reduced by investment management fees) is less than the approved endowment payout, net gains are appropriated in order to meet the approved payout rate. Payouts are distributed to UCSB departments and units in September and March of the fiscal year.

For FYE 2023 and FYE 2022, the approved endowment payout comprised the following:

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Investment income, net	$ 3,803	$ 1,408
Net gains	5,195	6,268
Approved endowment payout	$ 8,998	$ 7,676

5. Change in the Fair Value of Investments

The change in the fair value of investment represents the difference between the fair value of the investments at the beginning of the fiscal year and the end of the fiscal year, taking into consideration investment purchases, sales, subscriptions, and redemptions. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year are included as a change in the fair value of investments reported in the current year and include transactions arising from sale of contributed assets and liquidation of investment accounts during the year.

The components of the change in fair value of investments are as follows for FYE 2023 and FYE 2022:

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Unrealized appreciation (depreciation) on investments, net	$ 20,665	$ (28,064)
Realized (loss) gain on investments, net	(61)	12
Realized/unrealized gains (losses) on investments	$ 20,604	$ (28,052)

6. Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial risk, interest rate risk, concentration of credit risk, and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

(a) Credit Risk

Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. 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 & Poor's.

The lower the rating is, the greater the chance that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to carry credit risk. The Foundation's investment in STIP is considered to be an investment in an external fixed income investment pool that is "unrated." Note that this investment falls within the Foundation's *Investment Policy Guidelines*.

The credit risk profile for fixed income and commingled money market securities at FYE 2023 and FYE 2022 is as follows:

	FYE 2023 (in thousands)	**FYE 2022** (in thousands)	**Credit Rating**
Money market funds	$28,398	$27,682	not rated
Total funds subject to credit risk	$28,398	$27,682	

(b) 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, which is the risk 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.

Although the Foundation does not have a specific policy addressing custodial risk, substantially all of the Foundation's endowment investment assets (99%) are invested with the various investment pools overseen by the UC Chief Investment Officer, which complies with the risk guidelines for GEP and STIP as approved by the Regents. These pools are considered to be investments in external pools and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Similarly, the investment accounts held at State Street Global Advisors are also externally managed pools and the assets are held in custody or trust and would not be available to State Street Global Advisor's creditors because they are excluded from the assets of the custodian and as such, the custodial risk is remote.

The Foundation minimizes cash balances by sweeping available balances into investment accounts on a regular basis. The majority of the cash balance not invested is maintained in STIP.

(c) 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 affecting any one investment. 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.

(d) Interest Rate Risk

Interest rate risk is the risk that the value of securities will decline with rising interest rates. In particular, 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 an environment in which interest rates decline, the fixed income portfolio is subject to reinvestment risk as well. As higher yielding 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.

The effective duration (in years) of the Foundation's fixed income securities at FYE 2023 and FYE 2022 is as follows:

	FYE 2023 Fair Value (in thousands)	**Effective Duration**	**FYE 2022 Fair Value** (in thousands)	**Effective Duration**
Money market funds	$28,398	0.23 years	$ 27,682	0.02 years
Externally held irrevocable trusts	$4,221	6.07 years	4,118	6.42 years

(e) **Foreign Currency Risk**

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Foundation, via its investment in the STIP, has no exposure to foreign currency risk. The Foundation's LTIP asset allocation policy includes an allocation to non-U.S. securities that incurs foreign currency risk. The Foundation also has foreign currency exposure through its non-US equity investments managed by State Street Global Advisors.

The components in the foreign currency risk profile assumed in direct investments by the Foundation as of FYE 2023 and FYE 2022 are zero.

(f) 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 manager. 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.

(g) Fair Value

Fair value is defined in the accounting standards as the price that would be received when selling an asset or paying 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, mutual 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 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 judgment. Level 3 financial instruments include private equity investments, real estate, charitable remainder annuity trust, and split interest agreements.

Net Asset Value (NAV) – Investments measured at NAV, which is considered a practical expedient for fair value, 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.

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

(In thousands)	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity securities	$ 464	$ 464	-	-	$ -
Commingled funds	398,186	-	-	-	398,186
Charitable Remainder Unitrusts	4,221	4,221	-	-	-
Other investments	1,238	-	-	-	1,238
Total investments	$ 404,109	$ 4,685	-	-	$ 399,424

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)	(NAV)
Assets held in Charitable Annuity Trust	$ 23,093	$ -	$ -	$23,093	$ -

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of FYE 2022:

(In thousands)	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity securities	$ 313	$ 313	$ -	$ -	$ -
Commingled funds	372,807	-	-	-	372,807
Charitable Remainder Unitrusts	4,118	4,118	-	-	-
Other investments	1,534	-	-	-	1,534
Total investments	$ 378,772	$ 4,431	$ -	$ -	$ 374,341

(In thousands)	Total	(Level 1)	(Level 2)	(Level 3)	(NAV)
Assets held in Charitable Annuity Trust	$ 23,477	$ -	$ -	$ 23,477	$ -

