10-24-2023

Board of Directors Special Meeting - Open Session Book 10/24/2023

UC Law SF

Special Meeting of the Board of Directors

University of California College of the Law, San Francisco
One Front Street San Francisco, CA 94111
Oct 24, 2023 3:00 PM - Oct 24, 2023 5:00 PM PDT

Table of Contents

ACTION ITEM

1. **REPORT BY:** Finance Committee Chair Chip Robertson

2. **SUBJECT:** Presentation of the 2022-23 Audit Report and Required Communications

3. **RECOMMENDATION:**

That the Board of Directors accepts the Reports of Independent Auditors and Financial Statements and Required Communications for the fiscal ending on June 30, 2023, for UC Law San Francisco, the Hastings Campus Housing Finance Authority and the UC Law San Francisco Foundation.

4. **BACKGROUND:**

The following reports and audit documentation were prepared by auditors from Moss Adams, LLC. Enclosed please find the following draft document:

- Report of Independent Auditors and Financial Statements with Supplementary Information (including Single Audit Report)
- Communication with Those Charged with Governance Letter
- Board Presentation – Audit Results (PowerPoint)

The Audit Subcommittee and the Finance Committee have voted to recommend the Board accept these reports. A closed executive session will be conducted to allow for a discussion concerning management performance between the auditors and the Board.

5. **PROPOSED RESOLUTION:**

Be it resolved that the Board of Directors accepts the Reports of Independent Auditors and Financial Statements and Required Communications for the fiscal ending on June 30, 2023.

Attachments:
1. Moss Adams Presentation
2. UC Hastings FY23 Draft Financial Statements
3. UC Hastings FY23 C-260 Letter

MOSSADAMS

2023 Audit Results

Better Together: Moss Adams & UC College of the Law, San Francisco

UC College of the Law, San Francisco

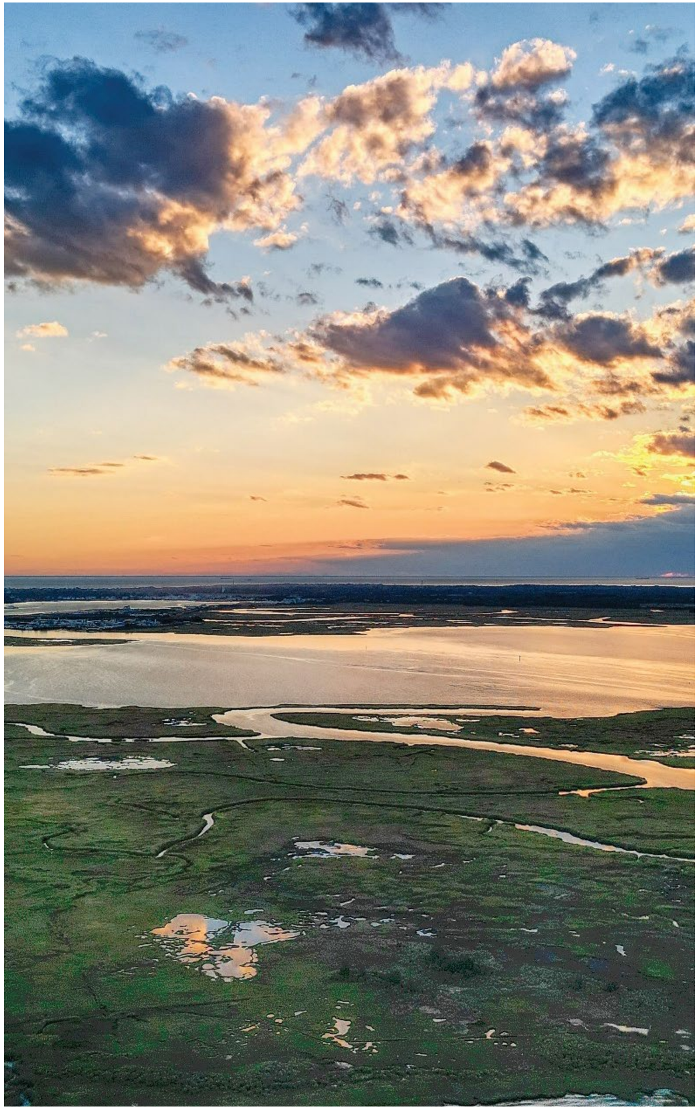
Dear Audit Committee and Board of Directors Members:

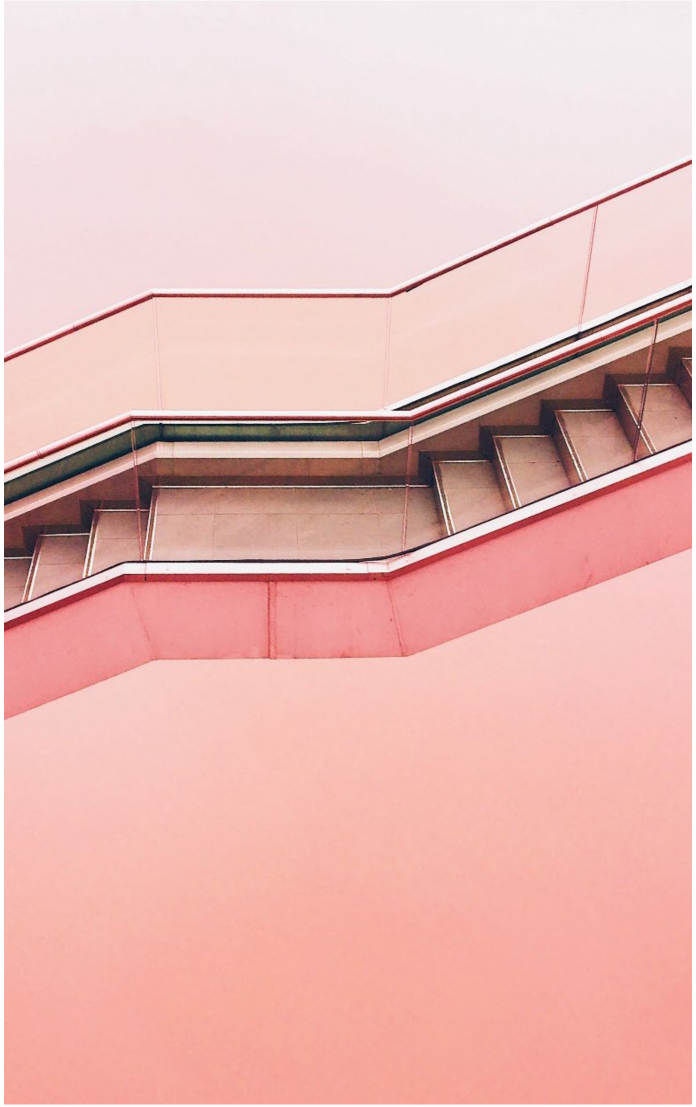
Thank you for your continued engagement of Moss Adams LLP. We're pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements and federal program compliance UC College of the Law, San Francisco (the "College" or "UC Law") and the discretely presented component unit, UC Law Foundation (the "Foundation"), as of and for the year ended June 30, 2023.

The accompanying report, which is intended solely for the use of the Audit Committee and Management and not intended to be, and should not be, used by anyone other than these specified parties, presents important information regarding the College's financial statements and our audit that we believe will be of interest to you.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of the College's personnel. We're pleased to serve and be associated with the UC Law as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.





Agenda

1) Auditor Opinions & Reports
2) Communication with Those Charged with Governance
3) Resources
4) About Moss Adams

Scope of Services

Relationships between Moss Adams and the College and the Foundation:

Annual Audit

Annual financial statement and federal program compliance audit as of and for the year ended June 30, 2023

Nonattest Services

- Assistance with preparation of federal and state income tax returns
- Assistance with auditee portion of Data Collection Form

Auditor Opinions & Reports

Auditor Report on the Financial Statement

Unmodified Opinion

Unmodified Opinion - Financial statements for the College and its discretely presented component, the Foundation, are presented fairly and in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

Other Auditor Reports

GAGAS Report on Internal Control Over Financial Reporting and on compliance and other matters

- No financial reporting findings
- No compliance findings

Report on Compliance with Requirements that could have a Direct and Material Effect on the Major Federal Programs and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200)

- No control findings
- No compliance findings

Communication with Those Charged with Governance

Our Responsibility Under US Generally Accepted Auditing Standards & *Government Auditing Standards*

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with GAAP. However, our audit doesn't relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards*, issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we aren't required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope & Timing of the Audit

It's the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

OUR COMMENTS

The planned scope and timing of the audit was communicated to the audit committee at the audit entrance meeting on April 20, 2023, and was included in the engagement letter for the year ended June 30, 2023.

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine the audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there's a lack of authoritative guidance or consensus.

OUR COMMENTS

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the College and Foundation are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. The College adopted Government Accounting Standards ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, under the retrospective approach, for the year ended June 30, 2023. There were no other changes to significant accounting policies for the year ended June 30, 2023. We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgments & Accounting Estimates

The audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

OUR COMMENTS

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and don't materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: fair value of investments; collectability of student loans receivable and accounts receivable; useful lives of capital assets; discount rate, useful lives, and lease terms related to operating lease right of use assets, lease liabilities, lease receivable, and lease deferred inflows of resources; discount rate, subscription terms, and other assumptions related to subscription assets and subscription liabilities; and actuarially determined liabilities related to retirement benefits and retiree health benefits. We deemed them to be reasonable.

Management Judgments & Accounting Estimates

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

OUR COMMENTS

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users; however, we don't believe any of the footnotes are particularly sensitive. We call your attention to:

Fair value measurements of investments in Note 4 to the financial statements.

Collectability of student loans receivable and accounts receivable in Note 2 and Note 5 to the financial statements.

Capital assets and net position by type in Note 2 and Note 9 to the financial statements.

Leases in Note 6 to the financial statements.

Subscription-based information technology arrangements in Note 7 to the financial statements.

Long-term debt in Note 10 to the financial statements.

Actuarially determined liabilities related to retiree health benefits and retirement benefits in Note 13 and Note 14 to the financial statements.

COMMUNICATION WITH GOVERNING BODY

Significant Unusual Transactions

The audit committee should be informed of any significant unusual transactions, including our views on the policies and practices management used to account for significant unusual transactions; and our understanding of the business purpose for significant unusual transactions.

OUR COMMENTS

No significant unusual transactions were identified during our audit of the financial statements.

Difficulties Encountered in Performing the Audit

The audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

OUR COMMENTS

No significant difficulties were encountered during our audit.

COMMUNICATION WITH GOVERNING BODY

Circumstances Affecting the Form & Content of the Audit Report

We're required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the generally accepted auditing standards, and for which communication with those charged with governance is required.

OUR COMMENTS

There were no circumstances that affected the form and content of the auditor's report.

Significant Audit Adjustments & Unadjusted Differences Considered by Management to Be Immaterial

The audit committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the College's and the Foundation's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The audit committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

OUR COMMENTS

There were no misstatements identified by us as a result of audit procedures and uncorrected by management that are material, either individually or in the aggregate, to the College's and the Foundation's financial statements taken as a whole.

.

Potential Effect on the Financial Statements of Significant Risks, Exposures, & Uncertainties

The audit committee should be adequately informed of the potential effect on the financial statements of significant risks, exposures, and uncertainties that are disclosed in the financial statements.

OUR COMMENTS

The College is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.

Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the audit committee.

OUR COMMENTS

- Material weaknesses
  - None noted
- Significant deficiencies and instances of noncompliance
  - Nothing to communicate

Disagreements with Management

Disagreements with management, whether satisfactorily resolved, about matters that individually or in the aggregate could be significant to the College's and Foundation's financial statements or the auditor's report.

OUR COMMENTS

We're pleased to report there were no disagreements with management.

Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the College's and Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS

We're not aware of any significant accounting or auditing matters for which management consulted with other accountants.

Other Material Written Communications

Report to the audit committee significant written communications between the auditor and client management.

OUR COMMENTS

Other than the engagement letter, management representation letter, and communications to those charged with governance, there have been no other significant communications.

Material Uncertainties Related to Events and Conditions

Any doubt regarding the entity's ability to continue, **as a going concern**, should be communicated to the audit committee.

OUR COMMENTS

No such matters came to our attention.

Fraud and Noncompliance with Laws & Regulations

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We're also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS

We haven't become aware of any instances of fraud or noncompliance with laws and regulations.

Resources

Resources

Association of Governing Boards

www.agb.org

AICPA

www.aicpa.org/interestareas/notforprofit

www.aicpa.org/interestareas/GovernmentalAuditQuality

Boardsource

www.boardsource.org

An Array of Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

Articles & Alerts

Industry-specific insight and important tax and assurance updates

Webcasts

On-demand and live sessions with our professionals on technical and timely topics

Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape

Events

Seminars destination conferences, networking receptions, and charity events among others

About
Moss Adams

Services

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.

Accounting

ASSURANCE

- Financial Statement Audits
- Employee Benefit Plans
- Public Company & SEC
- Internal Audit
- SOC Audits
- Contract Compliance
- Sustainability Audits

TAX

- Accounting for Income Taxes (ASC 740)
- Accounting Methods
- Compensation & Benefits
- Controversy & Dispute Resolution
- Credits & Incentives
- International Tax
- Personal
- State & Local
- Tax Structuring

ADVISORY

- Disruption Services
- IPO Solutions
- Outsourced Finance & Accounting
- Technical Accounting

INTERNATIONAL

- China Practice 中国业务
- India Practice
- Latin America Practice

Consulting

TECHNOLOGY

- Automation
- Data Analytics & BI
- Development & Integration
- Enterprise Systems
- Products
- Strategy

RISK IT & COMPLIANCE

- Cybersecurity
- FedRAMP
- IT Compliance
- SOC Examinations

STRATEGY & OPERATIONS

- Organizational Planning
- Performance Audits
- Succession Planning

TRANSACTIONS

- Due Diligence
- M&A Tax
- Merger Management
- Post-Acquisition Dispute Resolution
- Restructuring
- Valuations

SPECIALTY

- Financial Services
- Health Care
- Telecommunications

Wealth Management

INDIVIDUAL

- Tax
- Financial Planning
- Investments
- Family Office

INSTITUTIONAL

- Investments
- Insurance

Our Services for Institutions of Higher Education

ASSURANCE

- Agreed-upon procedures
- Audits and reviews
- Federal awards audits
- Compliance examinations pursuant to federal reporting requirements
- Employee benefit plan services
- Written acknowledgments and agreed-upon procedure engagements in connection with tax-exempt bond offerings

CONSULTING

- Endowment management and investment consulting
- Fraud investigation and forensic accounting
- IT consulting
- Strategic business planning
- Sustainability services
- Systems Control & Operations Risk Evaluation (SCORE!)
- Wealth services

TAX

- Alternative investment issues
- Compensation, payroll, and employment tax issues, including fringe benefits, deferred compensation, and policy setting to meet the rebuttable presumption process
- Complex group structures, including non-501(c)(3) exempt organizations
- Donor-advised fund planning and reporting
- Estate planning for donors and development department marketing
- For-profit organization formation and operations
- Formation of new entities, including preparation of
- Forms 1023 and 1024 and associated state filings
- Independent contractor versus employee determinations
- IRS and state audit representation
- Joint venture formation and operation
- Lobbying and political expenditure classification and reporting
- Maintaining tax-exempt status and public charity status
- Member versus nonmember activity issues
- Preparation of Form 990, 990-T, 990-PF, and relevant state forms
- Private foundation planning analysis
- Public support test planning
- Sales and use tax exemptions
- State and local tax services, including credits and incentives
- State solicitation registration and annual filings
- Tax-exempt bond consultation, including private business use and post-issuance bond compliance procedures
- Third-party management agreements and sponsorship planning
- Transfer pricing and expense allocation methodology
- Unrelated business taxable income

Advanced Technologies and Audit Innovation

We leverage technology across our engagements for a modern, efficient audit and tax experience. Our technology fulfills key functions across our engagements, such as creating the best possible remote audit experience or enabling secure and user-friendly document transfer capabilities. As appropriate, we may also use advanced technology during the course of this engagement.

VIRTUAL AUDIT

VIDEO CONFERENCING
Our firm has a variety of video conferencing capabilities.

MOSS ADAMS PORTAL
Our client portal is a secure and user-friendly web-based tool we use to easily transfer and temporarily store sensitive documents.

VIRTUAL PRIVATE NETWORK (VPN)
Our secure VPN requires triple authentication to safely transfer and store files.

PROSYSTEM FX ENGAGEMENT (PFX)
ProSystem fx Engagement is our trial balance and paperless audit documentation software.

ADVANCED TECHNOLOGY

KIRA
Kira is a machine learning tool that enables us to be more efficient in reviewing and analyzing documents for accuracy.

MINDBRIDGE
MindBridge uncovers outliers and anomalous transactions for the transactions within a general ledger data set.

DATAROBOT
DataRobot is a modeling tool that enables richer data and opportunity analysis through predictive modeling.

ROBOTIC PROCESS INFORMATION
RPA is a cutting-edge form of business process automation technology that helps automate redundant processes.

Diversity, Equity, and Inclusion

Our mission is to foster an inclusive and diverse culture where everyone feels like they belong. To accomplish this mission, we focus on the following objectives.

ATTRACT
Recruit individuals with diverse backgrounds and experiences

DEVELOP
Provide learning and growth opportunities to develop and promote inclusive and diverse leadership across the firm

RETAIN
Promote and support a culture where everyone feels valued, respected, and connected

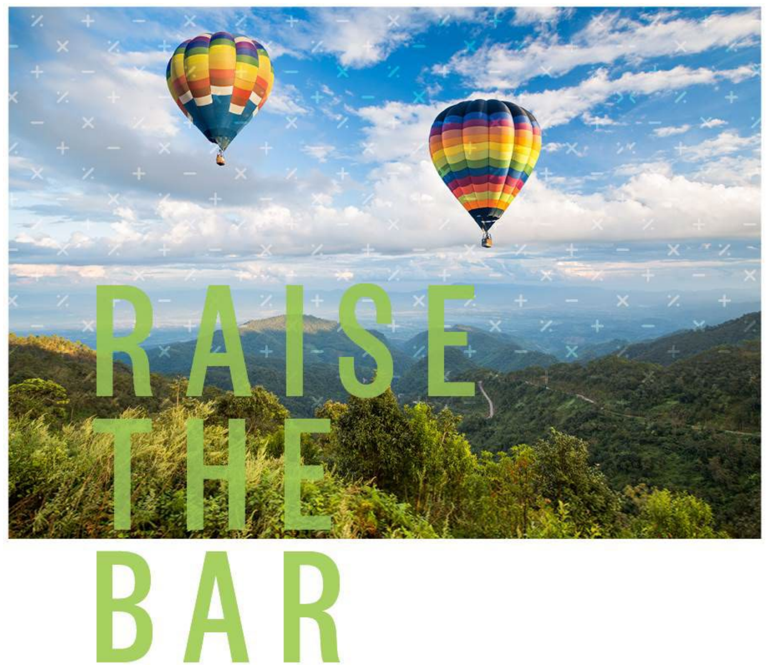
ADVANCE
Provide the best place to build a career for everyone by promoting equity, access, and opportunity

Inclusion & Diversity: 2022 Annual Report

Business Resource Groups (BRGs)

We want the employees at our firm to feel like they have an opportunity to learn, grow, and feel included throughout every step of their career at Moss Adams. BRGs were created to foster advocacy and promote professional and personal growth for underrepresented groups within the firm. Through BRGs, we're providing an inclusive space for employees to progress and develop through every step of their career.

