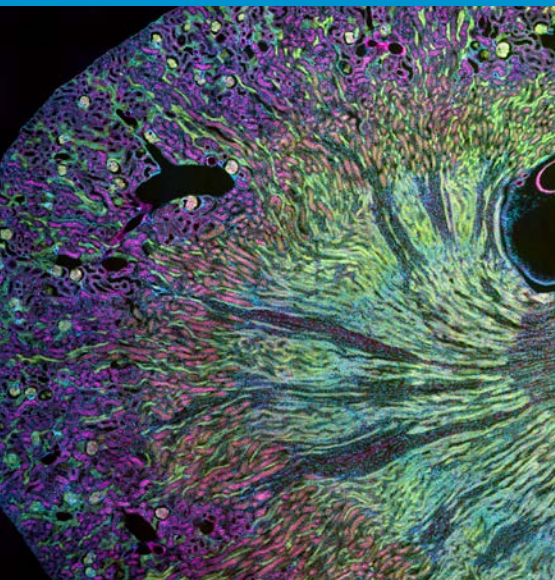


# University of California San Francisco Foundation

Financial Statements

June 30, 2021 and 2020



**UCSF**

University of California  
San Francisco

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# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

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The Management's Discussion and Analysis is intended to help readers of the University of California San Francisco Foundation (Foundation) financial statements better understand the Foundation's financial position and operating activities for the year ended June 30, 2021. It includes selected comparative information for the years ended June 30, 2020 and 2019. As an unaudited discussion prepared by management, it should be read in conjunction with the financial statements and notes to the financial statements. Unless otherwise indicated, years 2021, 2020 and 2019 in this discussion refer to the fiscal years ended June 30.

The Foundation implemented Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*, in 2021, requiring funds held for others to be reported as custodial investment funds, with reductions in related assets and liabilities on the Foundation's Statements of Net Position. Financial information for 2020 and 2019, including Management's Discussion and Analysis, has been restated to reflect GASB 84 requirements.

### ORGANIZATIONAL OVERVIEW

The Foundation was established in 1982 as a not-for-profit corporation dedicated to providing assistance in fundraising, public outreach and other support for the mission of the University of California San Francisco (UCSF) and The Regents of University of California (The Regents). The Foundation is affiliated with and its assets are dedicated to UCSF, and it is governed by an independent Board of Directors. Expenditures of the Foundation are generally limited to distributions in support of UCSF and affiliated entities, and normal administrative expenses. Gifts to the Foundation support the mission of UCSF, including funding priorities in research, education and clinical care. Gifts received by the Foundation are held and invested until distributed to UCSF and affiliated entities for spending in support of UCSF's mission. Private support to UCSF comes through several channels, and gifts to the Foundation comprise only a part of UCSF's total revenue from philanthropy.

As a separate corporation, the Foundation publishes audited financial statements and, in accordance with GASB Statement No. 39, its financial statements are also separately presented in the University of California's financial statements as a component unit in a separate column titled "Campus Foundations." The Foundation's financial statements reflect gifts made to the Foundation and other related financial activities. Gifts made to UCSF through The Regents or affiliated entities, such as Benioff Children's Hospital & Research Center Oakland Foundation (BCH Oakland Foundation) are not included in the Foundation's financial statements.

The UCSF Foundation Investment Company (Investment Company) was formed by the Foundation's Board of Directors in 2015 as a nonprofit organization to manage the Foundation's endowed investment pool. The Investment Company is led by its Chief Investment Officer, and it is governed by a Board with extensive knowledge of the investment industry, finance and business. As the sole member of the Investment Company, the Foundation appoints the Investment Company Board. Under GASB standards, the Investment Company is presented as a blended component in the Foundation's financial statements.

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

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### PRIVATE SUPPORT OVERVIEW

UCSF total private support for 2021 is \$712.9 million, comprising over 50,000 gifts and grants from individuals, including alumni and patients, corporations, foundations and other supporters, and ranging in size from a few dollars up to several million dollars. Approximately 69.2% of UCSF's private support in 2021 came through gifts and pledge payments made to the Foundation. While a substantial number of donors reside in the immediate Bay Area, given the international reputation of UCSF's schools and UCSF Health, the Foundation also receives gifts from donors throughout the U.S. and worldwide.

Reflecting its status as a leading university dedicated to the health sciences, UCSF has consistently ranked among the top institutions in philanthropic support. The Voluntary Support of Education (VSE) Survey, published annually by the Council for Aid to Education (CAE), is the leading national source of information on philanthropy to higher education, collecting data from more than 800 participating institutions on contributions received on a cash basis. UCSF has ranked in the top 20 of more than 800 participating institutions since 2016, and in the top 5 in three of those years.

*in millions of dollars*

| Year | UCSF Private Support | VSE Ranking |
|------|----------------------|-------------|
| 2020 | \$826.7              | 4           |
| 2019 | \$622.8              | 10          |
| 2018 | \$730.3              | 5           |
| 2017 | \$422.2              | 17          |
| 2016 | \$596.9              | 5           |

Private gift reporting through the VSE Survey is on a cash basis and is not based on GASB financial reporting standards, which reflect accrual-based Generally Accepted Accounting Principles (GAAP). For example, private support reporting recognizes pledge revenue as payments are received, while GAAP generally recognizes pledge revenue when the pledge is made.

### FINANCIAL HIGHLIGHTS - 2021

- The Foundation's net position is \$2,958.6 million as of June 30, 2021, an increase of \$807.4 million or 37.5% over June 30, 2020. The increase is due primarily to the following:
  - Investment results adding \$617.6 million
  - Contributions and additions to permanent endowments totaling \$566.2 million
  - Distributions to UCSF and affiliated organizations in support of the University's mission totaling \$369.9 million
- Operating income, including spendable gifts, and additions to permanent endowments increased 8.9% from 2020 to 2021. At \$566.2 million, 2021 is another record year for charitable giving for UCSF Foundation. Prior year results in 2020 and 2019, at \$520.0

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

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million and \$364.7 million, respectively, were also among the highest achieved by the Foundation.

- Operating expenses include distributions of gift and endowment income to UCSF and affiliated entities for use as donors intended in support of UCSF's mission. For 2021, \$369.9 million was distributed to UCSF and affiliates, a decrease of \$35.4 million from \$405.3 million distributed in 2020. 2021 and 2020 are the highest years on record for such distributions.
- Nonoperating income, comprising net investment income and change in fair market value of Foundation investments, was \$617.6 million and \$86.6 million for 2021 and 2020, respectively. Net investment income decreased from \$7.9 million in 2020 to \$0.2 million in 2021, and the change in fair market value of investments was a record \$617.4 million for 2021, and \$78.7 million for 2020.

### USING THIS REPORT

This annual report consists of financial statements prepared in accordance with GAAP, including the statements of the GASB. These statements focus on the financial condition of the Foundation, its changes in net position and its cash flows, taken as a whole. Statements are prepared using the accrual basis of accounting.

### THE FOUNDATION'S RESULTS OF OPERATIONS

The Statements of Revenues, Expenses and Changes in Net Position provide information on the Foundation's financial condition and changes year-over-year. Activities are classified as operating or nonoperating, with gifts and disbursements to UCSF and affiliates reported as operating revenue and expense, respectively, and investment results reported as nonoperating revenue or expense. Unlike for-profit enterprises, a decrease in net position in the Statements of Revenues, Expenses and Changes in Net Position is not necessarily indicative of poor financial performance because the Foundation's mandate is to make disbursements in support of UCSF's mission.

Investment Company results are combined with those of the Foundation, and its expenses are reported with the Foundation's operating results.

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

A summarized comparison of the operating results for 2021, 2020 and 2019 follows.

*in millions of dollars*

|  | 2021       | Restated<br>2020 | Restated<br>2019 |
|--|------------|------------------|------------------|
| <b>Operating revenues &amp; expenses</b>   |            |                  |                  |
| Contributions (net of change in allowance) | \$ 427.4   | \$ 451.6         | \$ 250.8         |
| Distributions to UCSF and affiliates       | (369.9)    | (405.3)          | (337.2)          |
| Income tax                                 |            |                  | 2.2              |
| Management and general expenses            | (6.5)      | (5.7)            | (5.5)            |
| Net operating income (loss)                | 51.0       | 40.6             | (89.7)           |
| <b>Nonoperating income</b>                 |            |                  |                  |
| Net investment income                      | 0.2        | 7.9              | 14.8             |
| Net increase in fair value of investments  | 617.4      | 78.7             | 66.1             |
| Nonoperating income                        | 617.6      | 86.6             | 80.9             |
| Additions to permanent endowments          | 138.8      | 68.4             | 113.9            |
| Increase in net position                   | 807.4      | 195.6            | 105.1            |
| <b>Net position</b>                        |            |                  |                  |
| Beginning of year, as previously reported  | 2,151.2    | 1,955.6          | 1,850.5          |
| Beginning of year, as restated             | 2,151.2    | 1,955.6          | 1,850.5          |
| End of year                                | \$ 2,958.6 | \$ 2,151.2       | \$ 1,955.6       |

The Statements Revenues, Expenses and Changes in Net Position present operating and nonoperating revenues and expenses and report an increase in the Foundation's net position of \$807.4 million for 2021, compared to \$195.6 million and \$105.1 million in 2020 and 2019, respectively. Changes in net position consist of net operating income (loss), nonoperating income (loss) and additions to permanent endowments.

### Operating Revenues and Expenses

Operating income (loss) consists primarily of gifts to the Foundation, offset by distributions to UCSF and affiliated entities from gifts received and investment income, and operating expenses. While distributions often coincide with receipt and recognition of revenue, the timing might not always occur in the same year, and operating losses can occur when distributions in any particular year exceed revenue for that year.

For 2021, the Foundation reported net operating income of \$51.0 million, compared to net operating income of \$40.6 million and net operating loss of \$89.7 million for 2020 and 2019, respectively. Contribution revenue, including gifts for current use and for quasi-endowments, decreased \$24.2 million from \$451.6 million in 2020 to \$427.4 million in 2021; this compares to an increase of \$200.8 million from 2019 to 2020. Contributions result from donor interests, long-term donor cultivation, and specific appeals for immediate needs. The timing and amounts of gifts are not entirely predictable, and the Foundation expects fluctuations in contribution revenue from year to year.



## University of California San Francisco Foundation Management's Discussion and Analysis (Unaudited)

Distributions to UCSF and affiliates are based on programmatic needs, subject to gift restrictions and the amount available in any particular year. Distributions include transfers of endowment income and gifts intended to fund capital projects and other purposes.

The tables below illustrate how distributions to UCSF and affiliates have changed year-over-year for 2021, 2020 and 2019 in total, and by type of use.

*in millions of dollars*

|   | 2021            | 2020            | 2019            |
|---|-----------------|-----------------|-----------------|
| <b>CAPITAL PROJECTS</b>   |                 |                 |                 |
| Mission Bay Block 23A Weill Neurosciences Building              | \$ 10.8         | \$ 11.5         | \$ 2.9          |
| Mission Bay Hospital Complex                                    | 9.7             | 5.1             | 15.5            |
| Mission Bay Precision Medicine Cancer Building                  | 4.7             | 10.7            | 11.2            |
| Sandler Neurosciences Conference Center                         | 1.9             | 1.3             | 1.7             |
| Mission Bay Block 33 Center for Vision Neuroscience Building    | 1.2             | 22.2            | 20.5            |
| Marson Lab  |                 | 1.2             |                 |
| Zuckerberg San Francisco General Academic and Research Building | 1.9             |                 | 1.7             |
| <b>Total to UCSF and Affiliates for Capital Projects</b>        | <b>30.2</b>     | <b>52.0</b>     | <b>53.5</b>     |
| <b>OTHER NONCAPITAL PROJECTS</b>                                |                 |                 |                 |
| Research/Faculty Support  | 233.6           | 220.4           | 162.8           |
| Institutional support   | 66.2            | 57.0            | 63.5            |
| Medical Center/Teaching Hospital                                | 4.2             | 44.4            | 23.3            |
| Instruction   | 15.9            | 16.0            | 17.3            |
| Student Financial Aid   | 11.4            | 7.2             | 5.6             |
| Other   | 8.4             | 8.3             | 11.2            |
| <b>Total to UCSF and Affiliates for Noncapital Projects</b>     | <b>339.7</b>    | <b>353.3</b>    | <b>283.7</b>    |
| <b>Total Distributions to UCSF and Affiliates for Spending</b>  | <b>\$ 369.9</b> | <b>\$ 405.3</b> | <b>\$ 337.2</b> |

Management and general expenses increased \$0.8 million from \$5.7 million in 2020 to \$6.5 million in 2021, and \$0.2 million from \$5.5 million in 2019 to \$5.7 million in 2020, primarily reflecting the costs of Investment Company operations.