The Foundation uses the NAV as a practical expedient (a) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and (b) to prepare their financial statements consistent with the measurement principles of an investment company or entities that have the attributes of an investment company. The following tables list investments by major category for FYE 2023 and FYE 2022, respectively:

FYE 2023 *(IN THOUSANDS)*	**FAIR VALUE DETERMINED USING NAV**	**UNFUNDED COMMITMENTS**	**REDEMPTION TERMS AND RESTRICTIONS**
COMMINGLED FUNDS			
UC GEP	$ 365,341	$ -	30 day notice
UC STIP	28,371	-	Daily liquidity
GOLDMAN SACHS	4,447	1,183	Not applicable
FIDELITY	27	-	Daily liquidity
TOTAL COMMINGLED FUNDS	$ 398,186	$ 1,183	
OTHER INVESTMENTS			
FARALLON	$ 36	$ -	Not applicable
LEXINGTON	1,202	-	Not applicable
TOTAL OTHER INVESTMENTS	$ 1,238	$ -	

FYE 2022 *(IN THOUSANDS)*	FAIR VALUE DETERMINED USING NAV	UNFUNDED COMMITMENTS	REDEMPTION TERMS AND RESTRICTIONS
COMMINGLED FUNDS			
UC GEP	$ 340,481	$ -	30 day notice
UC STIP	27,626	-	Daily liquidity
GOLDMAN SACHS	4,644	1,275	Not applicable
FIDELITY	56	-	Daily liquidity
TOTAL COMMINGLED FUNDS	$ 372,807	$ 1,275	
OTHER INVESTMENTS			
FARALLON	$ 72	$ -	Not applicable
LEXINGTON	1,462	-	Not applicable
TOTAL OTHER INVESTMENTS	$ 1,534	$ -	

7. Pledges Receivable

Included in pledges receivable at FYE 2023 and FYE 2022 are the following unconditional promises to give:

	FYE 2023 (in thousands)	FYE 2022 (in thousands)
Amount due in		
Less than one year	$ 8,387	$ 6,049
One to five years	4,936	7,492
Due after five years	-	250
Subtotal	13,323	13,791
Unamortized discount		(159)
Allowance for uncollectible amounts		
Current	(1,250)	(1,021)
Noncurrent	(962)	(1,285)
Total allowance	(2,212)	(2,306)
Net pledges receivable	$ 11,111	$ 11,326
Current pledges receivable	$ 7,137	$ 5,028
Noncurrent pledges receivable	3,974	6,298
Net pledges receivable	$ 11,111	$ 11,326

New pledges due beyond one year have been discounted at an annual rate of 2.8%, reflecting the fair value rate. Prior year pledges due beyond one year were discounted at annual rates varying between 0.4% and 2.4%.

8. Related Parties Administrative Cost Recovery and Fees

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

(a) Administrative Costs

The Foundation has a Board of Trustees, and designated officers; however, the Foundation does not have any employees. All of the Foundation's functions and activities are conducted by employees of UCSB. UCSB employees serving Foundation functions are covered by the Regents' pension plan and post-retirement health care plan. In addition, UCSB provides facility use and maintenance, data processing, all required insurance and other services to the Foundation.

The costs attributable to these services are derived based upon the direct support activities provided to the Foundation as determined by the Chief Financial Officer and totaled $2,599,281 for FYE 2023 and $2,296,732 for FYE 2022. These costs are covered in part by the Endowment Cost Recovery fee transfer referenced below that covers the Foundation Investment Management and Accounting staff costs. The net portion being funded by the campus is $984,690 for FYE 2023 and $510,773 for FYE 2022 when including all transfer of funds that supports Foundation operations. The remaining increment is funded through the general campus budget process.

(b) Gift and Endowed Cost Recovery Fees

An annual Endowment Investment Management fee is assessed on all endowment funds and funds functioning as endowments managed by the Foundation. In FYE 2023, the rate was 45 basis points based on the endowment's market value on December 31, 2021. In FYE 2022 there was a one-time increase of ten basis points (to 55 basis points) that was used to help finance the Gift Administration computer system upgrade. Endowment Investment Management fees charged by the Foundation totaled $1,614,591 in FYE 2023 and $1,785,959 in FYE 2022. This charge is paid out of dividend and interest earnings in LTIP. In addition to the extra Gift Administration computer upgrade in FYE 2022, in both FYE 2023 and FYE 2022, this money was transferred to UCSB to cover the Foundation's investment management, accounting, and operating costs. The relevant transactions are reflected in the Statements of Revenue, Expenses and Changes in Net Position.

In FYE 2023, $1,876,358.03 in administrative fees were transferred to campus. In FYE 2022, $1,338,790 in administrative fees were transferred to campus.

(c) Interest on Short-Term Investments

To offset a portion of the campus' indirect costs related to the processing, accounting and expenditures of gift funds, the investment earnings on assets held in the STIP are set aside by the Foundation in a current use fund. These monies are then transferred to campus to cover a portion of the salary and benefit costs of UC employees that expend funds gifted through the Foundation to the campus. For FYE 2023 and FYE 2022, $431,981 and $70,704 were transferred to campus, respectively.

9. Subsequent Events

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