Asian BRG	**Black BRG**
LatinX BRG	**Pride BRG**
Disability BRG	**Forum W**
Racial Equity BRG	**Veterans BRG**



Contact Us

Kinman Tong

Kinman.Tong@
mossadams.com

(415) 667-8267

Gordon Lam

Gordon.Lam@
mossadams.com

(415) 677-8280

The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. ISO/IEC 27001 services offered through Cadence Assurance LLC, a Moss Adams company. Investment advisory offered through Moss Adams Wealth Advisors LLC.

THANK YOU

Reports of Independent Auditors and
Financial Statements with
Federal Awards Supplementary Information

UC College of the Law, San Francisco

June 30, 2023 and 2022

Table of Contents

Report of Independent Auditors

The Board of Directors
UC College of the Law, San Francisco

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of UC College of Law, San Francisco (the "College" or "UC Law") and its discretely presented component unit, the UC Law Foundation (the "Foundation"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's and the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of UC College of Law, San Francisco and its discretely presented component unit, the UC Law Foundation, as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's and the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 5 through 20, and the supplementary information on net retiree health benefits liability and net pension liability on pages 68 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's and the Foundation's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October ___, 2023 on our consideration of UC College of the Law, San Francisco's and its discretely presented component unit, the UC Law Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UC College of the Law, San Francisco's and its discretely presented component unit, the UC Law Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UC College of the Law, San Francisco's and its discretely presented component unit, the UC Law Foundation's internal control over financial reporting and compliance.

San Francisco, California
October ___, 2023

Management Discussion and Analysis (Unaudited)

The UC College of the Law, San Francisco (the "College" or "UC Law") presents its financial statements for fiscal year 2023 with comparative data presented for fiscal years 2022 and 2021. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2023 and 2022 (2023 and 2022, respectively). There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

The following discussion and analysis is intended to help readers of the College's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis were prepared by the College and are the responsibility of its management.

The College

The College was founded in 1878 as the "law department" of the University of California (the "UC") and is the oldest public law school in California. Founded by Chief Justice Serranus Clinton Hastings, the College was established by the California Legislature with its own Board of Directors which has operated the College independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the UC Law Board of Directors. The College is the only stand-alone, public law school in the nation.

The mission of the College is to serve society as a center of higher learning committed to exceptional teaching, influential scholarship, and exemplary public service. The College provides a rigorous, innovative, and inclusive legal education that prepares diverse students to excel as professionals, advance the rule of law, and further justice.

UC Law's reputation for academic excellence, its formal affiliation with the University of California, and its location in San Francisco's downtown civic center are major factors contributing to the overall strength of the law school. This intrinsic quality is reflected in the large number of applications received for a limited number of seats. Hence, enrollment management objectives are to matriculate select students of the highest academic credentials.

THE HASTINGS CAMPUS HOUSING FINANCE AUTHORITY

The Hastings Campus Housing Finance Authority (the "Authority") is a joint powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Law and California Public Finance Authority and the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California. The Authority is authorized to issue bonds for, among other things, financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by UC Law. The Authority has a broad mandate to operate, construct and finance project facilities and other activities undertaken in furtherance of the Long-Range Campus Plan adopted in December 2017.

The Authority is governed by a seven-member board of directors, all appointed by UC Law's Board of Directors. Three of the seven-member governing board are the persons serving in the employment capacities of UC Law, specifically the Chancellor and Dean, the Chief Financial Officer, and the General Counsel of the College, unless the UC Law Board of Directors specifies otherwise. All Directors serve for terms of four years; provided, however, that any Director who is serving in an ex officio capacity by virtue of his or her position with the College shall serve as a Director so long as he or she is in such position with the College. Vacancies occurring in the Governing Board by expiration of a Director's term, death, resignation, or removal are filled by a majority vote of the members of UC Law Board of Directors. In addition, the UC Law Board of Directors has the discretion to remove any Authority Director with or without cause.

The UC College of the Law, San Francisco Foundation

The UC College of the Law Foundation (the "Foundation") was organized for the purpose of providing an organization for individuals dedicated to the support of the College and to provide a means for soliciting, receiving, and making financial contributions and garnering volunteer support to the College, and to otherwise assist its students, alumni, administration, faculty, and Board of Directors. The Foundation is a California nonprofit public benefit corporation exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3) and a public charity pursuant to Code Section 170(b)(1)(A)(iv).

Substantially all restricted gifts and unrestricted gifts made to the College are recognized and accounted for within the Foundation's accounts. To support the College's efforts, the Foundation allocates block grants to the College from the proceeds of unrestricted gifts made to the Foundation. These blocks grants are designated by the Foundation to support the College's alumni office and nonstate costs associated with institutional advancement functions along with funding for special events and other programs based on the Chancellor and Dean's institutional priorities. Additionally, the Foundation supports a variety of purposes such as student scholarships, faculty research and professional development, lectureships, and moot court activities with funds raised from annual giving, class campaigns, and from memorial and endowment gifts.

The Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units—An Amendment of GASB Statement No. 14*, is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 15 and No. 34*, detailing the major component unit concept. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government.

The GASB requires the Foundation, as the College's legally separate, tax-exempt, affiliated campus foundation, to be considered a component unit of the College and presented discretely in the College's financial statements due to the nature and significance of the Foundation's relationship with the College. Similarly, the Authority's financial activities are fully embedded within the data reported for the College.

Overview of the College

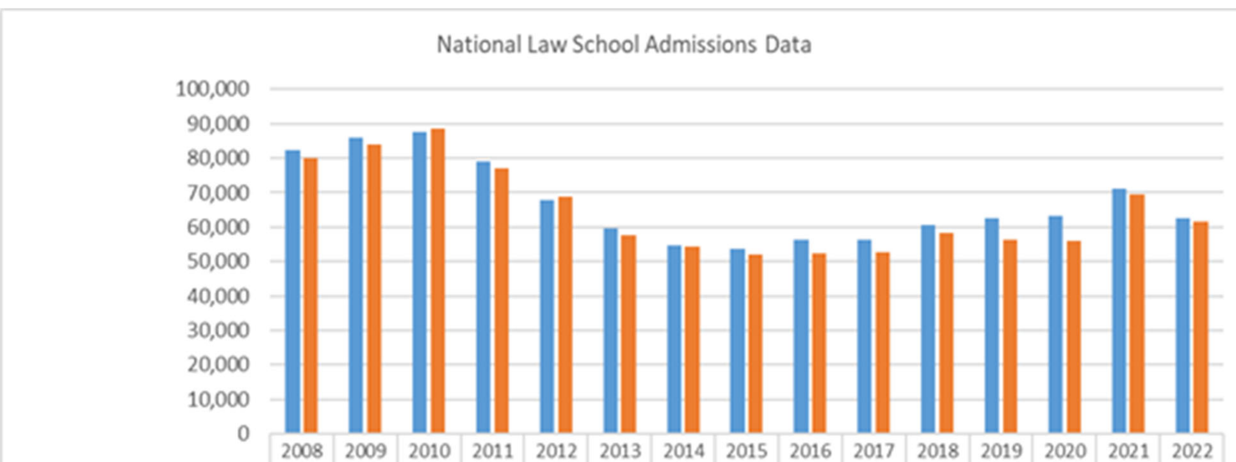
Strategic Plan

Institutional priorities are determined in part by reference to the Operational Strategic Plan that was finalized in the fall of 2019 and that the UC Law Board of Directors adopted in March 2020. The Strategic Plan has three background assumptions, i.e., that the College will continue to convey its excellence to increase in stature (e.g., U.S. News & World Report overall rank and specialty rankings) while implementing the Long-Range Campus Plan ("LRCP") and achieving five-year budget targets. Within that framework, and as to the academic program, the Plan prioritizes, among other things, student success (first-time bar passage, employment); scholarly achievement and recognition; the development of centers of excellence and new partnerships; diversity, equity, and inclusion ("DEI"); all while maintaining fiscal health.

In the years since the Plan was conceived and approved, the College has pursued a broad range of Strategic Plan initiatives and, relatedly, has experienced significant gains in the academic program as measured by such metrics as graduate first-time bar passage rates and employment outcomes. UC Law has also made substantial progress implementing its Long-Range Campus Plan with the completion of the Cotchett Law Center at 333 Golden Gate (2020) and more recently its mix-used 656-unit residential facility at 198 McAllister (2023) in furtherance of the school's overarching strategic vision of developing an Academic Village.

Enrollment – National Trends

The national law school applicant pool for students starting law school in fall 2023 fell by -1.9% as compared to the 2021-22 admission cycle. Following is a chart of national applicants to U.S. law schools and applications received by Far West law schools from the 2008 through the 2022 admissions cycle.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
National Applicants	82,429	86,074	87,476	78,881	67,957	59,426	54,527	53,548	56,238	56,142	60,678	62,529	63,202	71,095	62,689
Applications to Far West	79,849	83,950	88,516	77,109	68,954	57,718	54,433	52,135	52,289	52,792	58,193	56,384	55,919	69,479	61,695

- **Enrollment Results – UC Law, SF**

Following are the application and enrollment results for the upcoming academic year 2024 as compared to figures from the 2023 and 2022 admissions cycles:

JD	2021-22	2022-23	2023-24*
Applicants	4,415	4,069	3,929
Admits	1,238	1,178	1,234
Admit Rate	28%	29%	31%
Tuition Discount Rate	29%	33%	32%
Net Tuition – 1L Class Only	$12.29 million	$11.81 million	$12.21 million
Net Tuition – All Degrees	$31.04 million	$33.41 million	$35.79 million
Enrolled – 1L Class Only	398	391	379
Yield	32.15%	33.19%	30.71%
LSAT (75/50/25)	162/158/153	163/158/153	163/158/153
UGPA (75/50/25)	3.69/3.46/3.15	3.74/3.52/3.22	3.77/3.55/3.25
Deferrals to Next Fall	37	30	8

* As of August 15, 2023, the first day of orientation. Based on data from prior years, 0-4 students are expected to withdraw between now and early October. Data is based on the first day of fall classes.

- **Total Enrollment**

Total enrollment for the fall semesters at UC Law for the academic years 2019 through 2023 was as follows:

	2018-19	2019-20	2020-21	2021-22	2022-23
JD	933.3	929.7	981.7	1,077.2	1,103.0
LLM	21.3	20.8	9.2	25.8	30.30
MSL	2.3	9.8	16.8	14.6	8.7
Visitor/Other	2.0	2.0	1.9	8.1	15.0
Total	**958.9**	**962.3**	**1,009.6**	**1,125.7**	**1,157.0**

Student Outcomes and Success

As indicated in Figures 1 below, UC Law has steadily improved employment outcomes year-over-year.

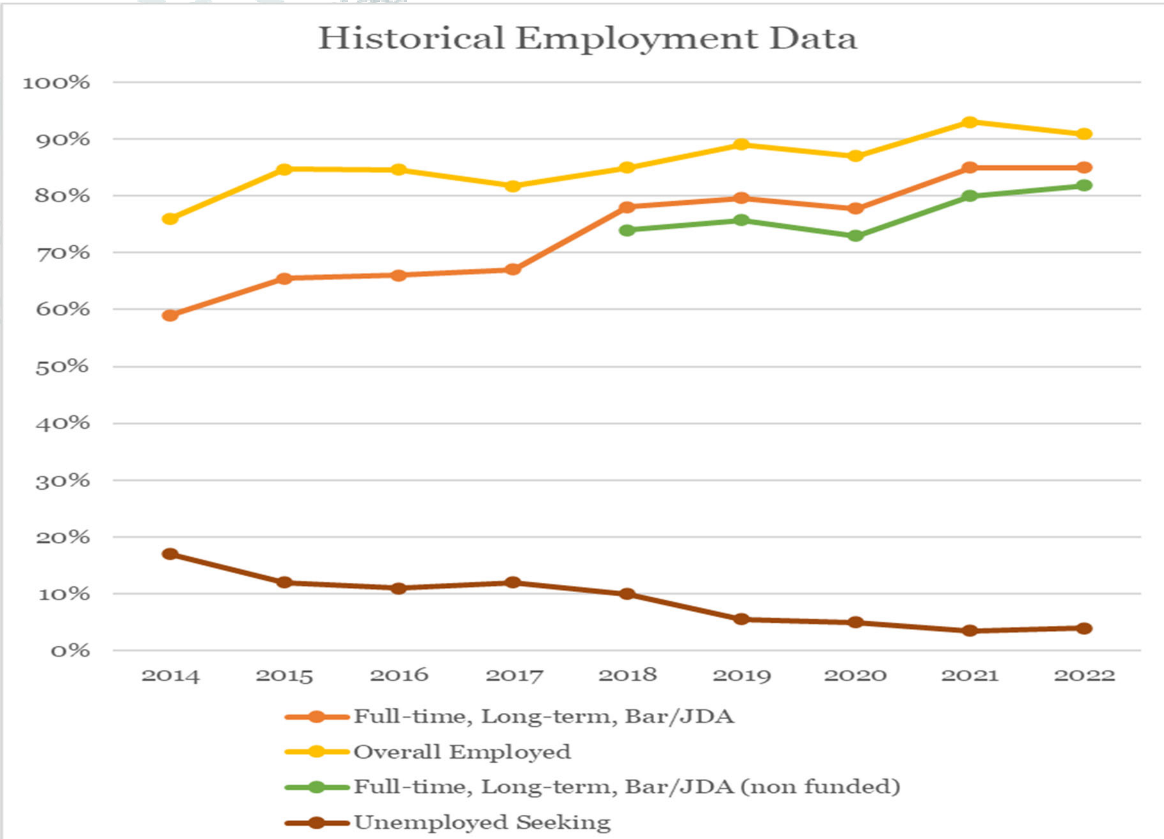


Figure 1: Employment Outcomes

Highlights of Financial and Campus Operations

The College's strong relationship with the State of California evidenced itself in growing ongoing state appropriations to support operating costs and forward progress toward attainment of the Academic Village. With the completion in 2020 of the 57,000 gross square foot Cotchett Law Center at 333 Golden Gate, the College's first new academic building since 1980, priority shifted to the next phase, the development and completion (August 2024) of a mixed-use campus housing facility at 198 McAllister.

- The Academe at 198 - Campus Housing Project

  UC San Francisco ("UCSF") and UC Law have commenced a unique collaboration that provides 656-units of below-market housing for students, trainee and other eligible tenants who want to live in San Francisco on a campus setting. The Academe at 198, a 14-story, 665-unit building located at 198 McAllister opened in August of 2023. As of September 2023, the building is nearly 60% occupied with residents from UC Law, UCSF, UC Davis, University of the Pacific's Dugoni School of Dentistry as well as UCSF professional school students, post-doctoral scholars, residents, and fellows as its first residents. The structure's furnished units range from efficiency units to two-bedroom apartments; the project has been well received by its residents.

  The building – located at the nexus of the Civic Center, Tenderloin, and Mid-Market neighborhoods conveniently near the Civic Center BART/Muni station – includes residential amenities such as shared study rooms, lounges, laundry facilities, bicycle storage, a fitness center, outdoor courtyard, dog run, and chilled air. Besides a secure card-swipe entrance, the building includes a 24-hour security desk and a camera surveillance network, in addition to sidewalk coverage provided by the Urban Alchemy Street ambassador program. All residents, regardless of institutional affiliation, have access to the UC Law campus including social spaces, food service, library and study areas, and parking.

  The Hastings Campus Housing Finance Authority issued $362 million in tax-exempt bonds, Series 2020A and Series 2020B, to finance the project achieving financial close in September 2020. The fee developer is Greystar, the architect is Perkins & Will, and the general contractor is San Francisco-based Build Group. The project was scheduled for occupancy by July 1, 2023. However, the delivery date for the project did not occur until August 1, 2023, due to delays arising from supply chain issues. This delay in project delivery tolled the 20-year Occupancy Agreement with UCSF until 2024-25, when UCSF will be contractually obligated to guarantee the rents for 35%, or 230, of the units.

- Ongoing Support from the State of California Remains Strong

  General Fund support for operations in the Budget Act of 2021 totaled $16.8 million. Strong support from the State of California was once again demonstrated by growing ongoing support reaching $18.8 million in the Budget Act of 2022 (12%). In addition, a $90 million allocation was made to partially fund the renovation of 100 McAllister Street along with $885,000 to partially offset costs associated with renaming the school. The table below summarizes year-over-year change:

Item	2022-2023	2023-2024	Dollar Change	% Change
Ongoing General Fund Support	$ 18,789,000	$ 20,956,000	$ 2,167,000	11.5%
100 McAllister Renovation & Seismic Upgrade Project	90,000,000	-	(90,000,000)	-100.0%
Renaming Costs	885,000	-	(885,000)	-100.0%
Alternative Public Safety Program (3-year funding package)	-	3,000,000	3,000,000	0.0%
State General Fund Operations	109,674,000	23,956,000	(85,718,000)	-78.2%
333 Golden Gate Lease-Revenue Rent Payment	3,089,000	3,088,000	(1,000)	0.0%
Total State General Fund Appropriation	$ 112,763,000	$ 27,044,000	$ (85,719,000)	-76.0%

- Fundraising and Institutional Advancement

  The Foundation received and transferred to the College $6.7 million in total contributions in 2023, an institutional record. These results are attributed to an enhanced and more strategic alumni engagement effort, the maturity of several key relationships, and a compelling institutional vision.

Financial Position

The narrative detailing UC Law's financial position combines figures for the College and the Foundation, unless otherwise indicated.

The statements of net position present the financial position of the College and the Foundation at the end of 2023 and 2022. The purpose of the statements of net position is to present to the reader a fiscal snapshot of UC Law. From the data presented, readers of the statements of net position are able to determine the assets available to support the operations of the College.

They are also able to determine its liabilities in terms of how much the College owes vendors, investors, and lending institutions. Finally, the statements of net position provide an overview of net position (assets, deferred outflows of resources minus liabilities, and deferred inflows of resources) and their availability for expenditure.

The net position section is classified into three major categories. The first category, Net Investment in Capital Assets, presents the College's equity in property, plant, and equipment. The next asset category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Assets which are those net assets available for any lawful purpose to support the College.