### Nonoperating Income

Nonoperating income includes the results of all investment activities, which is a source for endowment payout and for Foundation operating expenses. Nonoperating income shown in the Statements of Revenues, Expenses and Changes in Net Position excludes investment results allocated to Custodial Investment Funds or External Pool Participants.

Net investment income consists of dividends, interest and other investment income offset by investment management fees. Net investment income totaled \$0.2 million, a decrease of \$7.7 million from 2020; at \$7.9 million, 2020 net investment income decreased \$6.9 million from 2019.

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

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Net increase (decrease) in fair value of investments, consisting of net realized gain (loss) and change in unrealized gain (loss), was \$617.4 million for 2021, compared to \$78.7 million for 2020 and \$66.1 million for 2019. Change in fair value reflects results for unendowed, endowed and trust investment activities.

For 2021, the Foundation's Endowed Investment Pool (EIP) return, including investment income and expense and change in fair market value, is 33.2%. Despite the global COVID-19 pandemic, historically strong global equity markets and robust activity in the private markets were the main sources of return. The Public Equity investments returned almost 37%, while Diversifying investments bounced back from last year's poor performance, returning 23%. Premium Return (private equity) had excellent returns (56%), and that portion of the portfolio has grown to 34%, so it is now a significant contributor to performance.

EIP return for 2020 was 5.3%. The Public Equity managers added value, but the big contributor was the Premium Return (private equity) group. Having grown to 23% of the portfolio, strong absolute and relative returns from these private investments added significant value.

EIP return for 2019 was 4.5%, with EIP performance driven primarily by solid global equity markets and notable contributions from Diversifying managers.

Endowment payout is drawn from the accumulated market value of the EIP, consisting of corpus, current year net investment income, and accumulated income and gains. Payout for 2021 is \$93.7 million, compared to \$85.1 million and \$73.5 million for 2020 and 2019, respectively. These amounts are net of the Foundation's cost recovery fee and represent spendable funds available to campus departments and custodial investment funds (external pool participants), for program support. Total payout increases each year as the Foundation's endowment grows, and payout reflects earnings on funds functioning as endowments that were established with proceeds from the 2018 sale of the Foundation's real estate limited partnership interests.

### **Additions to Permanent Endowments**

The Foundation's endowment continues to grow year-over-year. For 2021, gifts to permanent endowments increased \$70.4 million, from \$68.4 million in 2020 to \$138.8 million; additions to permanent endowments totaled \$113.9 million in 2019.

### **THE FOUNDATION'S NET POSITION**

The Foundation's Statements of Net Position presents all assets, liabilities and deferred inflows of resources and provides information on its net financial position at the end of the year. The difference between assets, liabilities and deferred inflows of resources is net position, which represents a measure of the current financial condition of the Foundation. 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.

Major components of the Foundation's assets, liabilities, deferred inflows and net position as of 2021, 2020 and 2019 are as follows:



# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

*in millions of dollars*

|  | 2021       | Change | Restated<br>2020 | Change | Restated<br>2019 | Change |
|--|------------|--------|------------------|--------|------------------|--------|
| <b>Assets</b>  |            |        |                  |        |                  |        |
| Cash and cash equivalents                                      | \$ 270.5   | 0.1%   | \$ 270.3         | -29.8% | \$ 385.3         | -2.9%  |
| Investments  | 2,626.5    | 37.0%  | 1,916.8          | 23.7%  | 1,549.3          | -5.6%  |
| Pledges  | 128.5      | 113.8% | 60.1             | -33.4% | 90.2             | -34.8% |
| Other assets   | 36.6       | -26.4% | 49.7             | 138.9% | 20.8             | 62.5%  |
| Total assets   | 3,062.1    | 33.3%  | 2,296.9          | 12.3%  | 2,045.6          | -6.6%  |
| <b>Liabilities</b>   |            |        |                  |        |                  |        |
| Obligations under life<br>income arrangements                  | 27.4       | 10.9%  | 24.7             | -2.4%  | 25.3             | 12.4%  |
| Other liabilities  | 44.9       | -51.2% | 92.1             | 176.6% | 33.3             | -88.4% |
| Total liabilities  | 72.3       | -38.1% | 116.8            | 99.3%  | 58.6             | -81.1% |
| <b>Deferred inflows of resources</b>                           |            |        |                  |        |                  |        |
| Deferred inflows from irrevocable<br>split interest agreements | 31.2       | 8.0%   | 28.9             | -8.0%  | 31.4             | 8.7%   |
| Total deferred inflows   | 31.2       | 8.0%   | 28.9             | -8.0%  | 31.4             | 8.7%   |
| <b>Net position</b>  |            |        |                  |        |                  |        |
| Restricted   |            |        |                  |        |                  |        |
| Nonexpendable  | 1,048.4    | 15.5%  | 907.4            | 8.5%   | 836.0            | 16.1%  |
| Expendable   | 1,909.8    | 53.6%  | 1,243.4          | 11.1%  | 1,119.2          | -0.9%  |
| Unrestricted   | 0.4        | 0.0%   | 0.4              | 0.0%   | 0.4              | 0.0%   |
| Total net position   | \$ 2,958.6 | 37.5%  | \$ 2,151.2       | 10.0%  | \$ 1,955.6       | 5.7%   |

### Assets

Total assets for 2021 increased 33.3%, or \$765.2 million, to \$3,062.1 million from \$2,296.9 million at June 30, 2020. This compares to an increase of \$251.3 million, or 12.3%, from 2019 to 2020. Total assets include cash and cash equivalents, investments, pledges, and other assets, including investment income receivable, receivable for investments sold and all other assets.

Cash and investments increased \$709.9 million and \$252.5 million from 2020 to 2021 and 2019 to 2020, respectively. Year-over-year changes in cash and investments are primarily the result of operating cash flows from contributions and disbursements to UCSF, additions to permanent endowments, and nonoperating income. Cash and investment balances include Investment Company balances. Balances in the Statements of Net Position no longer include assets associated with External Pool Participants, including Benioff Children's Hospital Oakland Foundation, representing their investment in the Foundation's EIP. These balances are included with Custodial Investment Fund balances in the Statements of Fiduciary Net Position, and prior year balances have been restated to reflect this change.

In 2021, pledge receivable balances increased significantly after declining for three consecutive years. Pledge balances of \$128.5 million as of June 30, 2021 increased \$68.4 million from \$60.1 million in 2020. New pledges totaling \$176.1 million were offset by pledge payments and other changes of \$105.8 million. This increase in the pledge receivable was offset by a net increase in the allowance for uncollectible pledges and discount on multiyear pledges of \$1.9 million.

## University of California San Francisco Foundation Management's Discussion and Analysis (Unaudited)

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Pledge receivable balances of \$60.1 million as of June 30, 2020 decreased \$30.1 million from \$90.2 million in 2019. New pledges totaling \$12.0 million were offset by pledge payments and other changes of \$43.7 million. This net decrease was offset by a net decrease in the allowance for uncollectible pledges and discount on multiyear pledges of \$1.6 million.

Financial statement balances do not reflect conditional pledges that will be recognized when conditions, contingencies or milestone events specified by donors are met, or nonbinding intentions that donors may satisfy through other entities, such as donor advised funds or related foundations.

Other assets decreased \$13.1 million from \$49.7 million in 2020 to \$36.6 million in 2021, and increased \$28.9 million from \$20.8 million in 2019 to \$49.7 million in 2020. Other assets include receivable for investments sold, investment income receivable, beneficial interests in irrevocable split-interest agreements administered by third parties, and all other assets. Year-over-year changes are primarily due to changes in receivable for investments sold, which comprises \$14.5 million of the decrease in other assets for 2021, and \$21.3 million of the increase for 2020. The receivable for investments sold reflects timing differences in cash settlements for trades executed just prior to fiscal year end.

### Liabilities

Foundation liabilities decreased \$44.5 million, or 38.1%, from \$116.8 million at June 30, 2020 to \$72.3 million at June 30, 2021, and increased \$58.2 million, or 99.3% from 2019 to 2020. Year-over-year fluctuations generally result from changes in amounts payable to UCSF for funds disbursed at year-end but not funded until the subsequent year, payable for investments purchased and liabilities to beneficiaries under life income arrangements.

Amounts payable to UCSF for funds disbursed at year-end but not funded until the subsequent year decreased \$23.4 million and increased \$28.7 million from 2020 to 2021 and 2019 to 2020, respectively.

Payable for investments purchased decreased \$9.3 million from 2020 to 2021, and increased \$12.0 million from 2019 to 2020. Similar to the receivable for investments sold, this payable reflects timing differences in cash settlements for trades executed just prior to year-end.

Endowment income payable to external participants decreased \$9.1 million from 2020 to 2021, and increased \$9.1 million from 2019 to 2020 due to participants electing a 2020 cash payout rather than reinvesting their payout.

Year-over-year changes in obligations under life income arrangements and agency funds held for others did not change significantly from 2019 to 2021.

Balances no longer include a liability to External Pool Participants, including Benioff Children's Hospital Oakland Foundation, for their investments in the Foundation's EIP. These balances are included with Custodial Investment Fund balances in the Statements of Fiduciary Net Position, and prior year balances have been restated to reflect this change.

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

### Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of resources that will be recognized as revenue in a future reporting period. They do not represent revenue relating to the current fiscal year, and they are not liabilities owed by the Foundation. Amounts shown as deferred inflows in the Foundation's Statements of Net Position represent the fair value of the Foundation's interest in irrevocable split interest agreements where the Foundation is a trustee and remainderman or in trusts held by third parties where the Foundation is a remainderman.

Year-over-year changes in deferred inflows of resources reflect split interest activity for the year. This activity includes acquisition of new split interest agreements, actuarial changes in liabilities to beneficiaries, and in market value. Revenue is recognized as agreements are realized, and the deferred inflow is reduced.

### Net Position

Net position represents the residual interest in assets after all liabilities and deferred inflows of resources are deducted. Net position increased \$807.4 million, or 37.5%, from \$2,151.2 million in 2020 to \$2,958.6 million in 2021, and \$195.6 million, or 10.0%, from \$1,955.6 million in 2019 to \$2,151.2 million in 2020. Net assets are reported in three major categories - restricted nonexpendable, restricted expendable and unrestricted - as follows:

*in millions of dollars*

|                          | 2021       | Restated<br>2020 | Restated<br>2019 |
|--------------------------|------------|------------------|------------------|
| Restricted nonexpendable | \$ 1,048.4 | \$ 907.4         | \$ 836.0         |
| Restricted expendable    | 1,909.8    | 1,243.4          | 1,119.2          |
| Unrestricted             | 0.4        | 0.4              | 0.4              |
| Total net position       | \$ 2,958.6 | \$ 2,151.2       | \$ 1,955.6       |

Restricted nonexpendable net position includes the corpus of the Foundation's permanent endowments. At \$1,048.4 million, \$907.4 million and \$836.0 million, restricted nonexpendable net position comprises 35.4%, 42.2% and 42.7% of total net position for 2021, 2020 and 2019, respectively. Increases of \$141.0 million from 2020 to 2021 and \$71.4 million from 2019 to 2020 are primarily due to receipt of gifts intended for permanent endowments, but also include reclassification of the underwater portion of permanent endowments with market values that are less than their historic gift value from restricted nonexpendable to restricted expendable net assets.

Restricted expendable net position includes gifts that are subject to donor-designated restrictions governing their use by particular entities or programs, or for specific purposes or functions of UCSF. They also include donor and internally designated quasi-endowments that can be expended, and endowment income and change in fair market value. At \$1,909.8 million, \$1,243.4 million and \$1,119.2 million, restricted expendable net position comprises 64.5%, 57.8% and 57.2% of total net position for 2021, 2020 and 2019, respectively. Increases of \$666.4 million from 2020 to 2021 and \$124.2 million from 2019 to 2020 are primarily due to

# University of California San Francisco Foundation

## Management's Discussion and Analysis (Unaudited)

receipt of current use gifts, gifts and other funds intended for quasi-endowments, investment income, and increase in fair market value of investments, offset by distributions to UCSF.

Unrestricted net position includes gifts that are not subject to donor-imposed restrictions.

### THE FOUNDATION'S SOURCES AND USES OF CASH

Another way to assess the financial health of the Foundation is to look at the Statements of Cash Flows, which provides information about significant sources and uses of cash. A summary comparison of cash flows for 2021, 2020 and 2019 follows:

*in millions of dollars*

|   | 2021            | Restated<br>2020 | Restated<br>2019 |
|---|-----------------|------------------|------------------|
| Net cash (used in) operating activities                     | \$ (113.5)      | \$ (20.4)        | \$ (92.8)        |
| Net cash provided by noncapital financing activities        | 119.8           | 75.3             | 114.8            |
| Net cash (used in) investing activities                     | (6.1)           | (169.9)          | (33.6)           |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>.2</b>       | <b>(115.0)</b>   | <b>(11.6)</b>    |
| Cash and cash equivalents at beginning of year              | 270.3           | 385.3            | 396.9            |
| <b>Cash and cash equivalents at end of year</b>             | <b>\$ 270.5</b> | <b>\$ 270.3</b>  | <b>\$ 385.3</b>  |

Cash used in operating activities ranged between (\$20.4) million and (\$113.5) million over the past three years. These amounts reflect cash flows associated with the fundamental mission of the Foundation and consist primarily of contribution revenue and distributions to UCSF.

Cash flows relating to additions to permanent endowments, agency and support group funds held for others, and 2020 short sale activities are reported as noncapital financing activities. Cash flows associated with these activities have ranged between \$75.3 million and \$119.8 million over the past three years.

The year-to-year changes in net cash used in investing activities are largely the result of the routine timing of investment purchases, including investments of cash gifts and pledge payments, and sales of investments, including sales that might be required to generate cash to fund distributions to UCSF or, to a lesser extent, investment income.

### LOOKING FORWARD

The level of support UCSF and UCSF Foundation receive each year from alumni, patients, corporations, foundations and other supporters is a testament to UCSF's status as a leading university dedicated to health sciences and advancing health worldwide. This support underscores the continued confidence among donors in the quality of UCSF's programs and the importance of its mission.

## **University of California San Francisco Foundation Management's Discussion and Analysis (Unaudited)**

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The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States and in the State, including cities and counties throughout the State. While there have been and likely will continue to be material financial impacts to the campus due to COVID-19, impact to the Foundation is uncertain. Future impact will likely depend on the timing of economic recovery in general and the status of financial markets.



## **Report of Independent Auditors**

To the Board of Trustees of the  
University of California, San Francisco Foundation

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the University of California, San Francisco Foundation (“Foundation”), a component unit of the University of California, which comprise the statements of net position and of fiduciary net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, of changes in fiduciary net position, and of cash flows for the years then ended.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditors’ Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the University of California, San Francisco Foundation as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the Foundation changed the manner in which it accounts for fiduciary funds in 2021. Our opinions are not modified with respect to this matter.

***Other Matter***

The accompanying management's discussion and analysis on pages 2 through 12 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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*

September 27, 2021

**University of California San Francisco Foundation**  
**Statements of Net Position**  
**June 30, 2021 and 2020**

| <i>in thousands of dollars</i>                              | UCSF Foundation     |                     |
|---|---------------------|---------------------|
|   | 2021                | Restated<br>2020    |
| <b>ASSETS</b>   |                     |                     |
| Current assets  |                     |                     |
| Cash and cash equivalents                                   | \$ 217,770          | \$ 175,842          |
| Short-term investments                                      | 25,160              | 11,995              |
| Receivable for investments sold                             | 22,039              | 36,540              |
| Accrued investment income                                   | 421                 | 567                 |
| Pledges receivable, net                                     | 37,427              | 26,538              |
| Other assets  | 33                  | 7,531               |
| <b>Current assets</b>                                       | <b>302,850</b>      | <b>259,013</b>      |
| Noncurrent assets   |                     |                     |
| Investments, excluding endowments and trusts                | 108,215             | 118,356             |
| Cash and cash equivalents, endowments                       | 52,732              | 94,439              |
| Investments, endowments                                     | 2,436,711           | 1,736,745           |
| Investments, trusts   | 56,449              | 49,748              |
| Accrued investment income, endowments                       | 2,715               | 568                 |
| Pledges receivable, net                                     | 91,123              | 33,529              |
| Other assets  | 11,299              | 4,517               |
| <b>Noncurrent assets</b>                                    | <b>2,759,244</b>    | <b>2,037,902</b>    |
| <b>Total assets</b>   | <b>\$ 3,062,094</b> | <b>\$ 2,296,915</b> |
| <b>LIABILITIES</b>  |                     |                     |
| Current liabilities   |                     |                     |
| Payable for investments purchased                           | \$ 3,098            | \$ 12,448           |
| Annuities payable   | 788                 | 747                 |
| Liabilities to life beneficiaries                           | 1,993               | 1,947               |
| Other liabilities   | 41,427              | 69,600              |
| <b>Current liabilities</b>                                  | <b>47,306</b>       | <b>84,742</b>       |
| Noncurrent liabilities                                      |                     |                     |
| Annuities payable   | 6,977               | 7,214               |
| Liabilities to life beneficiaries                           | 17,639              | 14,804              |
| Other liabilities   | 393                 | 10,115              |
| <b>Noncurrent liabilities</b>                               | <b>25,009</b>       | <b>32,133</b>       |
| <b>Total liabilities</b>                                    | <b>\$ 72,315</b>    | <b>\$ 116,875</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                     |                     |
| Deferred inflows from irrevocable split interest agreements | \$ 31,189           | \$ 28,888           |
| <b>Total deferred inflow of resources</b>                   | <b>\$ 31,189</b>    | <b>\$ 28,888</b>    |

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

**University of California San Francisco Foundation**  
**Statements of Net Position (Continued)**  
**June 30, 2021 and 2020**

| <i>in thousands of dollars</i>        | UCSF Foundation     |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | 2021                | Restated<br>2020    |
| <b>NET POSITION</b>                   |                     |                     |
| Restricted                            |                     |                     |
| Nonexpendable                         |                     |                     |
| Endowment corpus                      | \$ 1,048,411        | \$ 907,373          |
| <b>Total nonexpendable</b>            | <b>1,048,411</b>    | <b>907,373</b>      |
| Expendable                            |                     |                     |
| Endowment income and net appreciation | 504,371             | 178,787             |
| Quasi-endowments                      | 882,584             | 693,660             |
| Contributions                         | 522,859             | 370,956             |
| <b>Total expendable</b>               | <b>1,909,814</b>    | <b>1,243,403</b>    |
| <b>Total restricted</b>               | <b>2,958,225</b>    | <b>2,150,776</b>    |
| Unrestricted                          | 365                 | 376                 |
| <b>Total net position</b>             | <b>\$ 2,958,590</b> | <b>\$ 2,151,152</b> |

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

**University of California San Francisco Foundation**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2021 and 2020**

| <i>in thousands of dollars</i>   | <b>UCSF Foundation</b> |                          |
|--|------------------------|--------------------------|
|  | <b>2021</b>            | <b>Restated<br/>2020</b> |
| <b>OPERATING REVENUES</b>  |                        |                          |
| Contributions (net of increase in allowance of \$591<br>and decrease of \$646 in 2021 and 2020, respectively) \$ | 427,391                | \$ 451,554               |
| <b>Total operating revenues</b>  | <b>427,391</b>         | <b>451,554</b>           |
| <b>OPERATING EXPENSES</b>  |                        |                          |
| Distributions to UCSF and affiliates   | 369,898                | 405,264                  |
| Management and general expenses  | 6,470                  | 5,753                    |
| <b>Total operating expenses</b>  | <b>376,368</b>         | <b>411,017</b>           |
| <b>Net operating income</b>  | <b>51,023</b>          | <b>40,537</b>            |
| <b>NONOPERATING INCOME</b>   |                        |                          |
| Net investment income  | 179                    | 7,887                    |
| Net increase in fair value of investments  | 617,432                | 78,689                   |
| <b>Total nonoperating income</b>   | <b>617,611</b>         | <b>86,576</b>            |
| <b>Net income before other changes in net assets</b>   | <b>668,634</b>         | <b>127,113</b>           |
| <b>OTHER CHANGES IN NET POSITION</b>   |                        |                          |
| Additions to permanent endowments  | 138,804                | 68,438                   |
| <b>Increase in net position</b>  | <b>807,438</b>         | <b>195,551</b>           |
| <b>NET POSITION</b>  |                        |                          |
| Beginning of year  | 2,151,152              | 1,955,601                |
| End of year  | \$ 2,958,590           | \$ 2,151,152             |

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

**University of California San Francisco Foundation**  
**Statements of Cash Flows**  
**Year Ended June 30, 2021 and 2020**

| <i>in thousands of dollars</i>  | <b>2021</b>  | <b>Restated<br/>2020</b> |
|---|--------------|--------------------------|
| <b>Cash flows from operating activities</b>   |              |                          |
| Contributions   | \$ 285,048   | \$ 361,168               |
| Distributions to UCSF and affiliates  | (393,281)    | (376,544)                |
| Payments to beneficiaries   | (2,763)      | (2,791)                  |
| Payments for administrative or operating expenses   | (5,989)      | (5,575)                  |
| Other receipts  | 3,463        | 3,351                    |
| Net cash (used in) operating activities   | (113,522)    | (20,391)                 |
| <b>Cash flows from noncapital financing activities</b>  |              |                          |
| Contributions for permanent endowment purposes  | 135,984      | 64,626                   |
| Other receipts  | (16,126)     | 10,684                   |
| Net cash provided by noncapital financing activities  | 119,858      | 75,310                   |
| <b>Cash flows from investing activities</b>   |              |                          |
| Proceeds from sales of donated securities   | 74,786       | 120,828                  |
| Proceeds from sales and maturities of investments   | 890,928      | 330,287                  |
| Purchases of investments  | (970,319)    | (628,902)                |
| Investment income, net of investment expense  | (1,510)      | 7,807                    |
| Net cash (used in) investing activities   | (6,115)      | (169,980)                |
| Net increase (decrease) in cash and cash equivalents  | 221          | (115,061)                |
| <b>Cash and cash equivalents</b>  |              |                          |
| Beginning of year   | 270,281      | 385,342                  |
| End of year   | \$ 270,502   | \$ 270,281               |
| <b>Reconciliation of net operating income to net cash used in operating activities</b>        |              |                          |
| Net operating income  | \$ 51,023    | \$ 40,537                |
| <b>Adjustments to reconcile net operating income to net cash used in operating activities</b> |              |                          |
| Receipt of donated securities, excluding permanent endowment                                  | (72,582)     | (119,285)                |
| Change in allowance for uncollectible pledges   | 592          | (646)                    |
| Change in unamortized discount on pledges   | 1,257        | (1,000)                  |
| Changes in assets and liabilities   |              |                          |
| Pledges receivable  | (70,331)     | 31,744                   |
| Annuities payable and liabilities to life beneficiaries                                       | 887          | 361                      |
| Deferred inflows  | (65)         | (1,000)                  |
| Other assets and liabilities, net   | (24,303)     | 28,898                   |
| Net cash (used in) operating activities   | \$ (113,522) | \$ (20,391)              |
| <b>Supplemental noncash activities</b>  |              |                          |
| Operating activities - Contributions  | \$ 71,982    | \$ 153                   |
| Noncapital financing - Additions to permanent endowments                                      | 2,820        | 119,132                  |
| Beneficial interest in irrevocable split-interest agreements                                  | 599          | 3,812                    |