Detailed statements of net position are included with the financial statements. A condensed version is shown below:

Condensed Statement of Net Position – 2023, 2022, and 2021 (in thousands)

	College	Foundation	2023 Total	2022 Total (As Restated)	2021 Total (As Restated)
ASSETS					
Current assets	$ 104,665	$ 1,165	$ 105,830	$ 12,546	$ 13,915
Noncurrent assets	611,219	1,666	612,885	623,219	636,842
Total assets	715,884	2,831	718,715	635,765	650,757
Deferred outflows of resources	14,284	-	14,284	20,752	16,600
Total assets and deferred outflows of resources	$ 730,168	$ 2,831	$ 732,999	$ 656,517	$ 667,357
LIABILITIES					
Current liabilities	$ 34,652	$ -	$ 34,652	$ 33,167	$ 34,224
Noncurrent liabilities	517,958	-	517,958	517,746	500,485
Total liabilities	552,610	-	552,610	550,913	534,709
Deferred inflows of resources	29,053	-	29,053	33,462	45,148
TOTAL NET POSITION					
Net investment in capital assets	76,575	-	76,575	76,620	77,270
Restricted:					
Nonexpendable	26,333	179	26,512	25,727	28,805
Expendable	(15,243)	2,425	(12,818)	3,581	19,337
Unrestricted	60,840	227	61,067	(33,786)	(37,912)
Total net position	148,505	2,831	151,336	72,142	87,500
Total liabilities, deferred inflows of resources, and net position	$ 730,168	$ 2,831	$ 732,999	$ 656,517	$ 667,357

Assets

In 2023, for the College and the Foundation, current assets increased by $93.3 million (743.5%) compared to the prior year. The primary cause of this growth is an appropriation of $90 million included in the Budget Act of 2022 to partially fund the renovation of McAllister Tower, located at 100 McAllister Street. Of this amount, $45 million is deposited in restricted cash equivalents (the Short-Term Investment Pool (“STIP”)). The remaining $45 million is allocated as restricted investments in the TRIP pool. Additionally, $44 million in investments for the Authority held with BNY Mellon was transferred to restricted cash as the project over Academe at 198 nears completion.

In 2022, for the College and the Foundation, current assets decreased by $1.4 million (9.8%) compared to the prior year. The primary cause of this decrease is the decrease of accounts receivable by $0.8 million (33.5%) and a decrease of current pledge receivables by $0.5 million (35.1%) which are related to large balances outstanding at year end 2021 for the Building UC Law’s fundraising effort and the planned paydown of the Cotchett pledge which occurred in 2022.

For 2023, noncurrent assets decreased by $10.3 million (1.7%) compared to the prior year. This is due in part by $45 million received from the State of California is sitting in long term investments for the renovation of 100 McAllister Street. Additionally, for the Academe at 198, after current year construction cost increased capital assets by $126 million, excess cash sitting in the operating funds for the Authority Investments were moved to restricted cash. This in tandem with payment of debt service fees decreased the Authority's long term assets by $60 million. The remainder of this difference is attributed to investment gains for the current fiscal year.

For 2022, noncurrent assets decreased by $13.6 million (2.1%) compared to the prior year. The primary cause of this is the decrease of long-term investments by $75.5 million (20.6%) offset by an increase in capital assets of $64.8 million (32.0%). Both are caused by the construction costs associated with the Authority and the building of 198 McAllister. The remaining difference is the decrease of assets held by others due to the close out of the T. Patino Fellowship; the program was modified such that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools. The financial statement impact for this reconsolidation was a decrease of $4.7 million.

UC Law follows the investment philosophy of the University of California ("UC") and invests excess cash and long-term investments – endowments and operating reserves – in the General Endowment Pool ("GEP") managed by the Office of the Chief Investment Officer. Cash needed for near term liquidity needs is allocated to the STIP.

- The GEP experienced total returns of 8.2% in 2023 compared to total returns of -7.56% in 2022. Over time, funds managed by the University of California have performed well with average annualized returns of 10.17% over three years, 8.72% over five years and 8.77% over ten years. These results also compare favorably to policy benchmarks for these time frames adopted by the Investment Committee of the Regents of the University of California (9.68% over three years, 7.51% over five years, and 7.59% over ten years).

- The STIP experienced total returns of 2.77% in 2023 compared to 0.04% in 2022.

- Total market value of all funds managed for the College by UC Investments increased to $224.1 million as of June 30, 2023, from $125.3 million as of June 30, 2022, an increase of $98.7 million (78.8%) for the College and the Foundation.

	2023	2022	Dollar Change	% Change
Endowment Fund (GEP)	$ 51,870,292	$ 49,760,768	$ 2,109,524	4.2%
Operating Fund (GEP)	70,102,593	64,797,831	5,304,762	8.2%
Endowed Funds Held by Regents	10,140,815	10,114,991	25,824	0.3%
Tower - TRIP	45,000,000	-	45,000,000	100.0%
Tower - STIP	46,937,656	-	46,937,656	100.0%
Cash Pool - STIP	18,949	661,880	(642,931)	-97.1%
Total	$ 224,070,305	$ 125,335,470	$ 98,734,835	78.8%

Liabilities

For 2023, for the College and the Foundation, current liabilities increased by $1.5 million (4.5%) compared to the prior year. The primary cause is the increase of accounts payable by $1.4 million (5.5%), which is an increase in amounts owed to UC Path offset by a decrease in payables for the Authority.

For 2022, the College and the Foundation, current liabilities decreased by $1.1 million (3.1%) compared to the prior year. The primary cause is the decrease of accounts payable by $2.6 million (9.2%) which is a decrease in amounts owed to UC Path compared to prior year of approximately $5.5 million offset by an increase in payables for the Authority of $3.8 million due to additional construction cost incurred near year end compared to the prior year.

For 2023, noncurrent liabilities increased by $0.2 million (0.0%) compared to the prior year. The primary cause of this increase is the increase of the net pension liability and retiree health benefits liability of $1.0 million (1.4%).

For 2022, noncurrent liabilities increased by $17.3 million (3.4%) compared to the prior year. The primary cause of this increase is the increase of the net pension liability and retiree health benefits liability of $17.0 million (31.2%) due to 2021 having a significantly smaller balance caused by large investment returns that year.

Deferred Outflows and Inflows of Resources

Deferred Outflows and Inflows of Resources are reflected below for the fiscal year periods ended:

	2023	2022	2021
Deferred outflows of resources	$ 14,283,814	$ 20,752,200	$ 16,600,586
Deferred inflows of resources	$ 29,053,427	$ 33,461,854	$ 45,147,754

These amounts reflect the acquisition (outflows) or consumption (inflows) of net assets to support employer pension benefits in the current accounting period but applicable to a future period. Specifically, these amounts are related to the College’s share of pension and other postemployment benefits, the calculation of which is guided by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. These amounts fluctuate as actuarial data, such as mortality tables, salary increases, cost of living adjustments, length of service, inflation, investment rates and other assumptions change from year to year. For example, if employees are living longer than expected, the total pension liability increases. With no change to the total pension assets, deferred outflows of resources would increase. The source of these figures is provided by Segal Consulting Report dated September 2023, as commissioned by the University of California Controller’s Office.

The 2023 amount in deferred inflows of resources also reflects the $1.7 million fair value of the College's beneficial interest in a remainder trust as well as $3.8 million for lease receivables. For the beneficial interest, the revenue will be recognized when cash is received for the remainder interest, as determined by the terms of the governing documents. For the lease receivables, the revenue will be recognized over the term of the lease.

Net Position

For 2023, nonexpendable restricted net assets – the corpus of endowed funds – increased by $0.8 million (3.1%) compared to the prior year. Gifts supporting scholarships and professorships account for $0.6 million with the balance of the increase derived from gains on investment in excess of payout for current use.

For 2022, nonexpendable restricted net assets – the corpus of endowed funds – decreased by $3.1 million (10.7%) compared to the prior year. The primary driver of this decrease is due to changes made by the trustees of the T. Patino Fellowship; the program was modified such that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools. This financial statement impact for this reconsolidation was a decrease of $4.7 million.

For 2023, expendable restricted net assets decreased by $16.4 million (-458.0%) from prior year of which the primary driver is capital projects related to the construction of building 198 McAllister.

For 2022, expendable restricted net assets decreased by $15.8 million (81.5%) from the prior year of which the primary driver is capital projects related to the construction of building 198 McAllister.

A key measure of financial status is an entity's unrestricted net position. Unrestricted net position is defined as a group of items with commercial or exchange value that have no external restrictions regarding their use or function. Unrestricted net position can be utilized for any decided-upon purpose. This contrasts with restricted net position that is assigned to specific purposes.

For 2023, the unrestricted net position of the College and its Foundation increased by $94.9 million (280.7%) going from a deficit of -$33.8 million to a surplus of $60.8 million. This is attributed to the revenues and expense of the College related to unrestricted programs which includes additional state appropriations and enrollment fee revenues, most notably the $90 million received for the renovation of the tower at 100 McAllister.

For 2022, the unrestricted net position of the College and its Foundation increased by $4.1 million (10.9%) this is primarily attributed to the revenues and expense of the College related to unrestricted programs which includes additional state appropriations and enrollment fee revenues.

Results of Operations

The Statements of Revenues, Expenses, and Changes in Net Position present UC Law's operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public institution's dependency on revenues such as state appropriations, gifts, and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will always exceed operating revenues resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net position.

For 2023, the College with the Foundation, experienced a net income of $77.6 million; when other changes to net assets are included, there is a total increase to net assets of $79.2 million (41.7% of total operating and nonoperating revenues). For 2022, the College with the Foundation experienced a net loss of $14.3 million; when other changes to net assets are included, there is a total decrease to net assets of $15.4 million (16.4% of total operating and nonoperating revenues). For 2021, the College with the Foundation, experienced a net income of $4.4 million; when other changes to net assets are included, there is a total increase to net assets of $9.4 million (9.5% of total operating and nonoperating revenues). The major driver for the change in performance between 2023 and 2022 is that in 2023 the College received $90 million in state appropriations for the renovation of the tower at 100 McAllister.

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023, 2022, and 2021 (in thousands)

	2023 Operating		2023 Nonoperating		Gifts Transferred from Foundation	2023	2022	2021
	College	Foundation	College	Foundation	to College	Total	Total (As Restated)	Total (As Restated)
REVENUES								
Tuition and fees, net of grants and scholarships	$ 33,407	$ -	$ -	$ -	$ -	$ 33,407	$ 31,035	$ 27,392
State appropriations	-	-	113,008	-	-	113,008	31,072	18,674
Grants and contracts	5,014	-	-	-	-	5,014	4,667	4,289
Auxiliary enterprises	9,212	-	-	-	-	9,212	8,247	5,321
Private gifts	-	7,078	6,303	-	(5,992)	7,389	10,663	5,270
Block grant - allocation from Foundation	-	-	750	-	(750)	-	-	-
Investment income	-	-	4,073	6	-	4,079	1,712	1,611
Realized/unrealized (loss) gain on investments	-	-	7,949	38	-	7,987	(8,747)	26,493
Other revenues	3,280	11	-	-	-	3,291	3,141	3,521
Loan interest, net of expense	8	-	-	-	-	8	11	16
Total revenues	50,921	7,089	132,083	44	(6,742)	183,395	81,801	92,587
EXPENSES								
Salaries and benefits	48,292	-	-	-	-	48,292	45,119	38,975
Auxiliary enterprises	7,700	-	-	-	-	7,700	6,619	5,735
Utilities	1,037	-	-	-	-	1,037	954	818
Supplies and services	21,735	10	-	-	-	21,745	17,909	19,858
Depreciation	3,854	-	-	-	-	3,854	3,366	3,150
Scholarships and fellowships	369	-	-	-	-	369	637	371
Grants to UC Hastings	-	6,742	-	-	(6,742)	-	12	26
Interest on debt	-	-	20,404	87	-	20,491	20,262	16,316
Events	-	19	-	-	-	19	5	5
Other	2,247	56	-	-	-	2,303	1,177	2,957
Total expenses	85,234	6,827	20,404	87	(6,742)	105,810	96,060	88,211
(Loss) income	$ (34,313)	$ 262	$ 111,679	$ (43)	$ -	$ 77,585	$ (14,259)	$ 4,376
OTHER CHANGES IN NET POSITION								
Capital grants and gifts	$ -	$ -	$ -	$ -	$ -	$ 434	$ 584	$ 894
Changes in allocation for pension payable to University of California	-	-	-	-	-	281	758	494
Reclassification of restricted net position to a liability (termination of Federal Perkins Loan Program)	-	-	-	-	-	-	-	25
Other changes in endowments	-	-	-	-	-	895	(2,442)	3,625
Total other changes in net position	-	-	-	-	-	1,610	(1,100)	5,038
(Decrease) increase in net position	$ (34,313)	$ 262	$ 111,679	$ (43)	$ -	$ 79,195	$ (15,359)	$ 9,414

Revenues

The College's instructional program is primarily supported by a combination of net tuition and fees and state appropriations; for 2023, these revenues represented 80.4% of total operating and nonoperating revenues (excluding realized gain/loss on sale of investment and unrealized gain/loss on market value of investment).

Tuition and fees net of grants and scholarships increased in 2023 from $31.0 million in 2022 to $33.4 million in 2023, an increase of $2.4 million (7.6%). 2023 enrollment roughly conformed to planned levels for a total of approximately 1,163 FTE's, up from the 2022 enrollment of approximately 1,100 FTE's. For 2023, the College's overall discount rate was 33%. Tuition discounting has historically ranged between 28% – 31% driven in large measure by state policy regarding return-to-aid.

State appropriations increased from $31.1 million in 2022 to $113.0 million in 2023 (an increase of $81.9 million, 263.7%). This increase is mainly attributed to the $90 million received for the 100 McAllister St Renovation Project.

In 2023, auxiliary enterprises saw a net income of $1.5 million. This is down $0.1 million compared to the net income in 2022 of $1.6 million. Both years are comparable to one and other and income from auxiliary enterprises is expected to continue to help with the College's bottom line.

The GEP experienced total returns of 8.20% in 2023. This level of market performance generated realized and unrealized gains of $7.9 million.

Cultivating alumni support and private foundation support continues to be a priority. In 2023, the UC Law Foundation raised and transferred to the College $6.6 million in restricted gifts and $0.5 million in unrestricted gifts. This is down from $10.7 million in restricted gifts and $0.8 million in unrestricted gifts raised and transferred in 2022. The primary cause for the decrease from prior year is due to a major contribution provided by the estate of Mary Kay Kane, Chancellor and Dean Emeriti. Fundraising priorities are focused on need and merit based current-use scholarship awards and capital improvements to support the LRCP and its vision of an Academic Village. The UC Law Foundation continues to play an essential role in leveraging the College's most valuable assets, its strong alumni base.

Expenses

For 2023, the College's total operating expense increased by $9.4 million (12.4%) from $75.8 million in 2022 to $85.2 million in 2023. The primary driver for this increase was the payroll expense including pension benefits which increased by $3.1 million from 2022 to 2023.

For 2023, the College's interest expense of $20.4 million is comparable to the 2022 amount of $20.3 million. As there were no new debt undertakings in the current year or prior year this is in line with expectations.

As shown in the 2023 Condensed Statement of Revenues, Expenses, and Changes in Net Position, the College and the Foundation finished the fiscal year with a net income of $77.4 million (before an increase of $1.6 million in other changes in net position for a total increase in net assets of $79.0 million). The major driver for this change being $90 million received in state appropriations for the renovation of the Tower at 100 McAllister.

Cash Flows

The Statements of Cash Flows provide information about cash receipts and cash payments during the year. These statements also help users assess the College's and the Foundation's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

	College (In thousands)			Foundation (In thousands)		
	2023	2022 (As Restated)	2021 (As Restated)	2023	2022	2021
Cash provided (used) by						
Operating activities	$ (23,621)	$ (26,908)	$ (28,619)	$ (96)	$ (47)	$ 15
Noncapital financing activities	118,369	42,296	23,321	-	-	-
Capital and related financing activities	(147,866)	(82,794)	(57,040)	-	-	-
Investing activities	146,561	67,206	58,378	23	25	24
Net (decrease) increase in cash	93,443	(200)	(3,960)	(73)	(22)	39
Cash, beginning of year	7,358	7,558	11,518	108	130	91
Cash, end of year	$ 100,801	$ 7,358	$ 7,558	$ 35	$ 108	$ 130

As required under GASB reporting standards, negative cash flow for "operating activities" is due to the classification of revenue from state general support appropriations as a "noncapital financing activity" and investment income as an "investing activity".

Looking Forward

The path forward for the College is marked both by major opportunities to enhance the school's competitive position through physical plant upgrades coupled with the upward trajectory of the academic program and its success elevating the College's prominence in higher education.

Outlined are major developments that will affect the near-term future of the institution.

- **Strategic Plan 2025**

In 2020, the College's Board of Directors adopted a new operational strategic plan, UC Law 2025. This new plan is a blueprint to ensure that UC Law becomes one of the nation's premier public law schools by 2025. It marries an evolving LRCP with an overarching vision for the law school and for the Academic Village (as described below) for which its new buildings and academic partnerships create a platform for a reimagined community of learning.

The new campus is a physical manifestation of the substance of our strategic plan which allows us to build collaborations that will catapult our existing academic program to new heights. The faculty are second to none in their commitment to teaching and scholarly excellence.

- **State of California – State Budget for 2023-24**

In June of 2023, the State of California's Governor signed the Budget Act of 2023. The approved budget continues our partnership with the State of California. Major budget adjustments include an 11.5% ongoing increase in General Fund support and an additional $3 million to be expended over three years for sidewalk safety services provided by Urban Alchemy.

The table below summarizes year-over-year growth:

Item	2022-2023	2023-2024	Dollar Change	% Change
Ongoing General Fund Support	$ 18,789,000	$ 20,956,000	$ 2,167,000	11.5%
100 McAllister Renovation & Seismic Upgrade Project	90,000,000	-	(90,000,000)	-100.0%
Renaming Costs	885,000	-	(885,000)	-100.0%
Alternative Public Safety Program (3-year funding package)	-	3,000,000	3,000,000	0.0%
State General Fund Operations	109,674,000	23,956,000	(85,718,000)	-78.2%
333 Golden Gate Lease-Revenue Rent Payment	3,089,000	3,088,000	(1,000)	0.0%
Total State General Fund Appropriation	$ 112,763,000	$ 27,044,000	$ (85,719,000)	-76.0%

This success is a function of the College's institutional standing with executive and legislative branch stakeholders.

- **Academic Village**

A key element of the new strategic plan is the execution of the LRCP and its central focus, the creation of an Academic Village in the heart of San Francisco serving UC Law's broad educational mission and the State of California's priorities for higher education. Sustainability is an important part of the Academic Village as the College strives to become the greenest urban campus by 2025.

The Academic Village is a platform for interdisciplinary engagement among individuals and across institutions. The Academic Village includes shared housing (for students, trainees and faculty) and amenities (library, food services, study areas, recreational space, etc.) on UC Law's campus for students from multiple graduate and professional schools, as well as a network of collaborations that transcend and enrich the law school, connecting graduate programs and institutions with each other and with the wider community. As a step towards this vision, in the fall of 2017, UC Davis began offering a Business Analytics MBA program at the UC Law campus. This program has doubled in size since its inception and now enrolls approximately 100 students.

All projects of the LRCP are fully entitled under the California Environmental Quality Act (CEQA) except for the 202-247 Golden Gate Avenue sites. UC Law has partnered with Local 2/Unite Here executing an Option Agreement to allow for a fourth phase if a financially feasible project can be developed to expand the College's footprint and allow for the full potential of the Academic Village vision. The projects that comprise the Academic Village are listed below.

1. Academic Building - Cotchett Law Center – 333 Golden Gate Avenue: Completed March 2020

2. Campus Housing & Academic Building – 198 McAllister Street: Completed August 2023

3. Campus Housing & Academic Building: Seismically Upgrade McAllister Tower: Phase 1 funded by $90 million appropriation; Design begins in June 2023

4. Campus Expansion: Campus Housing and Academic Building – 202-247 Golden Gate Avenue, Local 2/Unite Here (Option Agreement): Project entitlements underway.