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

**University of California San Francisco Foundation**  
**Custodial Investment Funds**  
**June 30, 2021 and 2020**

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**Statements of Fiduciary Net Position**

| <i>in thousands of dollars</i>                    | <b>Custodial Investment Funds</b> |                          |
|---|-----------------------------------|--------------------------|
|   | <b>2021</b>                       | <b>Restated<br/>2020</b> |
| <b>ASSETS</b>                                     |                                   |                          |
| Noncurrent assets                                 |                                   |                          |
| Investments                                       | 359,681                           | 262,713                  |
| <b>Total assets</b>                               | <b>\$ 359,681</b>                 | <b>\$ 262,713</b>        |
| <b>NET POSITION HELD IN CUSTODIAL FUNDS</b>       |                                   |                          |
| Custodial investment funds, restricted            | \$ 359,681                        | \$ 262,713               |
| <b>Total net position held in custodial funds</b> | <b>\$ 359,681</b>                 | <b>\$ 262,713</b>        |

**Statements of Changes in Fiduciary Net Position**

| <i>in thousands of dollars</i>                          | <b>Custodial Investment Funds</b> |                          |
|---|-----------------------------------|--------------------------|
|   | <b>2021</b>                       | <b>Restated<br/>2020</b> |
| <b>ADDITIONS</b>  |                                   |                          |
| New additions   | \$ 1,973                          | \$ 2,471                 |
| Reinvested distributions                                | 18,659                            | 357                      |
| Change in fair market value of investments, net         | 76,786                            | (772)                    |
| <b>Total additions</b>                                  | <b>97,418</b>                     | <b>2,056</b>             |
| <b>DEDUCTIONS</b>                                       |                                   |                          |
| Withdrawals   | (450)                             | (64)                     |
| <b>Total withdrawals</b>                                | <b>(450)</b>                      | <b>(64)</b>              |
| <b>Increase in net position held in custodial funds</b> | <b>96,968</b>                     | <b>1,992</b>             |
| <b>NET POSITION</b>                                     |                                   |                          |
| Beginning of year                                       | 262,713                           | 260,721                  |
| End of year   | \$ 359,681                        | \$ 262,713               |

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



# University of California San Francisco Foundation

## Notes to Financial Statements

### June 30, 2021 and 2020

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#### ORGANIZATION

The University of California San Francisco Foundation (Foundation) was incorporated on May 25, 1982, and is dedicated to fundraising, public outreach and other support for the mission of the University of California San Francisco (UCSF) and The Regents of the University of California (The Regents). The Foundation is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code (Code) and qualifies for exemption from income taxes under Section 501(a) of the Code and under Section 23701d of the California Revenue and Taxation Code.

The Foundation is subject to the policies of The Regents. Through its policy on campus foundations, The Regents have established administrative guidelines for the Foundation that provide a general framework over its operations, limiting expenditures to disbursements in support of UCSF and affiliated entities and normal administrative costs.

The Foundation is governed by an independent Board of Directors, which includes the Chancellor of UCSF. It is affiliated with and its assets are dedicated to UCSF and, accordingly, it is considered a governmental not-for-profit organization subject to reporting under the Governmental Accounting Standards Board (GASB).

Under GASB standards, the Foundation's financial statements are discretely presented in the University of California's financial statements as a component unit, combined with the other University of California campus foundations.

In 2015, the Foundation's Board of Directors formed the UCSF Foundation Investment Company (Investment Company), a nonprofit organization, to manage the Foundation's endowed investment pool and other investment assets. The Investment Company is led by the Chief Investment Officer (CIO) and is governed by a separate Board of Directors (Investment Company Board) with extensive knowledge of investments, asset management, finance and business. The Foundation is the sole member of the Investment Company and appoints the Investment Company Board. Under GASB standards, the Investment Company is presented as a blended component in the Foundation's financial statements.

#### SIGNIFICANT ACCOUNTING POLICIES

The Foundation's significant accounting policies applied in preparation of these financial statements are as follows.

**Basis of accounting.** The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective 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 fiscal year beginning July 1, 2020. This Statement established criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to 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 funds, (3) private-purpose trust funds and (4) custodial funds.

**University of California San Francisco Foundation**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. Custodial Investment Funds, previously reported as “funds held for external pool participants” are no longer included in the Foundation’s Statements of Net Position; rather, they are reported as fiduciary activities in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position.

The impact of implementing GASB Statement No. 84 on the Foundation’s financial statements for the year ended June 30, 2020 was as follows:

|  | As Previously<br>Reported - 2020 | Effect of<br>Adoption of<br>GASB<br>Statement 84 | As Restated -<br>2020 |
|--|----------------------------------|--|-----------------------|
| <b>Statements of Net Position</b>                      |                                  |  |                       |
| <b>Assets</b>  |                                  |  |                       |
| Investments, endowments                                | \$ 1,999,458                     | \$ (262,713)                                     | \$ 1,736,745          |
| Noncurrent assets                                      | 2,300,615                        | (262,713)  | 2,037,902             |
| Total assets   | 2,559,628                        | (262,713)  | 2,296,915             |
| <b>Liabilities</b>                                     |                                  |  |                       |
| Agency funds held for others                           | 4,233                            | (4,233)  | -                     |
| Other current liabilities                              | 65,367                           | 4,233  | 69,600                |
| Funds held for external pool participants              | 262,713                          | (262,713)  | -                     |
| Noncurrent liabilities                                 | 294,846                          | (262,713)  | 32,133                |
| Total liabilities                                      | 379,588                          | (262,713)  | 116,875               |
| <b>Statements of Cash Flows</b>                        |                                  |  |                       |
| <b>Cash flows from noncapital financing activities</b> |                                  |  |                       |
| Agency funds and external pool participant receipts    | \$ 11,817                        | \$ (11,817)                                      | \$ -                  |
| Other receipts   | 859                              | 9,825  | 10,684                |
| Net cash provided by noncapital financing activities   | 77,302                           | (1,992)  | 75,310                |
| <b>Cash flows from investing activities</b>            |                                  |  |                       |
| Proceeds from sales and maturities of investments      | 328,295                          | 1,992  | 330,287               |
| Net cash (used in) investing activities                | (171,972)                        | 1,992  | (169,980)             |

The notes to the financial statements for the year ended June 30, 2020 have been restated to reflect the adoption of GASB 84.

GASB Statement No. 87, *Leases*, is effective for the Foundation’s fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments, and certain regulated leases. The Foundation is evaluating the effect that Statement No. 87 will have on its financial statements.

**Cash and cash equivalents.** Cash and cash equivalents consist of bank deposits and balances in money market funds held in nationally recognized banking institutions and balances

# University of California San Francisco Foundation

## Notes to Financial Statements

### June 30, 2021 and 2020

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held in The Regents Short Term Investment Pool (STIP). STIP has the general characteristics of a demand deposit account, in that participants can deposit and withdraw cash at any time without prior notice or penalty. Balances include amounts held for endowment purposes that are classified as noncurrent cash and cash equivalents.

At June 30, 2021 and 2020, the carrying amount of the Foundation's cash and cash equivalents was \$270.5 million and \$270.3 million, respectively, compared to bank balances of \$270.5 million and \$250.3 million, respectively. Deposits in transit and cash awaiting investment are the primary differences between the carrying amount and bank balances. Included in bank balances are deposits in STIP of \$221.0 million and \$157.1 million at June 30, 2021 and 2020, respectively.

Bank balances are collateralized by U.S. government and corporate money market securities held in the name of the bank, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to the Standard Maximum Deposit Insurance Amount of \$250,000 per depositor and account ownership category at each institution. The Foundation's uncollateralized cash balances totaling \$1.2 million are covered by the FDIC Standard Maximum Deposit Insurance as of June 30, 2021.

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

**Investments.** Investment securities are reported at a fair value. To the extent available, valuations are based on quoted prices in active markets, and the Foundation's investments that are listed on any U.S. or non-U.S. recognized exchanges are based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and may require a degree of judgment. For alternative investments, which include limited partnership investments in private equity, real estate, absolute return and hedge funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments. 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. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The Foundation exercises due diligence in assessing the policies, procedures and controls implemented by its external investment managers, and believes these values reflect a reasonable estimate of fair value. Such due diligence procedures include, but are not limited to, ongoing communication, on-site visits, and review of information from external investment managers as well as review of performance. In conjunction with these procedures, estimated fair value is determined by consideration of other factors, such as market conditions, redemption terms and restrictions, and risks inherent in the inputs of the external investment manager's valuation. Investments in alternative investments, including limited partnerships, private equity funds, absolute return funds and hedge funds, are reported at a fair value as determined by the general partner of the respective funds after considering factors such as the nature of the underlying portfolios, liquidity and market conditions. Because they are not readily marketable, the fair values may differ from the values that would have been used had a ready market for these investments existed. Direct and indirect investments in real estate are stated at a fair value as established by independent appraisals. Indirect investments in real estate are valued

# University of California San Francisco Foundation

## Notes to Financial Statements

### June 30, 2021 and 2020

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using the adjusted-net-asset method with discounts for lack of control and lack of marketability incorporated into the determination of fair value.

Short-term investments consist of U.S. government and corporate obligations with a maturity date of less than one year. All endowment and trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Foundation's ability to use these investments.

Investment income includes dividend, interest and other investment income, and is shown net of investment manager fees.

The net change in the fair value of investments consists of both realized and unrealized gain and loss on investments. Change in fair value 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.

Change in fair value and net investment income are reported in the Statements of Revenues, Expenses and Changes in Net Position and are net of amounts allocated to Custodial Investment Funds or External Pool Participants.

Trust assets are invested in diversified portfolios of low-cost, no-load mutual funds and are priced at NAV as of fiscal year end.

Endowment, current use and trust funds are managed as follows.

- **Endowed investment pool.** Endowments are invested in a unitized pool, the Endowed Investment Pool (EIP). Transactions within each individual endowment in the EIP are based on the unit market value at the beginning of the month during which the transaction takes place.

EIP assets are managed on a total return basis, and the primary objective of the EIP is to generate returns sufficient to meet the desired financial support to UCSF over the long term. This is to be accomplished while preserving or enhancing purchasing power, maintaining sufficient liquidity, and being cognizant of acceptable levels of volatility. Investments with different types and degrees of risk are appropriate for the EIP, provided that such risks are regularly identified and managed.

Effective January 1, 2009, the Foundation adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides statutory guidance for management, investment and expenditures of endowed funds. For payout purposes, UPMIFA does not distinguish between original corpus, income, and capital appreciation and permits all endowed funds to receive payout as deemed prudent by the Foundation's Board without regard to source of payout.

- **Unendowed investment pool.** The Foundation maintains an Unendowed Investment Pool (UIP). All gifts intended for current expenditure and unspent endowment income are invested in the UIP. UIP accounts are reported at fair value.
- **Trusts and irrevocable split-interest agreements.** Trusts include irrevocable gift annuity, annuity trust and unitrust gifts made to the Foundation in which a designated

# University of California San Francisco Foundation

## Notes to Financial Statements

### June 30, 2021 and 2020

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beneficiary retains an interest in the gift as specified in the trust agreement. The Foundation is trustee and a remainderman for these trusts. At the end of a predetermined period (e.g., the lifetime of the beneficiary specified by the donor), the remaining assets of the trust revert to the Foundation for use as specified by the donor. A liability is established representing the present value of estimated future beneficiary payments, and the remaining amount is recognized as deferred inflow of resources in the period.

The value of the Foundation's beneficial interests in irrevocable split-interest agreements is recognized as deferred inflow of resources in the period in which the Foundation is notified that it is a beneficiary of such an arrangement.

**Derivative financial instruments.** Derivative instruments are recorded at a fair value. Futures contracts are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry-standard pricing service, when available.

Derivatives are recorded at estimated fair value as either assets or liabilities in the Statements of Net Position.

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the Statements of Revenues, Expenses and Changes in Net Position.

**Pledges receivable.** Pledges are written unconditional promises to make future payments. Pledges receivable, other than endowment pledges, are recognized as contribution revenue in accordance with donor-imposed restrictions, if any, in the period pledged if they meet the eligibility requirements specified by GASB Statement No. 33, *Accounting & Reporting for Nonexchange Transactions*. Endowment pledges are recognized as additions to endowments at the time payments are received. Pledge payments extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and recorded as additional contribution revenue. In addition, an allowance for uncollectible pledges has been established based on past experience as deemed necessary by management.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event, such as matching gifts from other donors, are recognized as revenue when the conditions are substantially met.

**Other assets.** Other assets represent other receivables, beneficial interests in irrevocable split-interest agreements administered by third parties, and the value of securities borrowed for short sale transactions.

**Annuities payable and liabilities to life beneficiaries.** The Foundation is a trustee and a remainderman under irrevocable split-interest agreements requiring payments for a specified period to designated beneficiaries out of assets held in trust for this purpose. At the end of each fiscal year, annuities payable and liabilities to life beneficiaries are valued using the 2012 IAR mortality table, taking into consideration each beneficiary's age and the value of the gift. The difference between the fair value of trust assets and the liability for beneficiary payments is

# University of California San Francisco Foundation

## Notes to Financial Statements

### June 30, 2021 and 2020

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recorded as deferred inflows of resources at the date of the gift and each subsequent valuation date until termination of the agreement.

**Other liabilities.** Other liabilities may include agency funds held in for others under an agency relationship between the Foundation and various support groups of UCSF. Such amounts are not assets owned or contributed to the Foundation and, accordingly, are recorded as liabilities and not as revenue when received. The corresponding assets are included in Investments-Excluding Endowments & Trusts, Cash, and other similar assets.

**Deferred inflows of resources.** The Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not recognized as an inflow of resources, or revenue, until then. The Foundation classifies its remainder interest and changes in its remainder interest for irrevocable split-interest agreements as deferred inflows of resources.

**Custodial investment funds - Funds held for external pool participants.** Custodial Investment Funds represent the external portion of the Foundation's governmental investment pool more fully described under Investments. Financial information for Custodial Investment Funds is reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

**Net position.** To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, net position and revenues, expenses, and gains and losses are classified and reported as follows, based on the existence or absence of donor-imposed restrictions:

- **Restricted nonexpendable net position.** Restricted nonexpendable net position includes 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 the principal in accordance with the donor's wishes. The Foundation classifies the original endowment gift and any amounts added to the principal per the donor's wishes as restricted nonexpendable net position.
- **Restricted expendable net position.** Restricted expendable net position represents contributions designated by donors for use by particular entities or programs or for specific purposes or functions of UCSF. They also include quasi-endowments, which are internally restricted net position that can be expended. Investment income and appreciation of endowment investments are classified as restricted expendable net position, unless otherwise specified by the donor.



# University of California San Francisco Foundation

## Notes to Financial Statements

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

**Classification of current and noncurrent assets and liabilities.** All assets or liabilities expected to be received or paid, respectively, as part of the Foundation's normal business operations within one year are classified as current assets or liabilities in the Foundation's Statements of Net Position. All assets or liabilities expected to be received or paid, respectively, as part of the Foundation's normal business operations beyond one year are classified as noncurrent assets or liabilities in the Statements of Net Position.

**Classification of revenues and expenses.** Income items that are fundamental to the core mission of the Foundation are recognized as operating revenues in the period received or pledged. Disbursements in support of UCSF and certain administrative expenses incurred in conducting the business of the Foundation are presented in the financial statements as operating activities.

Nonoperating income and expenses include net investment income and net realized gain (loss) on the sale of investments and change in unrealized appreciation (depreciation) on the value of investments held at the end of the period.

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

**Use of estimates.** The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and the disclosure of contingent assets, liabilities, and deferred outflows and inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Income taxes.** The Foundation is recognized as tax-exempt under Section 501(c)(3) of the Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes other than tax imposed by Section 511 of the Code on net income derived from an unrelated trade or business (UBIT).

## RELATED PARTIES

The Foundation is affiliated with and its assets are dedicated to UCSF, and it has the following organizational relationship with the University:

- **Distributions to UCSF and affiliates.** All contributions to the Foundation ultimately benefit UCSF. For the years ended June 30, 2021 and 2020 distributions to UCSF and affiliated organizations were \$369.9 million and \$405.3 million, respectively, from restricted expendable net position. The accompanying financial statements reflect only contributions made to the Foundation; contributions made to UCSF are reflected in the financial statements of UCSF.
- **Administrative costs.** All Foundation business activities are conducted by UCSF employees. UCSF provides facilities and equipment for the Foundation and pays all salaries, benefits, and related expenses for employees, as well as some other operating expenses of the Foundation. The costs of such items are not included in the

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accompanying financial statements. Under The Regents *Administrative Guidelines for Campus Foundations*, expenses related to investment management, insurance, legal, and other professional services are paid for by the Foundation.

#### CONFLICTS OF INTEREST

Members of the Foundation's Board of Directors may, from time to time, be associated, either directly or indirectly, with companies doing business with the Foundation. The Foundation has a written conflict of interest policy that requires that no member of the Board can participate in any decision in which they, or an immediate family member, has a material financial interest. Each Board member is required to certify compliance with the Foundation's conflict of interest policy on an annual basis and indicate whether the Foundation does business with any entity in which the Board member has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict.

A Foundation Board member has an ownership interest in an investment company that manages investments on behalf of the Foundation. The director recuses themselves from all discussions and voting related to the investment.

#### INVESTMENT OVERSIGHT

As the Foundation's governing board, the Board of Directors retains ultimate fiduciary responsibility and authority for all matters related to investment of Foundation assets. Pursuant to The Regents policies on campus foundations, the Foundation's Board of Directors has elected to oversee the management of its investments rather than delegating that function to the Regents.

The Foundation has entered into an investment management agreement with its Investment Company subsidiary to provide investment management services within the scope of the investment policy approved by the Board of Directors. Investments managed by the Investment Company are associated with the Unendowed Investment Pool (UIP) and Endowed Investment Pool (EIP).

The Foundation's Board of Directors has delegated authority for oversight of investment policy to the Investment Company Board, with authority for implementation of investment policies further delegated to the Investment Company. Long term, foundational investment policy elements, and any changes thereto, must be approved by the Board of Directors, while more mechanical elements, which are updated annually, are approved by the Investment Company Board.

**Unendowed Investment Pool.** All gifts intended for current expenditure and unspent EIP payout are invested in the UIP. The UIP portfolio is managed so as to maximize returns consistent with safety of principal and liquidity considerations necessary to meet UCSF's cash flow requirements. Investment Guidelines for the UIP provide for investment primarily in readily marketable money market and fixed income securities and STIP. UIP Investment Guidelines address credit quality and concentration of credit risk and provide for performance evaluation against relevant benchmarks.

**Endowed Investment Pool.** The Foundation's endowment and certain other balances are managed in a unitized investment pool. The EIP is the primary investment vehicle for endowed

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gift funds, and other balances include external entities who invest in the EIP. Participants may purchase or redeem shares monthly at the unitized value of the pool at the time of purchase or redemption. Payout is allocated to participants based on the number of shares held.

All EIP assets are classified as noncurrent regardless of maturity due to the long-term nature of the intended use of gifts or affiliated entity funds invested in the pool.

The EIP is not registered with the SEC and is not subject to any formal oversight other than that provided by the Board of Directors

The Investment Company is responsible for implementing investment policies approved by the Foundation’s Board of Directors, investing the EIP in a mix of funds or accounts managed by third-party investment firms, and direct holdings of individual securities or assets. It may utilize direct holdings of exchange traded funds, futures, options or swaps to create or alter market exposure within the total portfolio. All activity is conducted with the oversight of the Investment Company Board with administration by the Foundation’s operations team.

Following are asset categories across which the EIP will be diversified, as well as ranges of exposure:

| <b>Asset Class</b>  | <b>Long-Term Target Range</b> | <b>Interim Target Range</b> | <b>Reference Index</b>               |
|---|-------------------------------|-----------------------------|--------------------------------------|
| Safety Assets, e.g., cash, bonds with de minimis credit risk, typically U.S. Treasuries                     | 5-10%                         | 4-10%                       | U.S. 1-3 Year Treasuries             |
| Public Equity   | 25-30%                        | 26-36%                      | MSCI All Country World Index         |
| Diversifying Assets, e.g., absolute return strategies, long/short equity hedge strategies, real estate      | 25-30%                        | 23-33%                      | HFRI Fund-Weighted Composite         |
| Premium Return, e.g., private equity approaches: buyout, growth, venture capital, control-oriented distress | 35-40%                        | 29-39%                      | Cambridge Buyout Index (Vintage-Wtd) |

The EIP is expected to be able to source liquidity from inside or outside the portfolio at a minimum of 10% of the EIP within one month, and 20% within one year. Liquidity sources include net inflows into the EIP and access to a line of credit. Obligations include annual payout, unfunded commitments and potential redemptions from EIP funds functioning as endowments.

The EIP may invest in funds that utilize differing forms of leverage, but the portfolio as a whole is to remain unlevered. Exceptions to this policy include:

- Line of credit – The Investment Company Board may approve a line of credit created to address temporary liquidity needs in an amount not to exceed 15% of assets.

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- Special circumstances – In instances where the Investment Company may seek to adjust exposures in the portfolio in a way that exceeds available liquid assets, the Investment Company Board must approve in advance transactions designed to reduce the net exposure of the portfolio. This should be exceedingly rare.

**Endowment spending guidelines.** The Foundation's Endowment Spending Guidelines provide for a long-term target spending rate of 4.75% of a 36-month rolling average unitized market value of the Foundation EIP. This includes a 0.4% (40 basis points) fee to recover endowment administration costs. The Guidelines provide for a floor and ceiling of 3.5% and 6%, respectively, of the ending market value on the last day of the year for which payout is being calculated. Payout is distributed to individual funds annually based on average units outstanding during the year.

Endowment Spending Guidelines are the purview of the Board of Directors, in consultation with UCSF, the Investment Company Board and the CIO. The Guidelines are subject to review each year, and consideration is given to factors such as stability of funds flows to operations and preservation of endowment principal, in addition to the Spending Guidelines formula.

#### **CUSTODIAL INVESTMENT FUNDS - EXTERNAL POOL PARTICIPANTS**

As a result of its affiliation with UCSF, BCH Oakland Foundation entered into an agreement with the Foundation to manage the investment of their endowed and unrestricted funds in the Foundation's EIP. With the exception of unrestricted, nonendowed investments, BCH Oakland Foundation is charged the same fee as all other pool participants. The external portion of EIP net position includes \$337.1 million and \$245.2 million held for BCH Oakland Foundation at June 30, 2021 and 2020, respectively.

Due to participation in the EIP by an affiliated foundation, the pool is considered a governmental external investment pool. The external portion of the EIP is discretely presented in these financial statements as Custodial Investment Funds, and such investments are not owned or contributed to the Foundation.

Because a separate annual financial report of the EIP has not been and is not planned to be issued, additional required disclosures are provided throughout the Foundation's financial statements.