At its June 2021 meeting, the Board of Directors authorized the commencement of an environmental review process as required under the California Environmental Quality Act (CEQA) to update existing entitlements to include the Local 2 / Unite Here parcels at 201-247 Golden Gate Avenue to support further development of the Academic Village.

Financial Statements

UC College of the Law, San Francisco
Statements of Net Position
June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
ASSETS				
Current assets				
Cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673
Restricted cash and cash equivalents	90,599,485	-	1,653,391	-
Accounts receivable, net	2,642,773	-	1,629,274	-
Notes receivable, current portion	100,395	-	101,889	-
Leases receivable, current portion	629,597	-	573,210	-
Pledges receivable, net	-	1,129,566	-	961,014
Prepaid expenses and other assets	490,857	-	1,813,556	-
Total current assets	104,664,937	1,164,985	11,476,205	1,069,687
Noncurrent assets				
Endowment investments	51,277,102	587,302	49,192,479	567,976
Other long-term investments	155,342,784	5,888	291,626,167	5,409
Notes receivable, net	312,228	-	379,864	-
Leases receivable, net	3,471,136	-	2,831,731	-
Operating lease right-of-use assets, net	26,320	-	-	-
Subscription assets, net	918,394	-	1,410,488	-
Pledges receivable, net	-	1,073,263	-	969,172
Assets held by others	8,722,439	-	8,605,874	-
Capital assets, net	391,045,099	-	267,517,711	-
Prepaid expenses and other assets	103,805	-	111,355	-
Total noncurrent assets	611,219,307	1,666,453	621,675,669	1,542,557
Total assets	715,884,244	2,831,438	633,151,874	2,612,244
Deferred outflows of resources	$ 14,283,814	$ -	$ 20,752,200	$ -
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 27,420,579	$ -	$ 25,978,910	$ -
Compensated absences	1,988,742	-	1,893,523	-
Deposits	24,242	-	256,990	-
Unearned revenues	2,107,970	-	1,983,736	-
Long-term debt, current portion	2,583,819	-	2,455,335	-
Operating lease liabilities, current portion	5,640	-	-	-
Subscription liabilities, current portion	520,793	-	598,772	-
Total current liabilities	34,651,785	-	33,167,266	-
Noncurrent liabilities				
Long-term debt, net	428,505,464	-	431,534,616	-
Accreted interest on bonds payable	4,571,704	-	2,504,913	-
Operating lease liabilities, net of current portion	20,680	-	-	-
Subscription liabilities, net of current portion	378,935	-	811,716	-
Revolving fund advance from the State	811,900	-	811,900	-
Pension liability, net	33,368,000	-	35,343,000	-
Retiree Health Benefits liability, net	39,002,000	-	36,012,000	-
Payable to University of California	11,299,609	-	10,727,684	-
Total noncurrent liabilities	517,958,292	-	517,745,829	-
Total liabilities	552,610,077	-	550,913,095	-
Deferred inflows of resources	$ 29,053,427	$ -	$ 33,461,854	$ -

See accompanying notes.

UC College of the Law, San Francisco
Statements of Net Position (Continued)
June 30, 2023 and 2022

	2023 College	2023 Foundation	2022 College (As Restated)	2022 Foundation
NET POSITION				
Net investment in capital assets	$ 76,574,524	$ -	$ 76,620,002	$ -
Restricted for				
Nonexpendable				
Scholarships and fellowships	17,256,559	-	16,658,869	-
Instruction and research	7,826,352	-	7,699,272	-
Institutional support	1,250,000	178,755	1,190,000	178,755
Sub-total restricted, nonexpendable	26,332,911	178,755	25,548,141	178,755
Expendable				
Student services	236,242	-	371,779	-
Instruction and research	14,478,840	-	13,091,439	-
Public and professional services	302,898	-	300,034	-
Institutional support	260,151	2,425,134	252,574	1,911,586
Capital projects	(51,899,876)	-	(34,363,762)	-
Scholarships and fellowships	21,128,574	-	21,820,301	-
Perkins loan funds	10,888	-	10,346	-
Other	239,606	-	185,975	-
Sub-total restricted, expendable	(15,242,677)	2,425,134	1,668,686	1,911,586
Unrestricted	60,839,796	227,549	(34,307,704)	521,903
Total net position	$ 148,504,554	$ 2,831,438	$ 69,529,125	$ 2,612,244

See accompanying notes.

UC College of the Law, San Francisco
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
REVENUES				
Operating revenues				
Tuition and fees	$ 51,178,149	$ -	$ 48,282,068	$ -
Less: UC Law SF's grants	(14,666,437)	-	(13,857,583)	-
Less: Tuition and fee scholarships	(3,105,078)	-	(3,389,283)	-
Tuition and fees, net	33,406,634	-	31,035,202	-
Contributions, capital campaign	-	7,078,046	-	11,492,549
Government grants and contracts	1,560,188	-	1,381,754	-
Private grants and contracts	3,454,391	-	3,285,304	-
Sales and services of auxiliary enterprises	9,211,591	-	8,247,435	-
Other operating revenues	3,280,269	11,400	3,054,349	85,738
Loan interest, net of expenses	7,500	-	10,786	-
Federal Perkins loan interest	543	-	615	-
Total operating revenues	50,921,116	7,089,446	47,015,445	11,578,287
EXPENSES				
Operating expenses				
Salaries and wages				
Faculty	13,978,213	-	13,547,163	-
Nonfaculty	19,935,953	-	17,977,961	-
Benefits nonpension	5,932,727	-	5,530,874	-
Pension benefits	8,060,945	-	7,280,546	-
Retiree Health Benefits	384,807	-	782,259	-
Scholarships and fellowships	369,251	-	636,645	-
Auxiliary enterprises, including depreciation expense of $968,946 ($989,781 in 2022)	7,700,820	-	6,618,874	-
Utilities	1,036,746	-	953,988	-
Supplies and services	21,734,867	9,800	17,888,560	19,986
Depreciation, excluding auxiliary enterprise portion	3,853,942	-	3,365,893	-
Events	-	19,042	-	5,055
Grants	-	5,992,296	12,200	11,287,100
Block grant - allocation to the College	-	750,000	-	1,000,000
Other	2,247,010	55,571	1,178,021	400
Total operating expenses	85,235,281	6,826,709	75,772,984	12,312,541
Operating (loss) income	(34,314,165)	262,737	(28,757,539)	(734,254)
NONOPERATING REVENUES (EXPENSES)				
State operating appropriations	113,008,067	-	31,071,989	-
Gifts, noncapital	6,303,017	-	10,457,548	-
Investment income (loss)	4,073,345	6,372	1,712,157	(312)
Realized and unrealized net (loss) gain on investments	7,949,130	37,442	(8,711,960)	(34,039)
Interest on debt	(20,403,673)	(87,357)	(20,262,454)	-
Block grant - allocation from the Foundation	750,000	-	1,000,000	-
Net nonoperating revenues (expenses)	111,679,886	(43,543)	15,267,280	(34,351)
Income (loss) before other changes in net position	77,365,721	219,194	(13,490,259)	(768,605)
OTHER CHANGES IN NET POSITION				
Capital grants and gifts	434,131	-	584,084	-
Changes in allocation for pension payable to University of California	281,075	-	758,434	-
Other changes to endowments	894,502	-	(2,442,576)	-
Total other changes in net position	1,609,708	-	(1,100,058)	-
INCREASE (DECREASE) IN NET POSITION	78,975,429	219,194	(14,590,317)	(768,605)
NET POSITION, beginning of year	69,529,125	2,612,244	84,119,442	3,380,849
NET POSITION, end of year	$ 148,504,554	$ 2,831,438	$ 69,529,125	$ 2,612,244

See accompanying notes.

UC College of the Law, San Francisco
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees (net of all scholarships and grants)	$33,037,205	$ -	$ 30,503,555	$ -
Contributions	-	6,729,446	-	12,236,527
Grants and contracts	5,014,579	-	4,667,058	-
Events	-	(19,042)	-	(73,180)
Payments to vendors	(19,732,474)	(9,800)	(26,590,764)	(8,661)
Salaries and benefits	(45,166,645)	-	(42,547,803)	-
Collections of student loans	69,129	-	91,961	-
Foundation awards	-	(6,796,866)	-	(12,201,362)
Sales - auxiliary enterprises	8,921,024	-	8,247,435	-
Expenses - auxiliary enterprises	(6,730,610)	-	(5,570,149)	-
Loan interest income net of expenses	8,043	-	11,401	-
Other receipts	958,265	-	4,279,756	-
Net cash used in operations	(23,621,484)	(96,262)	(26,907,550)	(46,676)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	110,735,346	-	28,086,003	-
Gifts for endowment	580,335	-	2,752,703	-
Other gifts	7,053,017	-	11,457,548	-
Net cash provided by noncapital financing activities	118,368,698	-	42,296,254	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	256,575	-	584,084	-
Purchases of capital assets	(129,933,116)	-	(65,325,168)	-
Amortization of bond premium/discount	(445,333)	-	(470,530)	-
Principal paid on long-term debt	(710,000)	-	(600,000)	-
Interest paid on long-term debt	(17,033,730)	-	(16,982,655)	-
Net cash used by capital and related financing activities	(147,865,604)	-	(82,794,269)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	188,712,127	20,092	80,286,642	18,493
Interest on investments	2,849,302	2,916	1,347,503	6,688
Purchase of investments	(45,000,000)	-	(14,428,288)	-
Net cash provided by investing activities	146,561,429	23,008	67,205,857	25,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,443,039	(73,254)	(199,708)	(21,495)
CASH AND CASH EQUIVALENTS, beginning of year	7,358,276	108,673	7,557,984	130,168
CASH AND CASH EQUIVALENTS, end of year	$ 100,801,315	$ 35,419	$ 7,358,276	$ 108,673

See accompanying notes.

UC College of the Law, San Francisco
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED IN OPERATING ACTIVITIES				
Operating (loss) income	$ (34,314,165)	$262,737	$ (28,757,539)	$ (734,254)
Depreciation	4,822,888	-	4,355,674	-
Allowance for doubtful accounts	5,913	-	85,563	-
Loss on disposal of capital assets	-	-	-	-
Scholarship expense	-	-	105,000	-
Pension expense	3,630,000	-	2,650,000	-
Retiree health benefits expense	(504,000)	-	(79,000)	-
Perkins loans access cash	-	-	-	-
Awards and Honorariums	-	1,000	-	-
Changes in operating assets and liabilities				
Accounts receivable, net	(1,808,265)	-	731,959	-
Notes receivable, net	69,129	-	91,961	-
Pledges receivable, net	-	(359,999)	-	744,378
Lease receivable, net	(883,942)		-	-
Operating lease right-of-use assets, net	(26,320)		-	-
Subscription assets, net	(730,243)		-	-
Accounts payable and accrued liabilities	3,874,343	-	(6,695,022)	-
Deposits	(232,748)	-	(21,464)	-
Unearned revenues	124,234	-	774,965	(68,125)
Operating lease liabilities	26,320	-	-	-
Subscription liabilities	899,727	-	-	-
Prepaid expenses and other assets	1,330,425	-	(279,167)	11,325
Compensated absences	95,220	-	129,520	-
Net cash used in operations	$ (23,621,484)	$ (96,262)	$ (26,907,550)	$ (46,676)
NONCASH TRANSACTIONS				
Scholarships from assets held by others	$ -	$ -	$ 105,000	$ -
Gifts in-kind	$ 177,556	$ -	$ 9,334	$ -
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Current cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673
Current restricted cash and cash equivalents	90,599,485	-	1,653,391	-
Total Cash and Cash Equivalents, end of year	$ 100,801,315	$ 35,419	$ 7,358,276	$ 108,673

See accompanying notes.

Note 1 – Organization

UC College of the Law, San Francisco (the "College" or "UC Law") was established as the law department of the University of California (the "University") in 1878. The College, established by the California Legislature with its own Board of Directors, has operated independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under control of the College's Board of Directors. The College is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The College is also accredited by the Western Association of Schools and Colleges ("WASC").

The Hastings Campus Housing Finance Authority (the "Authority") is a joint exercise of powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Law and the California Public Finance Authority and the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California. The Authority is authorized to issue bonds for, among other things, financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by UC Law. The Authority has a broad mandate to operate, construct and finance project facilities and other activities undertaken in furtherance of the Long-Range Campus Plan adopted in December 2017.

The Authority is governed by a seven-member board of directors, all appointed by the UC Law Board of Directors. Three of the seven-member governing board are the persons serving in the capacities of UC Law's Chancellor and Dean of the College, the Chief Financial Officer, and the General Counsel of the College, unless the UC Law Board of Directors specifies otherwise. All Directors serve for terms of four years; provided, however, that any Director who is serving in an ex officio capacity by virtue of his or her position with the College shall serve as a Director so long as he or she is in such position with the College. Vacancies occurring in the Governing Board by expiration of a Director's term, death, resignation or removal are filled by a majority vote of the members of the UC Law Board of Directors. In addition, the UC Law Board of Directors has the discretion to remove any Authority Director with or without cause.

The UC Law Foundation (the "Foundation"), formerly known as the 1066 Foundation, was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities exclusively at UC Law.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of the College and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by the Governmental Accounting Standards Board ("GASB").

The College and the Foundation consider assets to be current that can reasonably be expected, as part of their normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the College's and Foundation's normal business operations, to be liquidated within twelve-months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be noncurrent; except for those amounts that are required to be reported as deferred outflows or inflows of resources.

The College and the Foundation follow GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and clarifies the concept of what a major component unit is. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government. The GASB standards require the College's legally separate, tax-exempt, affiliated campus foundation to be considered a component unit of the College and presented discretely in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

The activities of the Authority are blended into the College's basic financial statements, as the governing body is substantially the same as the governing body of the College.

The following is the condensed combining information for the Authority and the College as of June 30, 2023 (in thousands):

	College (Stand Alone)	Campus Housing Authority	College Total
ASSETS			
Current assets	$ 60,671	$ 43,994	$ 104,665
Noncurrent assets	323,476	287,743	611,219
Total assets	384,147	331,737	715,884
Deferred outflows of resources	14,284	-	14,284
LIABILITIES			
Current liabilities	19,271	15,381	34,652
Noncurrent liabilities	149,774	368,184	517,958
Total liabilities	169,045	383,565	552,610
Deferred Inflows of resources	29,053	-	29,053
TOTAL NET POSITION			
Net investment in capital assets	76,575	-	76,575
Restricted			
Nonexpendable	26,333	-	26,333
Expendable	36,585	(51,828)	(15,243)
Unrestricted	60,840	-	60,840
Total net position	$ 200,333	$ (51,828)	$ 148,505

	2023				
	Operating		Nonoperating		
	College (Stand Alone)	Campus Housing Authority	College (Stand Alone)	Campus Housing Authority	College Total
REVENUES					
Tuition and fees, net of grants and scholarships	$ 33,407	$ -	$ -	$ -	$ 33,407
State appropriations	-	-	113,008	-	113,008
Grants and contracts	5,014	-	-	-	5,014
Auxiliary enterprises	9,212	-	-	-	9,212
Private gifts	-	-	6,303	-	6,303
Block grant - allocation from Foundation	-	-	750	-	750
Investment income	-	-	3,286	787	4,073
Realized/unrealized loss on investments	-	-	7,949	-	7,949
Other revenues	3,280	-	-	-	3,280
Loan interest, net of expense	8	-	-	-	8
Total revenues	50,921	-	131,296	787	183,004
EXPENSES					
Salaries and benefits	48,256	36	-	-	48,292
Auxiliary enterprises	7,700	-	-	-	7,700
Utilities	1,037	-	-	-	1,037
Supplies and services	21,729	6	-	-	21,735
Depreciation	3,854	-	-	-	3,854
Scholarships and fellowships	369	-	-	-	369
Interest on debt	-	-	1,880	18,524	20,404
Other	2,247	-	-	-	2,247
Total expenses	85,192	42	1,880	18,524	105,638
(Loss) income	$ (34,271)	$ (42)	$ 129,416	$ (17,737)	$ 77,366
OTHER CHANGES IN NET POSITION					
Capital grants and gifts	$ -	$ -	$ -	$ -	$ 434
Changes in allocation for pension payable to University of California	-	-	-	-	281
Other changes in endowments	-	-	-	-	895
Total other changes in net position	-	-	-	-	1,610
(Decrease) increase in net position	$ (34,271)	$ (42)	$ 129,416	$ (17,737)	$ 78,976

	College (Stand Alone)	Campus Housing Authority	College Total
Cash provided (used) by			
Operating activities	$ (23,983)	$ 362	$ (23,621)
Noncapital financing activities	118,369	-	118,369
Capital and related financing activities	(2,499)	(145,367)	(147,866)
Investing activities	(40,820)	187,381	146,561
Net increase in cash	51,067	42,376	93,443
Cash, beginning of year	5,741	1,617	7,358
Cash, end of year	$ 56,808	$ 43,993	$ 100,801

The following is the condensed combining information for the Authority and the College as of June 30, 2022 (in thousands):

	College (Stand Alone)	Campus Housing Authority	College Total (As Restated)
ASSETS			
Current assets	$ 9,858	$ 1,618	$ 11,476
Noncurrent assets	273,617	348,059	621,676
Total assets	283,475	349,677	633,152
Deferred outflows of resources	20,752	-	20,752
LIABILITIES			
Current liabilities	15,758	17,409	33,167
Noncurrent liabilities	151,430	366,316	517,746
Total liabilities	167,188	383,725	550,913
Deferred Inflows of resources	33,462	-	33,462
NET POSITION			
Net investment in capital assets	76,620	-	76,620
Restricted			
Noexpendable	25,548	-	25,548
Expendable	35,717	(34,048)	1,669
Unrestricted	(34,308)	-	(34,308)
Total net position	$ 103,577	$ (34,048)	$ 69,529

	2022				
	Operating		Nonoperating		
	College (Stand Alone)	Authority	College (Stand Alone)	Authority	College Total (As Restated)
REVENUES					
Tuition and fees, net of grants and scholarships	$ 31,035	$ -	$ -	$ -	$ 31,035
State appropriations	-	-	31,072	-	31,072
Grants and contracts	4,667	-	-	-	4,667
Auxiliary enterprises	8,247	-	-	-	8,247
Private gifts	-	-	10,458	-	10,458
Block grant - allocation from Foundation	-	-	1,000	-	1,000
Investment income	-	-	367	1,345	1,712
Realized/unrealized gain (loss) on investments	-	-	(8,712)	-	(8,712)
Other revenues	3,055	-	-	-	3,055
Loan interest, net of expense	11	-	-	-	11
Total revenues	47,015	-	34,185	1,345	82,545
EXPENSES					
Salaries and benefits	45,119	-	-	-	45,119
Auxiliary enterprises	6,619	-	-	-	6,619
Utilities	954	-	-	-	954
Supplies and services	17,870	19	-	-	17,889
Depreciation	3,366	-	-	-	3,366
Scholarships and fellowships	637	-	-	-	637
Grants to UC Hastings	12	-	-	-	12
Interest on debt	-	-	1,882	18,380	20,262
Other	1,177	-	-	-	1,177
Total expenses	75,754	19	1,882	18,380	96,035
(Loss) income	$ (28,739)	$ (19)	$ 32,303	$ (17,035)	$ (13,490)
OTHER CHANGES IN NET POSITION					
Capital grants and gifts	$ -	$ -	$ -	$ -	$ 584
Changes in allocation for pension payable to University of California	-	-	-	-	758
Other changes in endowments	-	-	-	-	(2,442)
Total other changes in net position	-	-	-	-	(1,100)
(Decrease) increase in net position	$ (28,739)	$ (19)	$ 32,303	$ (17,035)	$ (14,590)

	2022		
	College (Stand Alone)	Authority	College Total (As Restated)
Cash provided by (used in)			
Operating activities	$ (26,889)	$ (19)	$ (26,908)
Noncapital financing activities	42,296	-	42,296
Capital and related financing activities	(1,681)	(81,113)	(82,794)
Investing activities	(14,129)	81,335	67,206
Net (decrease) increase in cash	(403)	203	(200)
Cash, beginning of year	6,144	1,414	7,558
Cash, end of year	$ 5,741	$ 1,617	$ 7,358

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits and pooled cash invested in the University of California Office of the Treasurer's Short-Term Investment Pool ("STIP"), since such amounts are readily convertible to known amounts of cash. All cash and cash equivalents are carried at cost, which approximates fair market value.

Legally restricted cash balances – The College holds legally restricted cash balances totaling $90,599,485 and $1,653,391 as of June 30, 2023 and 2022, respectively. These balances are recorded in restricted cash and cash equivalents.

Accounts receivable, net – Accounts receivable are $2,642,773 and $1,629,274 as of June 30, 2023 and 2022, respectively. Of these amounts, $1,696,900 and $902,133 are due from the State of California ("State"), as of June 30, 2023 and 2022, respectively, for general appropriations. Allowance for doubtful accounts is $36,125 and $36,125 as of June 30, 2023 and 2022, respectively.

Leases receivable, net – The College recognizes lease contracts or equivalents that have a term exceeding one year and meet the definition of other than short-term. The College's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The College uses the same interest rate it charges to the lessee as the discount rate or that is implicit in the contract to the lessee. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. Short-term lease receipts and variable lease receipts are not included in the measurement of the lease receivable and are recognized as income when earned.

Operating lease right-of-use assets, net – The College has recorded operating lease right-of-use assets as a result of implementing GASB Statement No. 87, *Leases* ("GASB No. 87"). The College's operating lease right- of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The operating lease right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets, net – The College has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). The College's subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the SBITA vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Investments – Investments are reported at fair value. The College's investments consist of investments in the UC Regents General Endowment Pool ("GEP") as well as investments held for the Authority. The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the fiscal year. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on the basis of a price provided by a single source.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Prepaid expenses – Prepaid expenses primarily consist of amounts paid on projects expected to be realized in the fiscal year ending June 30, 2023. Such projects include law library online services and other remote cloud services beginning in fiscal year 2023. Other assets primarily consist of bond issuance costs for long-term debt outstanding. These amounts are amortized over the course of the debt's life.

Pledges – Pledges of private gifts to the Foundation to be received in the future are recorded as pledges receivable and revenue in the year promised. Endowment pledges are recorded in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and are recognized as revenue once the proceeds are received.

The allowance for uncollectible pledges is calculated based on ten percent of all pledge balances in which scheduled pledge payments are past due for twelve-months. Management's estimation of the uncollectible pledge amount is based on past collection experience, current conditions, and specific identification of accounts with known uncertainty.

Capital assets – Land and improvements, buildings and improvements, equipment, and library books and collections of works of art are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Significant additions, replacements, major repairs, and renovations are generally capitalized if the cost exceeds $25,000; equipment and furniture are capitalized if the cost exceeds $5,000 and they have a useful life of more than one year. Minor renovations are charged to operations, as incurred.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets.

Estimated economic lives are generally as follows:

Land improvements	20 years
Buildings	50 to 75 years
Building improvements	30 years
Furniture and equipment	5 to 15 years
Computer software	10 years
Library books and materials	15 years

Inexhaustible capital assets such as land, special collections that are protected, preserved, and held for public exhibition, education or research, and intangible assets of indefinite life, are not depreciated.

Deposits – Deposits include amounts received in advance of being earned for the following: rental of various College facilities, nonstudent library usage, and payments from employers who have hired students with federal work-study grants. Deposits on work-study wages and the library are fully refundable. Deposits are recognized as revenue when earned.

Unearned revenues – Unearned revenues primarily represent nonrefundable enrollment deposits and deposits related to the on-campus interview program along with revenue invoiced for the new Summer Session program. There are also unearned revenues related to housing from the Authority and certain multi-year exchange grants for which the work has not been completed. Unearned revenues are recognized when earned, generally in the following fiscal year.

Lease liabilities – The College recognizes lease contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. The College uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the College’s incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Subscription liabilities – The College entered into various agreements for information technology (“IT”) subscriptions. These agreements range in terms up to year 2026. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance – therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable lease expenses or payments in the fiscal years ended June 30, 2023 and 2022. The College did not enter into any additional subscription agreements that have yet to commence as of June 30, 2023.

The College recognizes SBITA contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. The College uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the College’s incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Revolving fund advance from the State – The revolving fund advance from the State is an advance on the College’s general appropriation from the State of California. It is expected that the revolving fund advance will be renewed annually; hence, the entire amount has been classified as a noncurrent liability.

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively.

Changes in net pension liability not included in pension expense, including proportionate shares of collective pension expense from the University of California Retirement Plan, are reported as deferred outflows of resources or deferred inflows of resources related to pensions for the College.

Changes in net retiree health benefits liability not included in retiree health benefits expense, including proportionate shares of collective retiree health benefits expense from the University of California, are reported as deferred outflows of resources or deferred inflows of resources related to retiree health benefits of the College.

Included in deferred inflows of resources, the Organization's deferred lease resources related to lessor arrangements.

The College's beneficial interest in an irrevocable split-interest agreement, in which a third party is the intermediary, is reported as a deferred inflow of resources.

Retiree health benefits liability, net – The University provides retiree health benefits to retired employees of the College. The University established the University of California Retiree Health Benefit Trust ("UCRHBT") to allow certain University locations and affiliates, including the College, to share the risks, rewards, and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Contributions from the College to the UCRHBT are effectively made to a single-employer health plan administered by the University as a cost-sharing plan. The College is required to contribute at a rate assessed each year by the University.

Net retiree health benefits liability includes the College's share of the University's net retiree health benefits liability for UCRHBT. The College's share of net retiree liability, deferred inflows of resources, deferred outflows of resources and retiree health benefits expense have been determined based upon their proportionate share of the University of California Retirement Plan ("UCRP") covered compensation for the fiscal year. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. For the purpose of measuring UCRHBT's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Pension liability, net – UCRP provides retirement benefits to retired employees of the College. The College is required to contribute to UCRP at a rate set by The Regents of the University of California ("The Regents"). The pension liability includes the College's share of the net pension liability for UCRP. The College's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the plan. For the purpose of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Payable to University of California – Additional deposits in UCRP have been made using the University of California resources to make up the gap between the approved contribution rates and the required contributions based on the Regents' funding policy. These deposits, carried as internal loans by the University, are being repaid by the College, plus accrued interest, over a 30-year period through a supplemental pension assessment. The College's share of the internal loans has been determined based upon its proportionate share of covered compensation for the fiscal year. Supplemental pension assessments are reported as pension expense by the College. Additional deposits in UCRP by the University, and changes in the College's share of the internal loans, are reported as other changes in net position.

Net position – The College's net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets

This category includes all the College's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to unspent proceeds is excluded from the calculation, in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

Restricted

The College and the Foundation classify assets resulting from transactions with purpose restrictions as restricted assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are generally applied first.

Nonexpendable

Assets subject to externally imposed restrictions that they be maintained in perpetuity by the College and the Foundation are classified as nonexpendable net position. Such assets include the College and the Foundation's permanent endowment funds.

Expendable

Assets whose use by the College and the Foundation are subject to externally-imposed restrictions by donors, grantors, creditors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation are classified as expendable net position.

Unrestricted

This category includes assets of the College and the Foundation that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by the Board of Directors.

Revenues and expenses – Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the College and the Foundation are presented in the statements of revenues, expenses, and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities,* certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the College and the Foundation are mandated to be recorded as nonoperating revenues, including State general appropriations, private gifts and investment income. Nonoperating revenues and expenses include State general appropriations (for the support of College operating expenses), private gifts for other than capital purposes, investment income, realized and net unrealized gains or losses on investments and interest expense. All grants expended by the Foundation are reflected by the College as either noncapital or capital gifts, or gifts for endowment.

Other changes in net assets include State capital appropriations, gifts for capital funds for specified purposes and gifts of endowments, and the reclassification of restricted net position to a liability as a result of the termination of the Perkins Loan program.

Student tuition and fees – All of the student tuition and fees provide for current operations of the College. Certain waivers of the student tuition and fees considered to be scholarship and financial aid grant allowances (i.e., tuition remission) are recorded as an offset to revenue. Tuition and fee revenue is recognized in the fall, spring, and summer semesters of each year.

Scholarship allowances – The College recognizes certain financial aid allowances (e.g., UC Law grants) and enrollment fee waivers as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid and scholarships made directly to students from private gifts, donations, and endowment income are classified as scholarship and fellowship expenses.

State appropriations – The State of California provides appropriations to the College on an annual basis. State educational appropriations for the general support of the College are recognized as nonoperating revenue, however, related expenses incurred to support either educational operations or other specific operating purposes are designated as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements adopted or under consideration – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB No. 96"). The objectives of the Statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The College has adopted this pronouncement as of July 1, 2022, applied retrospectively. The College calculated and recognized and recorded subscription assets, net of $1,410,488 and subscription liabilities of $1,410,488 as of June 30, 2022. There was no material impact to beginning net position from the adoption of GASB 96.

In April 2022, the GASB issued Statement No. 99, *Ominbus 2022* ("GASB No. 99"). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement that are effective are as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62* ("GASB No. 100"). The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB No. 101"). The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 and 2022, consist of the following:

	2023		2022	
	College	Foundation	College	Foundation
Cash in banks and on hand	$10,182,881	$ -	$ 5,043,017	$ -
Pooled cash included in STIP	18,949	35,419	661,868	108,673
Total cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673

Restricted cash and cash equivalents as of June 30, 2023 and 2022, consist of the following:

	2023		2022	
	College	Foundation	College	Foundation
Cash held for the Tower	$46,937,656	$ -	$ -	$ -
Cash held for the Authority	43,657,660	-	1,643,683	-
Cash held for notes receivables	4,169	-	9,708	-
Total cash and cash equivalents	$90,599,485	$ -	$1,653,391	$ -

The College and the Foundation follow the practice of pooling cash. The cash and cash equivalents pools allocate earnings based on the number of units held of the total on a monthly basis. The College and the Foundation utilize STIP, which is managed by the University of California Office of the Treasurer. STIP consists of money market and fixed income investments with a maximum maturity of five years. The objective of STIP is to maximize returns consistent with liquidity and cash flow needs. The College and the Foundation consider STIP to operate as a demand deposit.

As of June 30, 2023 and 2022, the carrying amounts of the College's deposits in banks were $10,182,881 and $5,043,017, respectively, and the bank balances were $7,101,500 and $5,704,009, respectively.

Of the bank balances for 2023, $250,000 was covered by federal depository insurance and $6,851,500 was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

As of June 30, 2023 and 2022, the carrying amounts of the College's deposits in banks for restricted cash were $43,657,660 and $1,643,684, respectively, and the bank balances were $51,985,410 and $9,971,614, respectively.

Of the bank balances for restricted cash in 2023, $250,000 was covered by federal depository insurance and $51,735,410 was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

Note 4 – Investments

The College and the Foundation follow the investment philosophy of the University and invest their excess cash and long-term investments with the University Office of the Treasurer ("Office of the Treasurer"). Accordingly, all investments held by the Office of the Treasurer are uninsured and unregistered and are not held in the College's or the Foundation's name.

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

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.

Level 2 – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2 investments include fixed or variable-income securities, commingled funds (institutional funds not listed in active markets) and other assets that are valued using market information.

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

Net asset value ("NAV") – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in nongovernmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.

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

The University managed commingled funds ("UC pooled funds") serve as the core investment vehicle for the College and the Foundation.

GEP – An investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scales. GEP is a balanced portfolio of equities, fixed income securities, and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. The College's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from the College's perspective.

The fair value of the College's and the Foundation's share in the GEP's investments – all measured at NAV, as well as funds held in investment for the Housing Authority as of June 30, 2023 and 2022, are as follows:

	2023		2022	
	College	**Foundation**	**College**	**Foundation**
GEP Endowment Investments	$ 51,277,102	$ 593,190	$ 49,192,479	$ 573,385
GEP Operating Investments	70,102,593	-	64,791,739	-
Tower Renovation Investments	45,000,000	-	-	-
Authority Investments	40,240,191	-	226,834,428	-
Total investments	$ 206,619,886	$ 593,190	$ 340,818,646	$ 573,385

Risk profile of the investments – Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U.S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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 may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

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 security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed-income portion of that pool. That fixed-income benchmark, the Barclay's Capital U.S. Aggregate Bond Index is comprised of approximately 35 percent treasuries, 30 percent mortgage/asset-backed securities, and 30 percent corporate bonds all of which carry some degree of credit risk. The remaining 5 percent are government-related bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted-average credit rating must be "A" or higher.

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 (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Office of the Treasurer portfolio guidelines limit the fixed and variable income portion of the GEP weighted-average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Barclay's Capital US Aggregate Index). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2023 and 2022, were 2.56 and 2.71 months, respectively.

Foreign currency risk – The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-U.S. equities and nondollar denominated bonds. The benchmark for these investments is not hedged; therefore, foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for U.S. investment-grade fixed income securities also allow exposure to non-U.S. dollar denominated bonds up to 10 percent of the total portfolio market value.

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. The portions of total investments of the College and the Foundation in the Office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2023 and 2022, were $11,292,700 and $14,007,433, respectively.

Note 5 – Notes Receivable

Notes receivable of the College as of June 30, 2023 and 2022, consist of the following:

	2023	2022
Federal Perkins and NDSL loans	$ 5,300	$ 6,794
O'Neill loans	120,651	156,564
UC Law loans	198,502	224,245
California Bar Preparation loans	124,295	130,275
Less: allowance for doubtful accounts	(36,125)	(36,125)
Ending notes receivable	$ 412,623	$ 481,753

All loans, except the California Bar Preparation loans, are payable over approximately ten years following College attendance. Federal Perkins loans accrue interest at 5 percent. O'Neill loans made prior to July 1, 1996, are interest-free; and loans made July 1, 1996, or after accrued interest at 5 percent. Funding for the O'Neill Loan program is made by a private gift to the College. O'Neill loans are advanced to students who reside in Sacramento County. During 2015, the College transitioned the O'Neil loan fund to a scholarship fund. Therefore, there will be no new loans given out from this fund after that fiscal year. UC Law loans are also funded by private gifts to the College and accrue interest at 5 percent.

The allowance for doubtful accounts is based upon 5 percent of the outstanding balance of all loans. Management's estimation of the collectible notes receivable amount is based on past collection experience, current conditions, and specific identification of accounts with known uncertainty.

Note 6 – Leases

The College is a lessee for a noncancellable lease of office equipment with a lease term through 2028. For the year ended June 30, 2023, the College recognized $1,880 in lease expense related to the office equipment lease. The College recognized interest expense of $587 for the year ended June 30, 2023. There are no residual value guarantees included in the measurement of College's lease liability nor recognized as an expense for the years ended June 30, 2023. The College does not have any commitments that were incurred at the commencement of the leases. The College is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statement of changes of net position for the year ended June 30, 2023. No termination penalties were incurred during the fiscal year.

The College has the following operating lease right-of-use activities for the year ended June 30:

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Accumulated Amortization as of June 30, 2023	Net Value as of June 30, 2022	Additions	Amortization	Net Value as of June 30, 2023
Pitney Bowes	Office Equipment	$ 28,200	3/1/2023	60	(1,880)	-	28,200	(1,880)	26,320
						$ -	$ 28,200	$ (1,880)	$ 26,320

For the year ended June 30, 2023, the College recognized $1,880 in amortization expense included in depreciation, excluding auxiliary enterprise expense on the statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	5,640	1,761	7,401
2025	5,640	1,761	7,401
2026	5,640	1,761	7,401
2027	5,640	1,761	7,401
2028	3,760	1,174	4,934
	$ 26,320	$ 8,218	$ 34,538

The College evaluated the operating lease right-of-use assets for impairment and determined there was no impairment for the years ended June 30, 2023.

The College is also a lessor for noncancellable leases of various retail space, long-term parking and rental space with lease terms through fiscal year 2036. For the years ended June 30, 2023 and 2022, the College recognized $858,617 and $699,332, respectively, in lease revenue released from deferred inflows of resources related to the various office, retail and rental space leases. The College recognized interest revenue of $35,152 and $28,250 for the years ended June 30, 2023 and 2022, respectively. No variable payments charged to the lessees. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the year.