The EIP's Statement of Net Position and Statement of Operations and Changes in Net Position as of and for the periods ended June 30, 2021 and 2020 are as follows:

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| <i>in thousands of dollars</i>                        | <b>2021</b>         | <b>2020</b>         |
|---|---------------------|---------------------|
| <b>STATEMENTS OF NET POSITION - EIP</b>               |                     |                     |
| <b>Assets</b>   |                     |                     |
| Cash and cash equivalents                             | \$ 52,732           | \$ 94,438           |
| Receivable for investments sold                       | 22,039              | 36,400              |
| Accrued investment income                             | 2,715               | 567                 |
| Investments   | 2,780,429           | 1,985,735           |
| Other assets  | 8,500               | 7,509               |
| <b>Total assets</b>                                   | <b>2,866,415</b>    | <b>2,124,649</b>    |
| <b>Liabilities</b>                                    |                     |                     |
| Payable for investments purchased                     | 3,098               | 11,703              |
| Other liabilities                                     | 85,725              | 98,088              |
| <b>Total liabilities</b>                              | <b>88,823</b>       | <b>109,791</b>      |
| <b>Net position as held for all pool participants</b> |                     |                     |
| Internal portion                                      | 2,417,911           | 1,752,145           |
| External portion                                      | 359,681             | 262,713             |
| <b>Total net position</b>                             | <b>2,777,592</b>    | <b>2,014,858</b>    |
| <b>Total liabilities &amp; net position</b>           | <b>\$ 2,866,415</b> | <b>\$ 2,124,649</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| <b>STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION - EIP</b> |                     |                     |
| <b>Increase in net position from operations</b>                   |                     |                     |
| Revenues: Investment income                                       | \$ 9,265            | \$ 13,179           |
| Expenses: Investment management                                   | (17,454)            | (11,921)            |
| <b>Net investment income (expense)</b>                            | <b>(8,189)</b>      | <b>1,258</b>        |
| Realized gain   | 157,218             | 48,237              |
| Change in unrealized gain   | 546,480             | 35,566              |
| <b>Net realized &amp; unrealized gain</b>                         | <b>703,698</b>      | <b>83,803</b>       |
| <b>Net increase in net position resulting from operations</b>     | <b>695,509</b>      | <b>85,061</b>       |
| Distributions to participants:                                    |                     |                     |
| Distributions paid and payable                                    | (101,482)           | (92,092)            |
| Share transactions:   |                     |                     |
| Net share transactions  | 168,707             | 181,683             |
| <b>Total increase in net position</b>                             | <b>762,734</b>      | <b>174,652</b>      |
| <b>Net position:</b>  |                     |                     |
| <b>Beginning of year</b>  | <b>2,014,858</b>    | <b>1,840,206</b>    |
| <b>End of year</b>  | <b>\$ 2,777,592</b> | <b>\$ 2,014,858</b> |

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**INVESTMENTS**

Investments reflected in the Statements of Fiduciary Net Position at June 30, 2021 and 2020 in total and in the EIP are summarized as follows:

*in thousands of dollars*

| Investment type   | 2021         |              | 2020         |              |
|---|--------------|--------------|--------------|--------------|
|   | EIP          | Total        | EIP          | Total        |
| Equity securities   |              |              |              |              |
| Domestic  | \$ 166,427   | \$ 166,427   | \$ 89,496    | \$ 89,496    |
| Foreign   |              |              | 17,798       | 17,798       |
| Equity securities   | 166,427      | 166,427      | 107,294      | 107,294      |
| Fixed income securities   |              |              |              |              |
| U.S. Treasury bills, notes & bonds  | 19,733       | 69,726       | 157,353      | 208,217      |
| U.S. government-backed securities   | 12,267       | 12,267       |              |              |
| U.S. government-backed asset-backed   |              | 7,808        |              | 9,005        |
| U.S. government guaranteed  | 32,000       | 89,801       | 157,353      | 217,222      |
| Other U.S. dollar denominated   |              |              |              |              |
| Corporate bonds   |              | 27,915       |              | 28,872       |
| U.S. agencies   | 998          | 998          |              |              |
| U.S. agencies asset-backed  | 88,592       | 111,272      |              | 16,290       |
| Corporate asset-backed securities   |              | 20,294       |              | 20,117       |
| Other U.S. dollar denominated   | 89,590       | 160,479      |              | 65,279       |
| Foreign currency denominated  |              |              |              |              |
| Supranational/foreign   |              | 997          |              | 933          |
| Foreign currency denominated  |              | 997          |              | 933          |
| Commingled funds  |              |              |              |              |
| Absolute return funds   | 694,476      | 694,476      | 519,788      | 519,788      |
| Balanced funds  |              | 43,440       |              | 36,268       |
| U.S. equity funds   | 464,519      | 464,519      | 347,069      | 347,069      |
| Non-U.S. equity funds   | 329,030      | 329,030      | 284,332      | 284,332      |
| Real estate/REIT  | 91,540       | 91,540       | 75,304       | 75,304       |
| Commingled funds  | 1,579,565    | 1,623,005    | 1,226,493    | 1,262,761    |
| Private equity  | 928,810      | 928,810      | 497,377      | 497,377      |
| Real estate   |              | 13,009       |              | 13,480       |
| Investment derivatives  |              |              | 10,941       | 10,941       |
| Other investments   |              | 3,688        |              | 4,270        |
| Total investments   | 2,796,392    | 2,986,216    | 1,999,458    | 2,179,557    |
| Less: Investments held outside of EIP   | 15,963       |              | 13,723       |              |
| USCF Foundation investments   | 2,780,429    | 2,986,216    | 1,985,735    | 2,179,557    |
| Less: Custodial investment funds - external pool participants                           | 359,681      | 359,681      | 262,713      | 262,713      |
| Less: Current portion   |              | 25,160       |              | 11,995       |
| Noncurrent investments  | 2,420,748    | 2,601,375    | 1,723,022    | 1,904,849    |
| Beneficiary interests in irrevocable split-interest agreements included in other assets |              | 2,468        |              | 4,185        |
| Total noncurrent  | \$ 2,420,748 | \$ 2,603,843 | \$ 1,723,022 | \$ 1,909,034 |

**Fair value measurements.** 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



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## Notes to Financial Statements

### June 30, 2021 and 2020

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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 certain equity securities and commingled funds (exchange traded funds and mutual funds), certain exchange traded derivatives (warrants, rights, options, and futures) 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 (institutional funds not listed in active markets), certain non-exchange traded derivatives (warrants, rights, options, futures, repurchase agreements, swaptions, and swaps), and other assets that are valued using market information.
- **Level 3.** Investments and other assets classified as Level 3 have significant unobservable inputs, because 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 investments include private equity investments, real estate, and irrevocable split-interest agreements.
- **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, venture capital and commingled funds.

The following tables summarize the Foundation's total investments, EIP investments and other assets, including Custodial Investment Funds held for external pool participants, reported at fair value within the fair value hierarchy or NAV at June 30, 2021 and 2020:

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*in thousands of dollars*

| Investment type  | 2021 - All Investments |            |              |                 |              |
|--|------------------------|------------|--------------|-----------------|--------------|
|  | Quoted Prices          | Other      | Unobservable | Net Asset Value | Total        |
|  | in Active              | Observable | Inputs       |                 |              |
|  | Markets                | Inputs     | Inputs       | (NAV)           |              |
| (Level 1)  | (Level 2)              | (Level 3)  | (NAV)        |                 |              |
| Equity securities  | \$ 166,427             |            |              |                 | \$ 166,427   |
| Fixed or variable income securities:                                       |                        |            |              |                 |              |
| U.S. government guaranteed   |                        | \$ 89,801  |              |                 | 89,801       |
| Other U.S. dollar denominated  |                        | 160,479    |              |                 | 160,479      |
| Foreign currency denominated   |                        | 997        |              |                 | 997          |
| Commingled funds   | 43,440                 |            |              | \$ 1,579,565    | 1,623,005    |
| Private equity   |                        |            | \$ 86,252    | 842,558         | 928,810      |
| Real estate  |                        |            | 13,009       |                 | 13,009       |
| Other investments  | 1,570                  |            | 2,118        |                 | 3,688        |
| Total investments  | 211,437                | 251,277    | 101,379      | 2,422,123       | 2,986,216    |
| Beneficial interests in split-interest agreements included in other assets |                        |            | 2,468        |                 | 2,468        |
| Total investments  | \$ 211,437             | \$ 251,277 | \$ 103,847   | \$ 2,422,123    | 2,988,684    |
| Less: Custodial investment funds   |                        |            |              |                 | 359,681      |
| Total UCSF investments   |                        |            |              |                 | \$ 2,629,003 |

*in thousands of dollars*

| Investment type  | 2020 - All Investments |            |              |                 |              |
|--|------------------------|------------|--------------|-----------------|--------------|
|  | Quoted Prices          | Other      | Unobservable | Net Asset Value | Total        |
|  | in Active              | Observable | Inputs       |                 |              |
|  | Markets                | Inputs     | Inputs       | (NAV)           |              |
| (Level 1)  | (Level 2)              | (Level 3)  | (NAV)        |                 |              |
| Equity securities  | \$ 107,294             |            |              |                 | \$ 107,294   |
| Fixed or variable income securities:                                       |                        |            |              |                 |              |
| U.S. government guaranteed   |                        | \$ 217,222 |              |                 | 217,222      |
| Other U.S. dollar denominated  |                        | 65,279     |              |                 | 65,279       |
| Foreign currency denominated   |                        | 933        |              |                 | 933          |
| Commingled funds   | 36,268                 |            |              | \$ 1,226,493    | 1,262,761    |
| Private equity   |                        |            | \$ 19,266    | 478,111         | 497,377      |
| Real estate  |                        |            | 13,480       |                 | 13,480       |
| Derivative instruments   | 10,941                 |            |              |                 | 10,941       |
| Other investments  | 2,260                  |            | 2,010        |                 | 4,270        |
| Total investments  | 156,763                | 283,434    | 34,756       | 1,704,604       | 2,179,557    |
| Beneficial interests in split-interest agreements included in other assets |                        |            | 2,468        |                 | 4,185        |
| Total investments  | \$ 156,763             | \$ 283,434 | \$ 37,224    | \$ 1,704,604    | 2,183,742    |
| Less: Custodial investment funds   |                        |            |              |                 | 262,713      |
| Total UCSF investments   |                        |            |              |                 | \$ 1,921,029 |

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*in thousands of dollars*

|                                       | 2021 - Endowed Investment Pool Investments |            |              |                 | Total        |
|---------------------------------------|--|------------|--------------|-----------------|--------------|
|                                       | Quoted Prices                              | Other      |              | Net Asset Value |              |
|                                       | in Active                                  | Observable | Unobservable |                 |              |
|                                       | Markets                                    | Inputs     | Inputs       |                 |              |
| (Level 1)                             | (Level 2)                                  | (Level 3)  | (NAV)        |                 |              |
| <b>Investment type</b>                |  |            |              |                 |              |
| Equity securities                     | \$ 166,427                                 |            |              |                 | \$ 166,427   |
| Fixed or variable income securities:  |  |            |              |                 |              |
| U.S. government guaranteed            |  | \$ 32,000  |              |                 | 32,000       |
| Other U.S. dollar denominated         |  | 89,590     |              |                 | 89,590       |
| Commingled funds                      |  |            |              | \$ 1,579,565    | 1,579,565    |
| Private equity                        |  |            | \$ 86,252    | 842,558         | 928,810      |
| Total endowed investments             | 166,427                                    | 121,590    | 86,252       | 2,422,123       | 2,796,392    |
| Less: Investments held outside of EIP |  |            | 922          | 15,041          | 15,963       |
| Total EIP investments                 | \$ 166,427                                 | \$ 121,590 | \$ 85,330    | \$ 2,407,082    | 2,780,429    |
| Less: Custodial investment funds      |  |            |              |                 | 359,681      |
| Total UCSF EIP investments            |  |            |              |                 | \$ 2,420,748 |

*in thousands of dollars*

|                                       | 2020 - Endowed Investment Pool Investments |            |              |                 | Total        |
|---------------------------------------|--|------------|--------------|-----------------|--------------|
|                                       | Quoted Prices                              | Other      |              | Net Asset Value |              |
|                                       | in Active                                  | Observable | Unobservable |                 |              |
|                                       | Markets                                    | Inputs     | Inputs       |                 |              |
| (Level 1)                             | (Level 2)                                  | (Level 3)  | (NAV)        |                 |              |
| <b>Investment type</b>                |  |            |              |                 |              |
| Equity securities                     | \$ 107,294                                 |            |              |                 | \$ 107,294   |
| Fixed or variable income securities:  |  |            |              |                 |              |
| U.S. government guaranteed            |  | \$ 157,353 |              |                 | 157,353      |
| Commingled funds                      |  |            |              | \$ 1,226,493    | 1,226,493    |
| Private equity                        |  |            | \$ 19,266    | 478,111         | 497,377      |
| Derivative instruments                | 10,941                                     |            |              |                 | 10,941       |
| Total endowed investments             | 118,235                                    | 157,353    | 19,266       | 1,704,604       | 1,999,458    |
| Less: Investments held outside of EIP |  |            | 922          | 12,801          | 13,723       |
| Total EIP investments                 | \$ 118,235                                 | \$ 157,353 | \$ 18,344    | \$ 1,691,803    | 1,985,735    |
| Less: Custodial investment funds      |  |            |              |                 | 262,713      |
| Total UCSF EIP investments            |  |            |              |                 | \$ 1,723,022 |

**Investment related commitments.** The Foundation has contractual commitments to make additional investments in private equity and other privately structured investment vehicles reported at NAV. The following table presents significant terms of such agreements, including unfunded commitments, redemption frequency and redemption notice period, for the Foundation's alternative investments measured at NAV as of June 30, 2021:

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*in thousands of dollars*

| Investment Type                              | Fair Value          | Unfunded Commitments | Redemption Frequency                                | Redemption Notice Period |
|--|---------------------|----------------------|---|--------------------------|
| Commingled funds                             |                     |                      |   |                          |
| Absolute return                              | \$ 372,348          |                      | Monthly, Quarterly, Semi-Annually, Annually         | 30 - 90 days             |
| Absolute return                              | 322,128             | \$ 79,165            | Not eligible for redemption                         | N/A                      |
| U.S. equity                                  | 360,017             |                      | Quarterly, Semi-Annually, Annually                  | 45 - 90 days             |
| U.S. equity                                  | 104,502             | 5,333                | Not eligible for redemption                         | N/A                      |
| Non-U.S. equity                              | 257,098             |                      | Weekly, Monthly, Quarterly, Semi-Annually, Annually | 6 - 365 days             |
| Non-U.S. equity                              | 71,932              |                      | Not eligible for redemption                         | N/A                      |
| Private equity                               | 842,558             | 324,194              | Not eligible for redemption                         | N/A                      |
| Real estate/REIT                             | 91,540              | 68,700               | Not eligible for redemption                         | N/A                      |
| <b>Total investments measured at NAV</b>     | <b>2,422,123</b>    | <b>477,392</b>       |   |                          |
| Less: Investments held outside of EIP        | 15,041              | -                    |   |                          |
| <b>Total EIP investments measured at NAV</b> | <b>\$ 2,407,082</b> | <b>\$ 477,392</b>    |   |                          |

In addition to the amounts shown above, the Foundation has additional commitments totaling \$50.5 million associated with investments for which no capital has been called by the manager as of June 30, 2021.

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total \$359.7 million and \$262.7 million at June 30, 2021 and 2020, respectively.

## INVESTMENT RISK FACTORS

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

**Credit risk.** Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause the security price to decline. The circumstances may arise due to a variety of factors, such as liquidity, 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 or no 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 (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

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The primary purpose of the UIP is to invest funds to meet the spending needs of UCSF, and capital preservation and liquidity are the primary investment objectives of the UIP. The benchmark return for the unendowed portfolio, the Barclays 1-3 Year U.S. Treasury Index, reflects a return with minimal credit risk.

The primary purpose of the EIP fixed income asset class is to provide liquidity, generate income and maintain overall diversification. The benchmark return for the fixed income portion of the EIP is the Barclays 1-3 Year U.S. Treasury Index.

The credit risk profile for fixed income securities held at June 30, 2021 and 2020 is as follows:

*in thousands of dollars*

|                                     | 2021       |            | 2020       |            |
|-------------------------------------|------------|------------|------------|------------|
|                                     | EIP        | Total      | EIP        | Total      |
| U.S. government guaranteed          | \$ 32,000  | \$ 89,801  | \$ 157,353 | \$ 217,222 |
| Other U.S. dollar denominated       |            |            |            |            |
| AAA                                 | 89,590     | 129,813    |            | 5,296      |
| AA                                  |            | 2,299      |            | 19,053     |
| A                                   |            | 10,095     |            | 7,505      |
| BBB                                 |            | 4,864      |            | 16,588     |
| BB                                  |            | 2,544      |            | 2,323      |
| Not rated                           |            | 10,864     |            | 14,514     |
| Total other U.S. dollar denominated | 89,590     | 160,479    |            | 65,279     |
| Foreign currency denominated        |            |            |            |            |
| BBB                                 |            | 997        |            | 933        |
| Total foreign currency denominated  |            | 997        |            | 933        |
| Total fixed income securities       | \$ 121,590 | \$ 251,277 | \$ 157,353 | \$ 283,434 |

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total \$359.7 million and \$262.7 million at June 30, 2021 and 2020, respectively.

**Custodial credit risk.** Custodial credit risk is the risk that in the event of a failure of a custodian, the Foundation's investments may not be returned. Many of the Foundation's investments represent ownership interests that do not exist in physical or book-entry form. Others are issued, registered or held in the name of the Foundation by its master custodian bank, as agent for the Foundation. The Foundation considers custodial risk to be remote.

**Concentration of credit risk.** Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash equivalents, U.S. government and federal agency obligations, common stocks, and corporate debt securities. Federal agency obligations consist primarily of collateralized mortgage obligations, which are collateralized by diversified home mortgages. The remainder of the portfolio is diversified, and issuers are dispersed throughout many industries and geographies.

The Foundation's investment policy requires that the portfolio be adequately diversified to limit exposure to concentration of credit risk.

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Endowed portfolio investment policy for fixed income holdings requires that no more than 5% of the portfolio's market value may be held in the securities of a single corporate issuer. Equity holdings are to be diversified according to economic sector, industry, number of holdings and other investment characteristics, with no more than 10% at purchase or 20% at market in any one issuer.

Unendowed portfolio investment policy specifies that no more than 5% of total assets will be invested in the securities of a single issuer at the time of purchase, with the exception of securities issued or guaranteed by the U.S. government, its agencies, or GSE's or collateralized by such securities or loans.

At June 30, 2021 and 2020, no single issuer comprised more than 5% of the Foundation's EIP and total investment balances.

**Interest rate risk.** Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis point (one percentage point) change in the level of interest rates. It is not a measure of time.

Portfolio guidelines limit the maximum weighted average effective duration of the UIP to not greater than 125% of the benchmark, and seven years is the maximum stated maturity or average life for an individual security at the time of purchase.

The duration of the fixed income portion of the EIP is to be maintained between three and six years.

The effective duration of the Foundation's fixed income securities at June 30, 2021 and 2020 follows. Information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

|  | 2021 |       | 2020 |       |
|--|------|-------|------|-------|
|  | EIP  | Total | EIP  | Total |
| U.S. government                                |      |       |      |       |
| U.S. Treasury notes                            | 2.69 | 1.56  | 2.48 | 2.32  |
| U.S. government-backed                         | 4.65 | 4.65  |      |       |
| U.S. government-backed asset-backed securities |      | 0.96  |      | 1.43  |
| Other U.S. dollar denominated                  |      |       |      |       |
| Corporate bonds                                |      | 2.96  |      | 2.94  |
| U.S. agencies                                  | 1.70 | 1.70  |      |       |
| U.S. agencies asset-backed securities          | 2.42 | 3.15  |      | 1.39  |
| Corporate asset-backed securities              |      | 0.91  |      | 1.43  |
| Foreign currency denominated                   |      |       |      |       |
| Government/sovereign                           |      | 2.35  |      | 3.13  |

Fixed income investments include various mortgage-backed securities, collateralized mortgage obligations and callable bonds that may be considered highly sensitive to changes in interest rates due to the existence of prepayment or conversion features.

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- **Mortgage pass-through securities.** These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Association (Freddie Mac) and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.
- **Corporate asset-backed securities.** Corporate asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.
- **Collateralized mortgage obligations.** Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In rising interest rate environments, the opposite is true. The Foundation does not invest in principal-only or interest-only CMOs.
- **Callable Bonds.** Although bonds are issued with clearly defined maturities, an issuer may be able to redeem or call a bond earlier than its maturity date. The Foundation must then replace the called bond with a bond that may have a lower yield. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, 2021 and 2020, the fair values of such investments are as follows:

*in thousands of dollars*

|  | 2021             |                   | 2020 |                  |
|--|------------------|-------------------|------|------------------|
|  | EIP              | Total             | EIP  | Total            |
| <b>Investments highly sensitive to changes in interest rates</b>       |                  |                   |      |                  |
| Corporate asset-backed securities                                      |                  | \$ 20,294         |      | \$ 20,196        |
| Mortgage pass-through securities                                       |                  | 21,289            |      | 14,466           |
| Collateralized mortgage obligations                                    | 89,590           | 98,789            |      | 10,673           |
| <b>Total investments highly sensitive to changes in interest rates</b> | <b>\$ 89,590</b> | <b>\$ 140,372</b> |      | <b>\$ 45,335</b> |

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total \$359.7 million and \$262.7 million at June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, the effective durations for these securities are as follows:



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|  | 2021 |       | 2020 |       |
|--|------|-------|------|-------|
|  | EIP  | Total | EIP  | Total |
| <b>Effective duration of investments highly sensitive to changes in interest rates</b> |      |       |      |       |
| Corporate asset-backed securities  |      | .91   |      | 1.43  |
| Mortgage pass-through securities   |      | 3.57  |      | 1.27  |
| Collateralized mortgage obligations  | 2.41 | 2.30  |      | 1.59  |

**Foreign currency risk.** The Foundation's asset allocation policy includes an allocation to non-U.S. equities. These investments may be hedged at the discretion of the Investment Manager. Foreign currency risk is an accepted risk of the investment strategy. Portfolio guidelines for fixed income securities also allow exposure to non-U.S. dollar denominated bonds. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage.

At June 30, 2021 and 2020, the U.S. dollar balances organized by currency denominations and investment types are as follows:

*in thousands of dollars*

|   | 2021       |            | 2020       |            |
|---|------------|------------|------------|------------|
|   | EIP        | Total      | EIP        | Total      |
| Equity Securities                       |            |            |            |            |
| Japanese Yen                            | \$ -       | \$ -       | \$ 17,798  | \$ 17,798  |
| Total equity securities                 | -          | -          | 17,798     | 17,798     |
| Fixed Income Securities                 |            |            |            |            |
| Mexican Peso                            |            | 997        |            | 933        |
| Total fixed income securities           |            | 997        |            | 933        |
| Commingled Funds                        |            |            |            |            |
| Various currency denominations          |            |            |            |            |
| Commingled - Non-U.S. equity            | 329,030    | 329,030    | 284,332    | 284,332    |
| Commingled - Absolute return            | 265,550    | 265,550    | 248,026    | 248,026    |
| Commingled - Private equity             | 199,056    | 199,056    | 93,375     | 93,375     |
| Total commingled funds                  | 793,636    | 793,636    | 625,733    | 625,733    |
| Total exposure to foreign currency risk | \$ 793,636 | \$ 794,633 | \$ 643,531 | \$ 644,464 |

The EIP is a pooled investment fund. Investment balances shown above have not been reduced to reflect pooled interests of Custodial Investment Funds. Custodial Investment Fund balances total \$359.7 million and \$262.7 million at June 30, 2021 and 2020, respectively.

**Alternative investment risks.** Alternative investments include ownership interests in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies, including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. Underlying holdings can include financial assets, such as marketable securities, non-marketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other



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funds and partnerships. Generally, these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously related to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be or because the entity has chosen not to hold them in this form. Valuations determined by an investment manager who has a conflict of interest in that they are compensated for performance, are considered and reviewed by Foundation and Investment Company management. Real assets may be subject to physical damage from a variety of means, such as loss from natural causes, theft of assets, lawsuits involving rights, and other loss and damage, including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from natural causes. Intangible assets are subject to legal challenge and other possible impairment.

#### **DERIVATIVE INVESTMENTS**

Derivative securities are investments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivatives cover a broad range of financial instruments, such as forwards, futures, options and swaps.

Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Pursuant to the contract, the Foundation agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the Statements of Revenue, Expenses and Changes in Net Position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

The Foundation had no investments in derivative securities at June 30, 2021. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, categorized by type, and the changes in fair value of such derivatives, are as follows:

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*in thousands of dollars*

| Category                | Notional Amount |              | Fair Value Positive (Negative) |      |           | Change In Fair Value |      |          |
|-------------------------|-----------------|--------------|--------------------------------|------|-----------|----------------------|------|----------|
|                         | 2021            | 2020         | Classification                 | 2021 | 2020      | Classification       | 2021 | 2020     |
| Investment derivatives  |                 |              |                                |      |           |                      |      |          |
| Futures contracts       |                 |              |                                |      |           |                      |      |          |
| Domestic equity futures |                 |              |                                |      |           |                      |      |          |
| Short positions         | \$ -            | \$ (125,372) | Investments                    | \$ - | 10,810    | Change FMV           | \$ - | (488)    |
| Foreign equity futures  |                 |              |                                |      |           |                      |      |          |
| Short positions         | -               | (1,093)      | Investments                    | -    | 131       | Change FMV           | -    | (13)     |
| Futures contracts, net  | \$ -            | \$ (126,465) |                                | \$ - | \$ 10,941 |                      | \$ - | \$ (501) |

**ENDOWMENT PAYOUT**

For the years ended June 30, 2021 and 2020, endowment payout was allocated to Foundation donor-restricted endowment funds (internal pool) and custodial funds (external pool participants), as follows:

*in thousands of dollars*

|                                  | 2021            |            |           |
|----------------------------------|-----------------|------------|-----------|
|                                  | Custodial Funds | Foundation | Total     |
| Investment income, net           | \$ -            | \$ -       | \$ -      |
| Net accumulated gains and corpus | 12,774          | 80,943     | 93,717    |
| Endowment payout                 | \$ 12,774       | \$ 80,943  | \$ 93,717 |

|                                  | 2020            |            |           |
|----------------------------------|-----------------|------------|-----------|
|                                  | Custodial Funds | Foundation | Total     |
| Investment income, net           | \$ 955          | \$ 5,703   | \$ 6,658  |
| Net accumulated gains and corpus | 11,252          | 67,172     | 78,424    |
| Endowment payout                 | \$ 12,207       | \$ 72,875  | \$ 85,082 |

Endowment payout is shown net of endowment cost recovery fees of \$7.8 million and \$7.0 million for 2021 and 2020, respectively.

A portion of endowment payout may be reinvested if stipulated by agreement with the donor.

**UNDERWATER ENDOWMENTS**

As a result of market volatility, the market value of some permanent endowments can be less than their historical gift value. The underwater amount of such endowments was \$4,006 and \$0.8 million at June 30, 2021 and 2020, respectively. Under UPMIFA, investment income and accumulated realized and unrealized gains may be expended in support of the operational requirements of UCSF programs.

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**PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2021 and 2020 consist of the following unconditional promises to give:

| <i>in thousands of dollars</i>            | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Pledges due in one year or less           | \$ 38,505   | \$ 27,606   |
| Less: Allowance for uncollectible pledges | (1,078)     | (1,068)     |
| Pledges receivable, current               | 37,427      | 26,538      |
| Pledges due between one and five years    | 81,724      | 34,791      |
| Pledges due in more than five years       | 12,500      | -           |
| Pledges due in more than one year         | 94,224      | 34,791      |
| Less                                      |             |             |
| Allowance for uncollectible pledges       | (920)       | (339)       |
| Unamortized discount                      | (2,181)     | (923)       |
| Pledges receivable, noncurrent            | 91,123      | 33,529      |
| Total pledges receivable                  | \$ 128,550  | \$ 60,067   |

Pledges from two donors represent more than 10% of total pledges receivable at June 30, 2021, and pledges from one donor represents more than 10% individually of total pledges receivable at June 30, 2020. They represent 74.8% and 36.9% in the aggregate of total pledges receivable at June 30, 2021 and 2020, respectively.

In addition to the pledge balances and revenue reflected in these financial statements, the Foundation has pledges that will be recognized as conditions and milestone events are met by UCSF, and non-binding intentions that donors may satisfy through other related entities. Endowment pledges are also not reflected in these financial statements, and endowment pledge payments are recognized as additions to endowments at the time the payments are received.

**OPERATING LEASE CONTRACTUAL COMMITMENTS**

Beginning in 2017, the Investment Company entered into a lease agreement for office space. The lease has been recorded as an operating lease. Total rental expense under the lease for the years ended June 30, 2021 and 2020 was \$0.2 million. The terms of the lease extend through 2024.

Future minimum operating lease payments for periods subsequent to June 30, 2021 are as follows:

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*in thousands of dollars*

| <b>Year</b>  | <b>Payments<br/>Subsequent To<br/>June 30, 2021</b> |
|--------------|---|
| 2022         | \$ 226  |
| 2023         | 232   |
| Thereafter   | 98  |
| <b>Total</b> | <b>\$ 556</b>                                       |

## **INDEMNIFICATIONS**

In connection with certain investment dispositions, the Foundation has provided certain indemnifications to the acquirer. The Foundation continually assesses the probability of its obligations under these indemnifications and currently believes there are no obligations that are probable at this time.

## **SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the net position date through the financial statement issuance date and determined there are no items to disclose.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally, in the United States, and in the State. On March 4, 2020, the Governor declared a state of emergency to help the State prepare and respond to COVID-19. State orders and restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellations of events. Given the difficulty in predicting the duration and severity of the coronavirus on the economy and the financial markets, the ultimate impact to the Foundation in 2022 and potentially beyond is uncertain.

## **BLENDED COMPONENT UNITS**

Condensed combining information for the Foundation's blended component units for the years ended June 30, 2021 and 2020 is as follows:

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*in thousands of dollars*

**COMBINING STATEMENT OF NET POSITION**

| 2021  |              |                    |              |              |
|---|--------------|--------------------|--------------|--------------|
|   | Foundation   | Investment Company | Eliminations | Total        |
| <b>Assets</b>   |              |                    |              |              |
| Current assets  | \$ 300,465   | \$ 2,385           |              | \$ 302,850   |
| Noncurrent assets   | 2,759,244    |                    |              | 2,759,244    |
| Total assets  | 3,059,709    | 2,385              |              | 3,062,094    |
| <b>Liabilities</b>  |              |                    |              |              |
| Current liabilities   | 45,220       | 2,086              |              | 47,306       |
| Noncurrent liabilities                                      | 24,948       | 61                 |              | 25,009       |
| Total liabilities   | 70,168       | 2,147              |              | 72,315       |
| <b>Deferred inflows of resources</b>                        |              |                    |              |              |
| Deferred inflows from irrevokable split interest agreements | 31,189       |                    |              | 31,189       |
| Total deferred inflows of resources                         | 31,189       |                    |              | 31,189       |
| <b>Net position</b>   |              |                    |              |              |
| Restricted - Nonexpendable                                  | 1,048,411    |                    |              | 1,048,411    |
| Restricted - Expendable                                     | 1,909,576    | 238                |              | 1,909,814    |
| Unrestricted  | 365          |                    |              | 365          |
| Total net position  | \$ 2,958,352 | \$ 238             |              | \$ 2,958,590 |

**COMBINING STATEMENT OF OPERATIONS & CHANGES IN NET POSITION**

| 2021  |              |                    |              |              |
|---|--------------|--------------------|--------------|--------------|
|   | Foundation   | Investment Company | Eliminations | Total        |
| <b>Operating income</b>                       |              |                    |              |              |
| Operating revenues                            | \$ 427,391   | \$ 5,745           | \$ (5,745)   | \$ 427,391   |
| Operating expenses                            | (376,132)    | (5,981)            | 5,745        | (376,368)    |
| Net operating income                          | 51,259       | (236)              | -            | 51,023       |
| <b>Nonoperating income</b>                    |              |                    |              |              |
| Nonoperating income                           | 617,597      | 14                 |              | 617,611      |
| Net income before other changes in net assets | 668,856      | (222)              |              | 668,634      |
| Other changes in net assets                   | 138,804      |                    |              | 138,804      |
| Increase in net position                      | 807,660      | (222)              |              | 807,438      |
| <b>Net position</b>                           |              |                    |              |              |
| Beginning of year                             | 2,150,692    | 460                |              | 2,151,152    |
| End of year                                   | \$ 2,958,352 | \$ 238             |              | \$ 2,958,590 |

**COMBINING STATEMENT OF CASH FLOWS**

| 2021  |              |                    |              |              |
|---|--------------|--------------------|--------------|--------------|
|   | Foundation   | Investment Company | Eliminations | Total        |
| Net cash provided by (used in) operating activities         | \$ (113,738) | \$ 216             |              | \$ (113,522) |
| Net cash provided by noncapital financing activities        | 119,858      |                    |              | 119,858      |
| Net cash provided by (used in) investing activities         | (6,129)      | 14                 |              | (6,115)      |
| <b>Net increase (decrease) in cash and cash equivalents</b> | (9)          | 230                |              | 221          |
| Cash and cash equivalents at beginning of the year          | 268,146      | 2,135              |              | 270,281      |
| <b>Cash and cash equivalents at end of the year</b>         | \$ 268,137   | \$ 2,365           |              | \$ 270,502   |

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*in thousands of dollars*

**COMBINING STATEMENT OF NET POSITION**

**2020 Restated**

|   | Foundation   | Investment<br>Company | Eliminations | Total        |
|---|--------------|-----------------------|--------------|--------------|
| <b>Assets</b>   |              |                       |              |              |
| Current assets  | \$ 256,858   | \$ 2,155              |              | \$ 259,013   |
| Noncurrent assets   | 2,037,902    |                       |              | 2,037,902    |
| Total assets  | 2,294,760    | 2,155                 |              | 2,296,915    |
| <b>Liabilities</b>  |              |                       |              |              |
| Current liabilities   | 83,122       | 1,620                 |              | 84,742       |
| Noncurrent liabilities                                      | 32,058       | 75                    |              | 32,133       |
| Total liabilities   | 115,180      | 1,695                 |              | 116,875      |
| <b>Deferred inflows of resources</b>                        |              |                       |              |              |
| Deferred inflows from irrevokable split interest agreements | 28,888       |                       |              | 28,888       |
| Total deferred inflows of resources                         | 28,888       |                       |              | 28,888       |
| <b>Net position</b>   |              |                       |              |              |
| Restricted - Nonexpendable                                  | 907,373      |                       |              | 907,373      |
| Restricted - Expendable                                     | 1,242,943    | 460                   |              | 1,243,403    |
| Unrestricted  | 376          |                       |              | 376          |
| Total net position  | \$ 2,150,692 | \$ 460                |              | \$ 2,151,152 |

**COMBINING STATEMENT OF OPERATIONS & CHANGES IN NET POSITION**

**2020 Restated**

|   | Foundation   | Investment<br>Company | Eliminations | Total        |
|---|--------------|-----------------------|--------------|--------------|
| <b>Operating income</b>                       |              |                       |              |              |
| Operating revenues                            | \$ 451,554   | \$ 5,450              | \$ (5,450)   | \$ 451,554   |
| Operating expenses                            | (411,371)    | (5,096)               | 5,450        | (411,017)    |
| Net operating income                          | 40,183       | 354                   | -            | 40,537       |
| <b>Nonoperating income</b>                    |              |                       |              |              |
| Nonoperating income                           | 86,567       | 9                     |              | 86,576       |
| Net income before other changes in net assets | 126,750      | 363                   |              | 127,113      |
| Other changes in net assets                   | 68,438       |                       |              | 68,438       |
| Increase in net position                      | 195,188      | 363                   |              | 195,551      |
| <b>Net position</b>                           |              |                       |              |              |
| Beginning of year                             | 1,955,504    | 97                    |              | 1,955,601    |
| End of year                                   | \$ 2,150,692 | \$ 460                |              | \$ 2,151,152 |

**COMBINING STATEMENT OF CASH FLOWS**

**2020 Restated**

|   | Foundation        | Investment<br>Company | Eliminations | Total             |
|---|-------------------|-----------------------|--------------|-------------------|
| Net cash provided by (used in) operating activities         | \$ (20,935)       | \$ 544                |              | \$ (20,391)       |
| Net cash provided by noncapital financing activities        | 75,310            |                       |              | 75,310            |
| Net cash provided by (used in) investing activities         | (169,989)         | 9                     |              | (169,980)         |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(115,614)</b>  | <b>553</b>            |              | <b>(115,061)</b>  |
| Cash and cash equivalents at beginning of the year          | 383,760           | 1,582                 |              | 385,342           |
| <b>Cash and cash equivalents at end of the year</b>         | <b>\$ 268,146</b> | <b>\$ 2,135</b>       |              | <b>\$ 270,281</b> |