Leases receivable is calculated based on principal payment maturities described as follows for the years ended June 30:

Leasee	Lease Type	Commencement Date	Expiration Date	Interest Rate	Lease Term (Months)	Monthly Rent as of June 30, 2023	Outstanding as of June 30, 2022	Additions	Payments	Outstanding as of June 30, 2023
U.S. Attorney	Parking Lease	9/1/2022	8/31/2023	0.90%	12	$ 11,990	$ 22,234	$ 119,795	$ (118,593)	$ 23,436
General Service Admin	Parking Lease	5/1/2018	10/31/2023	0.90%	66	18,538	274,581	-	(203,930)	70,651
SF VA	Parking Lease	9/1/2021	8/31/2026	0.90%	60	1,262	63,034	-	(14,916)	48,118
USACE	Parking Lease	7/1/2021	8/31/2026	0.90%	28	427	6,785	-	(5,059)	1,726
Philz	Retail Lease	2/12/2013	2/11/2028	0.90%	180	9,085	573,339	-	(97,976)	475,363
Build Group	Retail Lease	10/1/2020	3/31/2023	0.90%	30	-	83,850	-	(83,850)	-
Golden Era	Retail Lease	12/1/2013	11/30/2033	0.90%	240	10,248	1,422,418	-	(109,576)	1,312,842
Subway	Retail Lease	8/1/2021	12/31/2036	0.90%	185	5,033	958,700	-	(35,670)	923,030
UC Davis	Rent Lease	8/1/2022	7/31/2028	2.40%	72	20,673	-	1,469,766	(224,199)	1,245,567
							$ 3,404,941	$ 1,589,561	$ (893,769)	$ 4,100,733

Leasee	Lease Type	Commencement Date	Expiration Date	Interest Rate	Lease Term (Months)	Monthly Rent as of June 30, 2022	Outstanding as of June 30, 2021	Additions	Payments	Outstanding as of June 30, 2022
U.S. Attorney	Parking Lease	9/1/2022	8/31/2023	0.90%	12	$ 11,990	$ 155,464	$ -	$ (133,230)	$ 22,234
General Service Admin	Parking Lease	5/1/2018	10/31/2023	0.90%	66	17,656	470,546	-	(195,965)	274,581
SF VA	Parking Lease	9/1/2021	8/31/2026	0.90%	60	1,240	-	75,383	(12,349)	63,034
USACE	Parking Lease	7/1/2021	8/31/2026	0.90%	28	415	-	11,741	(4,956)	6,785
Philz	Retail Lease	2/12/2013	2/11/2028	0.90%	180	8,820	669,316	-	(95,977)	573,339
Build Group	Retail Lease	10/1/2020	3/31/2023	0.90%	30	9,500	196,533	-	(112,683)	83,850
Golden Era	Retail Lease	12/1/2013	11/30/2033	0.90%	240	9,445	1,527,769	-	(105,351)	1,422,418
Subway	Retail Lease	8/1/2021	12/31/2036	0.90%	185	1,000	-	969,651	(10,951)	958,700
							$ 3,019,628	$ 1,056,775	$ (671,462)	$ 3,404,941

The future principal and interest lease receipts as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	$ 629,597	$ 37,375	$ 666,972
2025	539,885	44,026	583,911
2026	546,110	55,139	601,249
2027	539,532	65,995	605,527
2028-2032	1,314,188	182,224	1,496,412
2033-2037	531,421	79,648	611,069
	$ 4,100,733	$ 464,407	$ 4,565,140

Note 7 – Subscription-Based Information Technology Arrangements

The College is a lessee for noncancellable leases of various subscription-based information technology arrangements (“SBITA”) with lease terms through fiscal year 2028. For the year ended June 30, 2023, the College recognized $664,911 in lease expense related to the various SBITA. The College recognized interest expense of $52,355 for the year ended June 30, 2023. No variable payments charged by the lessor are included in the lease payable balance. No expenses were recognized in the year related to termination penalties or residual value guarantees during the year. For the lease payables, the underlying assets include initial setup fees which are included in the balance of the leased asset and amortized over its useful life.

The College has the following subscription asset activities for the years ended June 30:

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Accumulated Amortization as of June 30, 2023	Net Value as of June 30, 2022	Additions	Amortization	Net Value as of June 30, 2023
Thomson Reuters	SBITA	$ 911,198	5/1/2021	48	$ (493,565)	$ 645,432	$ -	$ (227,800)	$ 417,632
Axiom	SBITA	301,019	3/2/2019	60	(260,883)	100,340	-	(60,204)	40,136
LexisNexis Digital Library	SBITA	228,543	7/1/2021	48	(114,272)	171,407	-	(57,136)	114,271
CourseDog	SBITA	193,384	9/1/2021	36	(107,436)	139,666	-	(64,461)	75,205
LexisNexis	SBITA	158,005	7/1/2022	36	(52,668)	-	158,005	(52,668)	105,337
Carahsoft (docusign)	SBITA	115,442	6/30/2020	36	(115,442)	38,480	-	(38,480)	-
StarRez	SBITA	101,836	10/1/2021	60	(30,550)	86,561	-	(20,367)	66,194
Pantheon	SBITA	80,029	7/1/2021	36	(53,352)	53,353	-	(26,676)	26,677
Elsevier	SBITA	71,555	8/1/2021	36	(43,728)	49,691	-	(23,852)	25,839
BlackBaud	SBITA	147,449	5/15/2020	38	(147,449)	46,563	-	(46,563)	-
PlanetBids	SBITA	58,828	1/14/2021	60	(29,415)	41,180	-	(11,766)	29,414
Brightly	SBITA	26,533	7/1/2022	36	(8,844)	-	26,533	(8,844)	17,689
Concur	SBITA	194,476	2/24/2020	36	(221,486)	37,815	-	(37,815)	-
						$ 1,410,488	$ 184,538	$ (676,632)	$ 918,394

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Amortization as of June 30, 2022	Net Value as of June 30, 2021	Additions	Amortization	Net Value as of June 30, 2022
Thomson Reuters	SBITA	$ 911,198	5/1/2021	48	$ (265,766)	$ 873,231	$ -	$ (227,799)	$ 645,432
Axiom	SBITA	301,019	3/2/2019	60	(200,679)	160,544	-	(60,204)	100,340
LexisNexis Digital Library	SBITA	228,543	7/1/2021	48	(57,136)	-	228,543	(57,136)	171,407
CourseDog	SBITA	193,384	9/1/2021	36	(53,718)	-	193,384	(53,718)	139,666
Carahsoft (docusign)	SBITA	115,442	6/30/2020	36	(76,961)	76,961	-	(38,481)	38,480
StarRez	SBITA	101,836	10/1/2021	60	(15,275)	-	101,836	(15,275)	86,561
Pantheon	SBITA	80,029	7/1/2021	36	(26,676)	-	80,029	(26,676)	53,353
Elsevier	SBITA	71,555	8/1/2021	36	(21,864)	-	71,555	(21,864)	49,691
BlackBaud	SBITA	147,449	5/15/2020	38	(100,886)	93,126	-	(46,563)	46,563
PlanetBids	SBITA	58,828	1/14/2021	60	(17,649)	52,946	-	(11,766)	41,180
Concur	SBITA	194,476	2/24/2020	36	(156,661)	102,640	-	(64,825)	37,815
						$ 1,359,448	$ 675,347	$ (624,307)	$ 1,410,488

For the year ended June 30, 2023, the College recognized $676,632 in amortization expense included in depreciation, excluding auxiliary enterprise expense on the statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	$ 520,793	$ 40,540	$ 561,333
2025	349,651	25,907	375,558
2026	24,632	4,342	28,974
2027	4,652	2,343	6,995
	$ 899,728	$ 73,132	$ 972,860

The College evaluated the subscription assets for impairment and determined there was no impairment for the year ended June 30, 2023.

Note 8 – Assets Held By Others

Assets held by others represent the College's right to the perpetual income streams resulting from irrevocable and perpetual trusts held by external trustees. The College's right to the income from these trusts is valued at the market value of the investments held by the trusts. One trust is administered by Deutsche Bank and the other by The Regents of the University of California ("UC"). Investment income of $0 and $105,000 for 2023 and 2022, respectively, was distributed by the external trustees to recipients of the Tony Patino Fellowship.

During fiscal year 2022, changes were made by the trustees of the T. Patino Fellowship such that the program was modified that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools making the balance on the College's financial statements $0 as of June 30, 2022 and onward. In addition, UC holds seven endowments (not pursuant to irrevocable agreements) for which income is allocated to the College and recorded in the accompanying financial statements as other changes in net position, gifts, and other changes to endowment. Income generated from three of these endowments has been designated by the donor to be distributed exclusively to the College's students. For the remaining four, the income allocated to the College conforms to the donors' intent that endowment income be used for financial support of University of California law students. The market value of the College's share of the remaining four endowments as of June 30, 2023 and 2022, is $3,193,266 and $3,185,135, respectively. These four endowments are not reflected on the College's statements of net position. Assets held by others also include $35,000 held as an interest account in Citizens Business Bank for workers' compensation payments.

The following table summarizes the assets held by others reported at fair value within the fair value hierarchy as of June 30, 2023:

Assets Held by Others	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled
Beneficial Interest in Charitable Remainder Trust ("CRT")	$ 1,739,890	$ -	$ -	$ -	$ 1,739,890	$ -
Endowments Held by UC	6,947,549	-	-	-	6,947,549	-
Workers' Compensation	35,000	-	-	-	-	35,000
Total Assets Held by Others	$ 8,722,439	$ -	$ -	$ -	$ 8,687,439	$ 35,000

The following table summarizes the assets held by others reported at fair value within the fair value hierarchy as of June 30, 2022:

Assets Held by Others	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled
Beneficial Interest in Charitable Remainder Trust ("CRT")	$ 1,641,017	$ -	$ -	$ -	$ 1,641,017	$ -
Endowments Held by UC	6,929,857	-	-	-	6,929,857	-
Workers' Compensation	35,000	-	-	-	-	35,000
Total Assets Held by Others	$ 8,605,874	$ -	$ -	$ -	$ 8,570,874	$ 35,000

Note 9 – Capital Assets

The activities related to capital assets during fiscal year 2023 for the College are summarized below:

	2022	Additions/ Transfers	Disposals/ Transfers	2023
Capital assets, not being depreciated:				
Land	$ 5,088,532	$158,000	$ -	$ 5,246,532
Construction in progress	122,336,763	126,657,019	(1,490,727)	247,503,055
Works of art	421,309	13,500	-	434,809
Intangible assets	115,920	-	-	115,920
Total capital assets, not being depreciated	127,962,524	126,828,519	(1,490,727)	253,300,316
Capital assets, being depreciated:				
Buildings	128,603,918	1,490,727	-	130,094,645
Building improvements	57,103,311	843,244	-	57,946,555
Equipment, furniture, and fixtures	3,135,347	-	-	3,135,347
Computer software	1,482,856	-	-	1,482,856
Library books and materials	2,832,808	-	-	2,832,808
Total capital assets, being depreciated	193,158,240	2,333,971	-	195,492,211
Less accumulated depreciation for:				
Buildings	(25,229,631)	(1,472,173)	-	(26,701,804)
Building improvements	(22,670,638)	(2,310,241)	-	(24,980,879)
Equipment, furniture, and fixtures	(2,547,127)	(149,430)	-	(2,696,557)
Computer software	(735,013)	(107,635)	-	(842,648)
Library books and materials	(2,420,644)	(104,896)	-	(2,525,540)
Total accumulated depreciation	(53,603,053)	(4,144,375)	-	(57,747,428)
Total capital assets, being depreciated, net	139,555,187	(1,810,404)	-	137,744,783
Capital assets, net	$ 267,517,711	$ 125,018,115	$ (1,490,727)	$ 391,045,099

The activities related to capital assets during fiscal year 2022 for the College are summarized below:

	2021	Additions/ Transfers	Disposals/ Transfers	2022
Capital assets, not being depreciated:				
Land	$ 5,088,532	$ -	$ -	$ 5,088,532
Construction in progress	53,198,327	69,138,436	-	122,336,763
Works of art	421,309	-	-	421,309
Intangible assets	115,920	-	-	115,920
Total capital assets, not being depreciated	58,824,088	69,138,436	-	127,962,524
Capital assets, being depreciated:				
Buildings	128,603,918	-	-	128,603,918
Building improvements	57,103,311	-	-	57,103,311
Equipment, furniture, and fixtures	3,128,121	7,226	-	3,135,347
Computer software	1,482,856	-	-	1,482,856
Library books and materials	2,832,808	-	-	2,832,808
Total capital assets, being depreciated	193,151,014	7,226	-	193,158,240
Less accumulated depreciation for:				
Buildings	(23,058,855)	(2,170,776)	-	(25,229,631)
Building improvements	(21,037,610)	(1,633,028)	-	(22,670,638)
Equipment, furniture, and fixtures	(2,271,599)	(275,528)	-	(2,547,127)
Computer software	(596,100)	(138,913)	-	(735,013)
Library books and materials	(2,283,215)	(137,429)	-	(2,420,644)
Total accumulated depreciation	(49,247,379)	(4,355,674)	-	(53,603,053)
Total capital assets, being depreciated, net	143,903,635	(4,348,448)	-	139,555,187
Capital assets, net	$ 202,727,723	$ 64,789,988	$ -	$ 267,517,711

Note 10 – Long-Term Debt

Long-term debt of the College consists of the following at June 30, 2023 and 2022:

	2023	2022
Hastings College of the Law Refunding Bonds, Series 2017	$ 14,605,000	$ 15,315,000
Campus Housing Authority Revenue Bonds, Series 2020A and 2020B	360,715,525	360,715,525
Total bonds payable	375,320,525	376,030,525
Capital lease obligation	51,377,839	53,123,174
Bond premium	4,390,919	4,836,252
Total long-term debt	$ 431,089,283	$ 433,989,951

The College issued the Series 2017 Refunding Bonds for $17,610,000 to refund the previously issued Series 2008 Bonds for the construction of the UC Hastings Parking Garage, and to reimburse the College for associated development costs. Located at 376 Larkin Street in San Francisco, California, the multi-level structure contains 395 parking stalls, and 12,612 square feet of ground-level retail space. These bonds bear interest rates ranging from 2.0% to 5.0%. Principal and interest payments are made on a semi-annual basis and the bonds mature through April 2037.

In April 2020, the College entered into a facility lease agreement with the State of California totaling $76,737,957, which is recorded as a capital lease. The State of California sold lease revenue bonds to finance the construction of a new building to be used by the College. The building was then leased to the College under terms and amounts that are sufficient to satisfy the State of California's lease revenue bond requirements with the understanding that the State of California will provide financing appropriations to the College to satisfy the annual lease requirements. At the conclusion of the lease term, ownership of the building transfers to the College.

In September 2020, the College issued Campus Housing Revenue Bonds, Series 2020A and Series 2020B with an original principal amount of $333,110,000 and $27,605,525 for the construction of a student housing facility, academic and administrative space, and construction of retail space on the UC Law campus. Additionally, capital appreciation bonds were issued as part of Series 2020B, Campus Housing Revenue Bonds issuance. Interest on the 2020B Bonds will not be payable on a current basis but will compound from the date of issuance on a semi-annual basis beginning on January 1, 2021 through the conversion date, July 1, 2035. Future accreted interest accruals of $8,254,752 have not been reflected in the long-term debt balance for the Series 2020A Bonds in its payment schedule below.

The scheduled principal and interest, including accrued interest, reported in the College's financial statements for the year ended June 30, 2023 contain amounts related to this facility lease with the State of California as well as the Campus Housing Revenue Bonds.

The activity with respect to the College's current and noncurrent debt for the years ended June 30, 2023 and 2022 is as follows:

	2023
Balance as of June 30, 2022	$ 433,989,951
Unamortized bond premium	(445,333)
Principal payments in fiscal year 2023	(2,455,335)
Balance as of June 30, 2023	$ 431,089,283
Current loan payable	$ 2,583,819
Noncurrent loan payable	428,505,464
Balance as of June 30, 2023	$ 431,089,283

	2022
Balance as of June 30, 2021	$ 436,761,956
Unamortized bond premium	(470,530)
Principal payments in fiscal year 2021	(2,801,475)
Balance as of June 30, 2022	$ 433,489,951
Current loan payable	$ 2,455,335
Noncurrent loan payable	431,534,616
Balance as of June 30, 2022	$ 433,989,951

Principal and interest payments required to be made for each of the next five fiscal years and thereafter for the Series 2017 bond payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total Bond Payable
2024	745,000	730,250	$ 1,475,250
2025	785,000	693,000	1,478,000
2026	820,000	653,750	1,473,750
2027	865,000	612,750	1,477,750
2028	905,000	569,500	1,474,500
2029-2033	5,250,000	2,121,750	7,371,750
2034-2037	5,235,000	545,511	5,780,511
	$ 14,605,000	$ 5,926,511	$ 20,531,511

The annual payments required to amortize the Series 2020A, Campus Housing Revenue Bonds, outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ -	$ 16,655,500	$ 16,655,500
2025	-	16,655,500	16,655,500
2026	-	16,655,500	16,655,500
2027	390,000	16,645,750	17,035,750
2028	920,000	16,613,000	17,533,000
2029-2033	14,160,000	81,526,750	95,686,750
2034-2038	28,160,000	76,027,500	104,187,500
2039-2043	35,940,000	68,052,500	103,992,500
2044-2048	45,870,000	57,875,000	103,745,000
2049-2053	58,545,000	44,884,875	103,429,875
2054-2058	74,730,000	28,304,250	103,034,250
2059-2063	74,395,000	7,666,125	82,061,125
	$ 333,110,000	$ 447,562,250	$ 780,672,250

The annual payments required to amortize the Series 2020B, Campus Housing Revenue Bonds outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2024	$ -	$ -	$ -	$ -
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029-2033	3,279,512	3,219,541	-	6,499,053
2034-2038	3,156,040	4,864,232	9,645,075	17,665,347
2039-2043	2,153,291	3,601,709	18,175,219	23,930,219
2049-2053	4,141,951	6,928,048	12,687,638	23,757,637
2054-2058	5,737,744	9,597,255	8,269,595	23,604,594
2059-2063	6,149,320	10,285,681	2,309,343	18,744,344
	$ 27,605,526	$ 43,493,799	$ 66,963,038	$ 138,062,363

Principal and interest payments required to be made for each of the next five fiscal years and thereafter for the facility capital lease payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total Capital Lease Payable
2024	$ 1,792,696	$ 1,276,104	$ 3,068,800
2025	1,838,819	1,231,731	3,070,550
2026	1,883,075	1,186,225	3,069,300
2027	1,930,416	1,139,634	3,070,050
2028	1,975,669	1,091,881	3,067,550
2029-2033	10,645,399	4,701,601	15,347,000
2034-2038	12,033,276	3,319,124	15,352,400
2039-2043	13,593,079	1,276,131	14,869,210
2044-2045	5,685,410	220,254	5,905,664
	$ 51,377,839	$ 15,442,685	$ 66,820,524

Note 11 – Endowments

The endowments held by the College as of June 30, 2023, are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$19,385,364	$18,353,901	$ -	$ 37,739,265
Funds functioning as endowments	-	-	14,752,056	14,752,056
Endowment assets held by others	6,947,549	-	-	6,947,549
College's endowments	$ 26,332,913	$ 18,353,901	$ 14,752,056	$ 59,438,870

The endowments held by the College as of June 30, 2022, are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$ 18,618,284	$ 17,248,512	$ -	$ 35,866,796
Funds functioning as endowments	-	-	13,663,399	13,663,399
Endowment assets held by others	6,929,857	-	-	6,929,857
College's endowments	$ 25,548,141	$ 17,248,512	$ 13,663,399	$ 56,460,052

Endowments held by the Foundation as of June 30 are as follows:

	2023		2022	
	Restricted Net Position		Restricted Net Position	
	Nonexpendable	Expendable	Nonexpendable	Expendable
Foundation's endowments	$178,755	$408,547	$ 178,755	$ 389,221

The College's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve a maximum long-term total return. As a result of this emphasis on total return, the portion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year.

Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of the College's programs. The College utilizes a total-return spending policy governing the payout on endowed funds. Total-return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board of Directors. The payout rate for 2023 and 2022 was 4.55 and 4.55 percent, respectively. The rates are calculated on a 12-quarter average market value of endowed funds. Endowment income is available to meet spending needs, subject to donor terms and conditions and the approval of the Board. Net appreciation on investments of donor-restricted endowments is reflected in the above tables as restricted expendable net position.

Generally, the College's practice is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. In addition, endowment net position reflects not only endowment investments but also cash gifted to endowments and not yet invested.

The total distribution from endowments was $1,824,127 and $1,610,722 for the years ended June 30, 2023 and 2022, respectively. From that distribution, $1,801,272 and $1,589,686 was distributed to the College, and $22,855 and $21,036 was distributed to the Foundation, for the years ended June 30, 2023 and 2022, respectively.

Note 12 – Deferred Outflows and Inflows of Resources

The composition of deferred outflows of resources at June 30 is summarized as follows:

	2023	2022
Deferred Outflows of Resources		
Retiree health benefits liability, net	$ 9,548,000	$ 10,702,000
Pension liability, net	4,648,000	9,956,000
Loss on defeasance of debt	87,814	94,200
Total deferred outflows of resources	$ 14,283,814	$ 20,752,200
Deferred Inflows of Resources		
Retiree health benefits liability, net	$ 21,172,000	$ 25,820,000
Pension liability, net	2,328,000	2,884,000
Remainder interest in charitable remainder trust	1,739,890	1,641,018
Lease assets	3,813,537	3,116,836
Total deferred inflows of resources	$ 29,053,427	$ 33,461,854

Note 13 – Retiree Health Benefits

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through UCRHBT. The Regents has the authority to establish and amend the plan. Additional information on the retiree health plans can be obtained from the 2022-2023 annual reports of the University of California.

The contribution requirements of the eligible retirees and the participating University locations, such as the College, are established and may be amended by the University. Membership in UCRP is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer’s contribution. Retirees are required to pay the difference between the employer’s contribution and the full cost of the health insurance. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University’s contribution based on age and years for service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service.

Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University’s maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Contributions – The College's contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amount currently due under the University's retiree health benefit plans for retirees who previously worked at the College. UCRHBT reimburses the University for these amounts.

Participating University locations, such as the College, are required to contribute at a rate assessed each year by the University. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.23 and $2.36 per $100 of UCRP covered payroll effective July 1, 2023 and 2022, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

The College's contributions for the years ended June 30 were as follows:

	2023	2022
Total employer contributions	$ 889,000	$ 861,000
Total contributions	$ 889,000	$ 861,000

Net retiree health benefits liability – The College's proportionate share of the net retiree health benefits liability as of June 30 is as follows:

	2023	2022
Proportion of the net retiree health benefits liability	0.2%	0.2%
Proportionate share of net retiree health benefits liability	$ 39,002,000	$ 36,012,000

The College's net retiree health benefits liability was measured as of June 30, 2023 and 2022, and calculated using the plan net position valued as of the measurement date except for census data. The valuation results for fiscal years ended June 30, 2023 and 2022, are based on March 1, 2023 and 2022, census data, respectively. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the College's net retiree health benefits liability were:

	2023	2022
Discount rate	3.65%	3.54%
Inflation	2.50%	2.50%
Investment rate of return	2.50%	2.50%
Health care cost trend rates	Initially ranges from -3.06 to 29.06 decreasing to an ultimate rate of 3.94 for 2075 and later years	Initially ranges from 1.35 to 14.55 decreasing to an ultimate rate of 3.94 for 2075 and later years

The UCRP undergoes experience studies periodically to determine reasonable and appropriate economic assumptions for purposes of valuing the defined benefit plan. Where applicable, the assumptions for this valuation are consistent with UCRP. The most recent UCRP experience study covered the four-year period ending June 30, 2022.

Sensitivity of net retiree health benefits liability to the health care cost trend rate – The following presents the June 30, 2023, net retiree health benefits liability of the College calculated using the June 30, 2023, health care cost trend rate assumption with initial trend ranging from -3.06 percent to 29.06 percent grading up to an ultimate trend of 3.94 percent over 15 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

2023			2022		
1% Decrease (-4.06 to 28.06%) Decreasing to 2.94%	**Current Discount (-3.06 to 29.06%) Current Discount 3.94%**	**1% Increase (-2.06 to 30.06%) Increasing to 4.94%**	**1% Decrease (0.35% to 13.55%) Decreasing to 2.94%**	**Current Discount (1.35% to 14.55%) Current Discount 3.94%**	**1% Increase (2.35% to 15.55%) Increasing to 4.94%**
$ 32,663,000	$ 39,002,000	$ 47,254,000	$ 29,958,000	$ 36,012,000	$ 43,968,000

Discount rate – The discount rate used to estimate the net retiree health benefits liability as of June 30, 2023 and 2022, was 3.65 percent and 3.54 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of the net retiree health benefits liability – The following presents the June 30, 2023, net retiree health benefits liability of the College calculated using the June 30, 2023, discount rate assumption of 3.65% as well as what the net retiree health benefits liability would be if it were calculated using a discounted rate different than the current assumption:

2023			2022		
1% Decrease (2.65%)	**Current Discount (3.65%)**	**1% Increase (4.65%)**	**1% Decrease (2.54%)**	**Current Discount (3.54%)**	**1% Increase (4.54%)**
$ 45,997,000	$ 39,002,000	$ 33,402,000	$ 42,679,000	$ 36,012,000	$ 30,709,000

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources as of the years ended June 30:

	2023	2022
Deferred Outflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 1,703,000	$ 2,000,000
Changes of assumptions or other inputs	6,186,000	8,403,000
Net difference between projected and actual earnings on plan investments	8,000	12,000
Difference between expected and actual experience	1,651,000	287,000
Total deferred outflows of resources	$ 9,548,000	$ 10,702,000
Deferred Inflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 6,991,000	$ 7,878,000
Changes of assumptions or other inputs	10,341,000	12,703,000
Net difference between projected and actual earnings on plan investments	4,000	-
Difference between expected and actual experience	3,836,000	5,239,000
Total deferred inflows of resources	$ 21,172,000	$ 25,820,000

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ending June 30 is as follows:

Year Ending June 30,	
2024	$ (2,733,000)
2025	(2,842,000)
2026	(1,648,000)
2027	(1,265,000)
2028	(1,389,000)
Thereafter	(1,747,000)
	$ (11,624,000)

Note 14 – Retirement Benefits

Substantially all full-time employees of the College participate in the University of California Retirement System ("UCRS") that is administered by the University. The UCRS consists of the University of California Retirement Plan ("UCRP"), a cost-sharing defined benefit pension plan, and the University of California Retirement Savings Program ("UCRSP") that includes four defined contribution pension plans with several investment portfolios generally funded with employee nonelective and elective contributions. The Regents have the authority to establish and amend the benefit plans. Additional information on the retirement plans can be obtained from the 2022-2023 annual reports for the University of California Retirement System.

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent of the time for one year or more for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments ("COLAs") are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

Contributions – Contributions to the UCRP may be made by the College and the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of the consulting actuary. The Regents' determine the portion of the total contribution to be made by the College and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Effective July 1, 2013, employee member contributions range from 7.0 percent to 9.0 percent. The College pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of UCRP members. Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or lump sum equal to the present value of their accrued benefits.

Contributions were as follows during the years ended June 30:

	2023	2022
College	$ 4,536,000	$ 4,926,000
Employee	1,873,000	1,743,000
Total contributions	$ 6,409,000	$ 6,669,000

Additional deposits were made by the University of California to UCRP of $500 million and $700.0 million for the fiscal years ended June 30, 2023 and 2022, respectively. The College's reported pension expense and an increase in the pension payable to the University of California for its portion of these additional deposits based upon its proportionate share of covered compensation for the years ended June 30, 2023 and 2022. These balances were $853,000 and $1,224,000, respectively.

Net pension liability – The College's proportionate share of the net pension liability for UCRP as of June 30 is as follows:

	2023	2022
Proportion of the net pension liability	0.2%	0.2%
Proportionate share of net pension liability	$ 33,368,000	$ 35,343,000

The College's net pension liability was measured as of June 30, 2023 and 2022, and calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, 2023 and 2022, respectively.

Actuarial valuations represented a long-term perspective and involved estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. The College's net pension liability was calculated using the following methods and assumptions:

	2023	2022
Inflation	2.50%	2.50%
Salary increase (varying by service, including inflation)	3.65 - 5.95%	3.65 - 5.95%
Investment rate of return (net of pension plan investment expense, including inflation)	6.75%	6.75%
COLAs	2.00%	2.00%

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in 2023 and 2022 were based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022.

For active and inactive members, mortality rates are based on the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table decreased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

For healthy Faculty retirees, mortality rates are based on the Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table decreased by 15% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

For healthy Staff & Safety retirees, mortality rates are based on the Pub-2010 Teacher Healthy Retiree Amount-Weighed Above-Median Mortality Table unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

In addition, for purposes of determining the discount rate, it was assumed that 65% of eligible Campus and Medical Center future hires of the University System will elect UCRP's 2016 Tier with the remaining 35% assumed to elect the defined contribution plan and that 55% of eligible LBNL Segment future hires will elect UCRP's 2016 Tier with the remaining 45% assumed to elect the defined contribution plan.
The long-term expected investment rate of return for UCRP was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset class	Target	Long-term expected real rate return
U.S. equity	33.0%	5.97%
Developed international equity	13.0%	6.75%
Emerging market equity	7.0%	8.50%
Core fixed income	13.0%	1.79%
High yield bonds	2.5%	4.57%
Emerging market debt	1.5%	4.64%
Real estate	7.0%	3.91%
Private equity	12.0%	9.63%
Private credit	3.5%	2.93%
Absolute return	3.5%	1.13%
Real assets	4.0%	4.03%
Total	100%	

Discount rates – The discount rate used to estimate the net pension liability as of June 30, 2023 and 2022 was 6.75 percent. To calculate the discount rate, cash flows into and out of UCRP were projected to determine whether UCRP has sufficient cash in future periods for projected benefit payment for current members. For this purpose, College contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected College and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2023.

Sensitivity of the net pension liability to the discount rate assumption – The following presents the June 30, 2023, net pension liability of the College calculated using the June 30, 2023, discount rate assumption of 6.75 percent as well as what the net pension liability would be if it were calculated using a discounted rate different than the current assumption:

2023			2022		
1% Decrease (5.75%)	**Current Discount (6.75%)**	**1% Increase (7.75%)**	**1% Decrease (5.75%)**	**Current Discount (6.75%)**	**1% Increase (7.75%)**
$ 56,616,000	$ 33,368,000	$ 14,330,000	$ 57,897,000	$ 35,343,000	$ 16,939,000

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2023 and 2022:

	2023	2022
Deferred Outflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ -	$ 44,000
Changes of assumptions or other inputs	710,000	2,147,000
Net excess of projected over actual earnings on plan investments (if any)	2,866,000	6,854,000
Difference between actual and expected experience in the total pension liability	1,072,000	911,000
Total deferred outflows of resources	$ 4,648,000	$ 9,956,000
Deferred Inflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 2,237,000	$ 2,687,000
Net excess of actual over projected earnings on pension plan investments (if any)	-	-
Difference between expected and actual experience in the total pension liability	91,000	197,000
Total deferred inflows of resources	$ 2,328,000	$ 2,884,000

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

Year Ending June 30,	
2024	$ (382,000)
2025	(1,071,000)
2026	4,324,000
2027	(551,000)
	$ 2,320,000

The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan, and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pre-tax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pre-tax employee contributions and the College may also make contributions on behalf of certain members of management. Benefits from the plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Note 15 – Federal and State Income Taxes

As a separate law department of the University of California, the College is an instrument of the State and, accordingly, is not subject to federal or state income taxes, except for taxes on unrelated business income.

Note 16 – Contingencies

The College receives substantially all its unrestricted revenue from tuition and fees and State appropriations. The College tuition and fee schedule is established annually by the Board of Directors. The State legislature establishes the annual appropriation to the College. The appropriation may increase or decrease during the year due to State budget changes.

Substantial amounts are received and expended by the College under federal and state grants and contracts and are subject to audit by cognizant governmental agencies. This funding relates primarily to student financial assistance and related programs. College management believes that liabilities, if any, arising from such audits will not have a significant effect on the College's financial condition or results of operations.

Note 17 – Insurance

The College is exposed to various risks of loss including general liability, property and casualty, workers' compensation, employee health, and legal defense. The College purchases insurance through commercial and risk retention insurance companies with various ranges of deductibles depending on the policy type. Settled claims have not exceeded this coverage in any of the past three fiscal years. The College continues to self-insure its workers' compensation program.

Note 18 – Litigation

From time to time, the College is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the College in connection with its legal proceedings is expected not to have a material adverse effect on the College's financial position and activities.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date, but before the financial statements are available to be issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements were available to be issued.

The College has evaluated subsequent events through _______, 2023, which is the date the financial statements were available to be issued and no material events were noted.

Required Supplementary Information

Net Retiree Health Benefits Liability – Required Supplementary Information

The schedule of the College's proportionate share of UCRHBT's net retiree health benefits liability is presented below:

Year Ended June 30,	Proportion of the net retiree health benefits liability	Proportionate share of net retiree health benefits liability	Covered payroll	Proportionate share of the net retiree health benefits liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total retiree health benefits liability
2023	0.2%	$ 39,002,000	$ 30,000,000	130.0%	0.9%
2022	0.2%	$ 36,012,000	$ 27,712,000	130.0%	0.9%
2021	0.2%	$ 42,608,000	$ 23,915,000	178.2%	0.7%
2020	0.2%	$ 45,135,000	$ 25,577,000	176.5%	0.7%
2019	0.2%	$ 40,220,000	$ 25,926,000	155.1%	0.8%
2018	0.2%	$ 37,604,000	$ 24,929,000	150.8%	0.7%
2017	0.2%	$ 40,908,000	$ 24,471,000	167.2%	0.6%
2016	0.2%	$ 49,576,000	$ 24,451,000	202.8%	0.3%
2015	0.3%	$ 45,293,000	$ 24,499,000	184.9%	0.3%

The schedule of the College's Plan to UCRHBT is presented below:

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2023	$ 669,000	$ 669,000	$ -	$ 30,000,000	2.2%
2022	$ 654,000	$ 654,000	$ -	$ 27,712,000	2.4%
2021	$ 814,000	$ 814,000	$ -	$ 23,915,000	3.4%
2020	$ 868,000	$ 868,000	$ -	$ 25,577,000	3.4%
2019	$ 908,000	$ 908,000	$ -	$ 25,926,000	3.5%
2018	$ 899,000	$ 899,000	$ -	$ 24,929,000	3.6%
2017	$ 906,000	$ 906,000	$ -	$ 24,471,000	3.7%
2016	$ 927,000	$ 927,000	$ -	$ 24,451,000	3.8%
2015	$ 649,000	$ 649,000	$ -	$ 24,499,000	2.6%

Net Pension Liability – Required Supplementary Information

The schedule of the College's proportionate share of UCRP's net pension liability as of June 30 is:

Year Ended June 30,	Proportion of the net pension liability	Proportionate share of net pension liability	Covered employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.2%	$ 33,368,000	$ 25,306,000	131.9%	81.2%
2022	0.2%	$ 35,343,000	$ 23,749,000	148.8%	79.3%
2021	0.2%	$ 11,772,000	$ 22,784,000	51.7%	93.9%
2020	0.2%	$ 40,007,000	$ 24,993,025	160.1%	76.6%
2019	0.2%	$ 35,932,000	$ 24,751,000	145.2%	79.5%
2018	0.2%	$ 19,434,000	$ 24,035,000	80.9%	87.2%
2017	0.2%	$ 21,931,000	$ 23,788,000	92.2%	84.0%
2016	0.2%	$ 32,086,000	$ 24,451,000	131.2%	77.2%
2015	0.3%	$ 24,207,000	$ 24,499,000	98.8%	82.9%
2014	0.3%	$ 18,664,000	$ 24,039,000	77.6%	86.3%

The schedule of the College's plan contribution to UCRP is presented below:

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2023	$ 6,409,000	$ 6,409,000	$ -	$ 25,306,000	25.3%
2022	$ 6,669,000	$ 6,669,000	$ -	$ 23,749,000	28.1%
2021	$ 6,188,000	$ 6,188,000	$ -	$ 22,784,000	27.2%
2020	$ 6,384,000	$ 6,384,000	$ -	$ 24,993,000	25.5%
2019	$ 6,438,000	$ 6,438,000	$ -	$ 24,751,000	26.0%
2018	$ 6,301,000	$ 6,301,000	$ -	$ 24,035,000	26.2%
2017	$ 6,246,000	$ 6,246,000	$ -	$ 23,788,000	26.3%
2016	$ 6,631,000	$ 6,631,000	$ -	$ 24,451,000	27.1%
2015	$ 7,057,000	$ 7,057,000	$ -	$ 24,499,000	28.8%
2014	$ 4,376,000	$ 4,376,000	$ -	$ 24,039,000	18.2%

Supplementary Information

UC College of the Law, San Francisco
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Federal Grant Number	Pass-Through Entity Identifying Number	Federal Expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education				
Federal Work Study	84.033	P033A210404		$ 16,500
Federal Work Study	84.033	P033A220404		76,395
Federal Work Study - Administrative Cost Allowance	84.033	P033A220404		6,305
Total Student Financial Assistance Awards				99,200
Federal Direct Student Loan Program	84.268	P268K236736		38,264,034
Total Student Financial Assistance Loan Programs				38,264,034
Total Student Financial Assistance Cluster				38,363,234
Research and Development Cluster:				
U.S. Department of Health and Human Services:				
Aging Research	93.866	1R44AG074131-UCH02		208,690
U.S. Environmental Protection Agency:				
Pass-Through University of California, San Francisco				
Science To Achieve Results (STAR) Research Program	66.509	84046301	11685sc	16,064
Total Research and Development Cluster				224,754
U.S. Department of Health and Human Services:				
Pass-Through University of California, Berkeley				
PPHF Geriatric Education Centers	93.969	5U1QHP28727-07-00	00011200	19,840
Total U.S. Department of Health and Human Services				19,840
U.S. Department of State:				
Public Diplomacy Programs	19.040	SGH10022GR0039		63,388
Public Diplomacy Programs	19.040	SHA70018GR0040		16,587
				79,975
Criminal Justice Systems	19.703	SINLEC22GR0233		99,539
Total U.S. Department of State				179,514
U.S. Department of the Treasury:				
Low Income Taxpayer Clinics	21.008	22-LITC0517-02-00		116,357
Total U.S. Department of the Treasury				116,357
Total Expenditures of Federal Awards				$ 38,903,699

See accompanying notes to schedule of expenditures of federal awards.

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activities of UC College of the Law, San Francisco (the “College” or “UC Hastings”), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College recognizes grants to the extent that eligible grant costs are incurred. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

The College did not provide federal awards to subrecipients during the year ended June 30, 2023.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
UC College of the Law, San Francisco

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of UC College of the Law, San Francisco (the "College" or "UC Law") and its discretely presented component unit, the UC Law Foundation (the "Foundation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise UC College of the Law, San Francisco's and its discretely presented component unit, the UC Law Foundation's, basic financial statements, and have issued our report thereon dated October ___, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's and the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's and the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's and of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's and the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Francisco, California
October ___, 2023

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
UC College of the Law, San Francisco

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited UC College of the Law, San Francisco's (the "College" or "UC Law") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2023. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, UC College of the Law, San Francisco complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Francisco, California
October ___, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
• Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major federal programs and type of auditor's report issued on compliance for the major federal program:

Federal Assistance Listing Numbers	*Name of Major Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
Various	Student Financial Assistance Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section I – Financial Statement Findings

None reported

Section I – Federal Award Findings and Questioned Costs

None reported

Communication with
Those Charged with Governance

UC College of the Law, San Francisco

June 30, 2023

Communication with Those Charged with Governance

To the Board of Directors
UC College of the Law, San Francisco

We have audited the financial statements of UC College of the Law, San Francisco (the "College" or "UC Law") and the discretely presented component unit, UC Law Foundation (the "Foundation"), as of and for the year ended June 30, 2023, and have issued our report thereon dated October ___, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our statement of work updated on April 3, 2023, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America ("*Government Auditing Standards*"). As part of an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's and the Foundation's internal control over financial reporting. Accordingly, we considered the College's and the Foundation's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the College's compliance with the types of compliance requirements described in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") applicable to its major federal program for the purpose of expressing an opinion on the College's compliance with those requirements. While our audits provide a reasonable basis for our opinion, they do not provide a legal determination on the College's compliance with those requirements.

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you at the audit entrance meeting with the audit committee on April 20, 2023.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College and the Foundation are described in Note 2 to the financial statements. During the year ended June 30, 2023, the College and the Foundation adopted Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, under the retrospective approach. No other new accounting policies were adopted and there were no changes in the application of existing policies during 2023. We noted no transactions entered into by the College and the Foundation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Fair value of investments
- The collectability of student loans receivable and accounts receivable
- The useful lives of capital assets
- The discount rate, useful lives, and lease terms related to the College's operating lease right-of-use assets, lease liabilities, lease receivable, and lease deferred inflows of resources
- The discount rate, subscription terms, and other assumptions related to the College's subscription assets and subscription liabilities

- The actuarially determined liabilities related to retirement benefits and retiree health benefits

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 4 related to the fair value of investments
- Note 2 and Note 5 related to collectability of student loans receivable and notes receivable
- Note 2 and Note 9 related to capital assets and net position by type
- Note 6 related to leases
- Note 7 related to subscription-based information technology arrangements
- Note 10 related to long-term debt
- Note 13 related to retiree health benefits
- Note 14 related to retirement benefits

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the College's and the Foundation's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the College's and the Foundation's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with U.S. GAAS. There were no circumstances that affected the form and content of the auditor's report.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified by us as a result of audit procedures and uncorrected by management that are material, either individually or in the aggregate, to the College's and the Foundation's financial statements taken as a whole.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated October ___, 2023.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's and the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility for other information in the management's discussion and analysis, the net pension liability, and net retiree health benefits liability, which is labeled as "required supplementary information," includes applying certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion or provide any assurance on the information because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance.

This information is intended solely for the use of the Audit Committee and management of the College and of the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
October ___, 2023

Report of Independent Auditors and
Financial Statements with Supplementary Information

UC College of the Law, San Francisco

June 30, 2023 and 2022

Table of Contents

Report of Independent Auditors

The Board of Directors
UC College of Law, San Francisco

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of UC College of Law, San Francisco (the "College" or "UC Law") and its discretely presented component unit, the UC Law Foundation (the "Foundation"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's and the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of UC College of Law, San Francisco and its discretely presented component unit, the UC Law Foundation, as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's and the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 5 through 20, and the supplementary information on net retiree health benefits liability and net pension liability on pages 68 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California
October ___, 2023

Management Discussion and Analysis (Unaudited)

The UC College of the Law, San Francisco (the "College" or "UC Law") presents its financial statements for fiscal year 2023 with comparative data presented for fiscal years 2022 and 2021. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2023 and 2022 (2023 and 2022, respectively). There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

The following discussion and analysis is intended to help readers of the College's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis were prepared by the College and are the responsibility of its management.

The College

The College was founded in 1878 as the "law department" of the University of California (the "UC") and is the oldest public law school in California. Founded by Chief Justice Serranus Clinton Hastings, the College was established by the California Legislature with its own Board of Directors which has operated the College independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under the control of the UC Law Board of Directors. The College is the only stand-alone, public law school in the nation.

The mission of the College is to serve society as a center of higher learning committed to exceptional teaching, influential scholarship, and exemplary public service. The College provides a rigorous, innovative, and inclusive legal education that prepares diverse students to excel as professionals, advance the rule of law, and further justice.

UC Law's reputation for academic excellence, its formal affiliation with the University of California, and its location in San Francisco's downtown civic center are major factors contributing to the overall strength of the law school. This intrinsic quality is reflected in the large number of applications received for a limited number of seats. Hence, enrollment management objectives are to matriculate select students of the highest academic credentials.

THE HASTINGS CAMPUS HOUSING FINANCE AUTHORITY

The Hastings Campus Housing Finance Authority (the "Authority") is a joint powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Law and California Public Finance Authority and the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California. The Authority is authorized to issue bonds for, among other things, financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by UC Law. The Authority has a broad mandate to operate, construct and finance project facilities and other activities undertaken in furtherance of the Long-Range Campus Plan adopted in December 2017.

The Authority is governed by a seven-member board of directors, all appointed by UC Law's Board of Directors. Three of the seven-member governing board are the persons serving in the employment capacities of UC Law, specifically the Chancellor and Dean, the Chief Financial Officer, and the General Counsel of the College, unless the UC Law Board of Directors specifies otherwise. All Directors serve for terms of four years; provided, however, that any Director who is serving in an ex officio capacity by virtue of his or her position with the College shall serve as a Director so long as he or she is in such position with the College. Vacancies occurring in the Governing Board by expiration of a Director's term, death, resignation, or removal are filled by a majority vote of the members of UC Law Board of Directors. In addition, the UC Law Board of Directors has the discretion to remove any Authority Director with or without cause.

The UC College of the Law, San Francisco Foundation

The UC College of the Law Foundation (the "Foundation") was organized for the purpose of providing an organization for individuals dedicated to the support of the College and to provide a means for soliciting, receiving, and making financial contributions and garnering volunteer support to the College, and to otherwise assist its students, alumni, administration, faculty, and Board of Directors. The Foundation is a California nonprofit public benefit corporation exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3) and a public charity pursuant to Code Section 170(b)(1)(A)(iv).

Substantially all restricted gifts and unrestricted gifts made to the College are recognized and accounted for within the Foundation's accounts. To support the College's efforts, the Foundation allocates block grants to the College from the proceeds of unrestricted gifts made to the Foundation. These blocks grants are designated by the Foundation to support the College's alumni office and nonstate costs associated with institutional advancement functions along with funding for special events and other programs based on the Chancellor and Dean's institutional priorities. Additionally, the Foundation supports a variety of purposes such as student scholarships, faculty research and professional development, lectureships, and moot court activities with funds raised from annual giving, class campaigns, and from memorial and endowment gifts.

The Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units—An Amendment of GASB Statement No. 14*, is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 15 and No. 34*, detailing the major component unit concept. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government.

The GASB requires the Foundation, as the College's legally separate, tax-exempt, affiliated campus foundation, to be considered a component unit of the College and presented discretely in the College's financial statements due to the nature and significance of the Foundation's relationship with the College. Similarly, the Authority's financial activities are fully embedded within the data reported for the College.

UC College of the Law, San Francisco
Management Discussion and Analysis
June 30, 2023, 2022, and 2021
(Unaudited)

Overview of the College

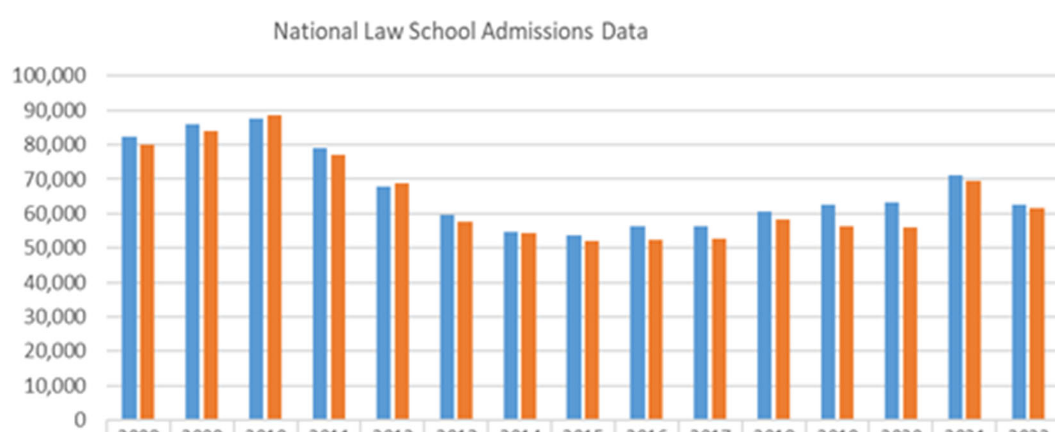
Strategic Plan

Institutional priorities are determined in part by reference to the Operational Strategic Plan that was finalized in the fall of 2019 and that the UC Law Board of Directors adopted in March 2020. The Strategic Plan has three background assumptions, i.e., that the College will continue to convey its excellence to increase in stature (e.g., U.S. News & World Report overall rank and specialty rankings) while implementing the Long-Range Campus Plan ("LRCP") and achieving five-year budget targets. Within that framework, and as to the academic program, the Plan prioritizes, among other things, student success (first-time bar passage, employment); scholarly achievement and recognition; the development of centers of excellence and new partnerships; diversity, equity, and inclusion ("DEI"); all while maintaining fiscal health.

In the years since the Plan was conceived and approved, the College has pursued a broad range of Strategic Plan initiatives and, relatedly, has experienced significant gains in the academic program as measured by such metrics as graduate first-time bar passage rates and employment outcomes. UC Law has also made substantial progress implementing its Long-Range Campus Plan with the completion of the Cotchett Law Center at 333 Golden Gate (2020) and more recently its mix-used 656-unit residential facility at 198 McAllister (2023) in furtherance of the school's overarching strategic vision of developing an Academic Village.

Enrollment – National Trends

The national law school applicant pool for students starting law school in fall 2023 fell by -1.9% as compared to the 2021-22 admission cycle. Following is a chart of national applicants to U.S. law schools and applications received by Far West law schools from the 2008 through the 2022 admissions cycle.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
National Applicants	82,429	86,074	87,476	78,881	67,957	59,426	54,527	53,548	56,238	56,142	60,678	62,529	63,202	71,095	62,689
Applications to Far West	79,849	83,950	88,516	77,109	68,954	57,718	54,433	52,135	52,289	52,792	58,193	56,384	55,919	69,479	61,695

- **Enrollment Results – UC Law, SF**

Following are the application and enrollment results for the upcoming academic year 2024 as compared to figures from the 2023 and 2022 admissions cycles:

JD	2021-22	2022-23	2023-24*
Applicants	4,415	4,069	3,929
Admits	1,238	1,178	1,234
Admit Rate	28%	29%	31%
Tuition Discount Rate	29%	33%	32%
Net Tuition – 1L Class Only	$12.29 million	$11.81 million	$12.21 million
Net Tuition – All Degrees	$31.04 million	$33.41 million	$35.79 million
Enrolled – 1L Class Only	398	391	379
Yield	32.15%	33.19%	30.71%
LSAT (75/50/25)	162/158/153	163/158/153	163/158/153
UGPA (75/50/25)	3.69/3.46/3.15	3.74/3.52/3.22	3.77/3.55/3.25
Deferrals to Next Fall	37	30	8

* As of August 15, 2023, the first day of orientation. Based on data from prior years, 0-4 students are expected to withdraw between now and early October. Data is based on the first day of fall classes.

- **Total Enrollment**

Total enrollment for the fall semesters at UC Law for the academic years 2019 through 2023 was as follows:

	2018-19	2019-20	2020-21	2021-22	2022-23
JD	933.3	929.7	981.7	1,077.2	1,103.0
LLM	21.3	20.8	9.2	25.8	30.30
MSL	2.3	9.8	16.8	14.6	8.7
Visitor/Other	2.0	2.0	1.9	8.1	15.0
Total	**958.9**	**962.3**	**1,009.6**	**1,125.7**	**1,157.0**

Student Outcomes and Success

As indicated in Figures 1 below, UC Law has steadily improved employment outcomes year-over-year.

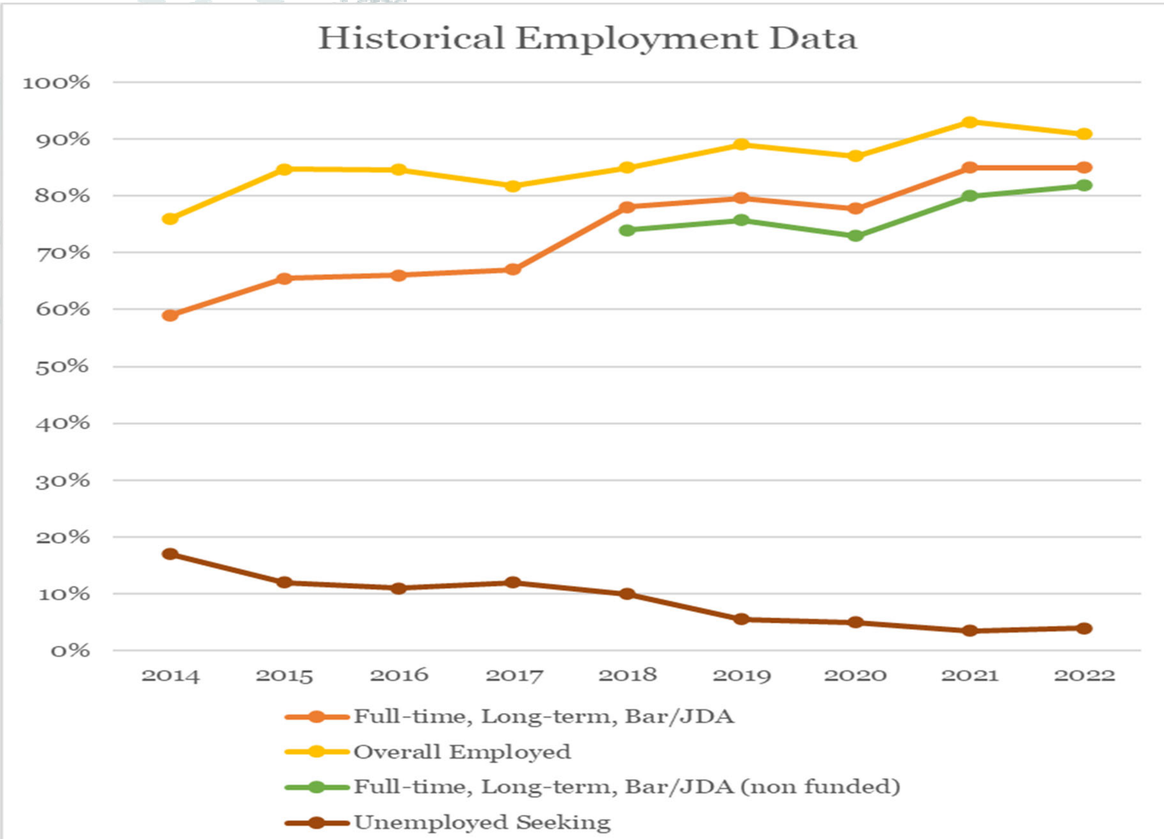


Figure 1: Employment Outcomes

Highlights of Financial and Campus Operations

The College's strong relationship with the State of California evidenced itself in growing ongoing state appropriations to support operating costs and forward progress toward attainment of the Academic Village. With the completion in 2020 of the 57,000 gross square foot Cotchett Law Center at 333 Golden Gate, the College's first new academic building since 1980, priority shifted to the next phase, the development and completion (August 2024) of a mixed-use campus housing facility at 198 McAllister.

- The Academe at 198 - Campus Housing Project

  UC San Francisco ("UCSF") and UC Law have commenced a unique collaboration that provides 656-units of below-market housing for students, trainee and other eligible tenants who want to live in San Francisco on a campus setting. The Academe at 198, a 14-story, 665-unit building located at 198 McAllister opened in August of 2023. As of September 2023, the building is nearly 60% occupied with residents from UC Law, UCSF, UC Davis, University of the Pacific's Dugoni School of Dentistry as well as UCSF professional school students, post-doctoral scholars, residents, and fellows as its first residents. The structure's furnished units range from efficiency units to two-bedroom apartments; the project has been well received by its residents.

  The building – located at the nexus of the Civic Center, Tenderloin, and Mid-Market neighborhoods conveniently near the Civic Center BART/Muni station – includes residential amenities such as shared study rooms, lounges, laundry facilities, bicycle storage, a fitness center, outdoor courtyard, dog run, and chilled air. Besides a secure card-swipe entrance, the building includes a 24-hour security desk and a camera surveillance network, in addition to sidewalk coverage provided by the Urban Alchemy Street ambassador program. All residents, regardless of institutional affiliation, have access to the UC Law campus including social spaces, food service, library and study areas, and parking.

  The Hastings Campus Housing Finance Authority issued $362 million in tax-exempt bonds, Series 2020A and Series 2020B, to finance the project achieving financial close in September 2020. The fee developer is Greystar, the architect is Perkins & Will, and the general contractor is San Francisco-based Build Group. The project was scheduled for occupancy by July 1, 2023. However, the delivery date for the project did not occur until August 1, 2023, due to delays arising from supply chain issues. This delay in project delivery tolled the 20-year Occupancy Agreement with UCSF until 2024-25, when UCSF will be contractually obligated to guarantee the rents for 35%, or 230, of the units.

- Ongoing Support from the State of California Remains Strong

  General Fund support for operations in the Budget Act of 2021 totaled $16.8 million. Strong support from the State of California was once again demonstrated by growing ongoing support reaching $18.8 million in the Budget Act of 2022 (12%). In addition, a $90 million allocation was made to partially fund the renovation of 100 McAllister Street along with $885,000 to partially offset costs associated with renaming the school. The table below summarizes year-over-year change:

Item	2022-2023	2023-2024	Dollar Change	% Change
Ongoing General Fund Support	$ 18,789,000	$ 20,956,000	$ 2,167,000	11.5%
100 McAllister Renovation & Seismic Upgrade Project	90,000,000	-	(90,000,000)	-100.0%
Renaming Costs	885,000	-	(885,000)	-100.0%
Alternative Public Safety Program (3-year funding package)	-	3,000,000	3,000,000	0.0%
State General Fund Operations	109,674,000	23,956,000	(85,718,000)	-78.2%
333 Golden Gate Lease-Revenue Rent Payment	3,089,000	3,088,000	(1,000)	0.0%
Total State General Fund Appropriation	$ 112,763,000	$ 27,044,000	$ (85,719,000)	-76.0%

- Fundraising and Institutional Advancement

  The Foundation received and transferred to the College $6.7 million in total contributions in 2023, an institutional record. These results are attributed to an enhanced and more strategic alumni engagement effort, the maturity of several key relationships, and a compelling institutional vision.

Financial Position

The narrative detailing UC Law's financial position combines figures for the College and the Foundation, unless otherwise indicated.

The statements of net position present the financial position of the College and the Foundation at the end of 2023 and 2022. The purpose of the statements of net position is to present to the reader a fiscal snapshot of UC Law. From the data presented, readers of the statements of net position are able to determine the assets available to support the operations of the College.

They are also able to determine its liabilities in terms of how much the College owes vendors, investors, and lending institutions. Finally, the statements of net position provide an overview of net position (assets, deferred outflows of resources minus liabilities, and deferred inflows of resources) and their availability for expenditure.

The net position section is classified into three major categories. The first category, Net Investment in Capital Assets, presents the College's equity in property, plant, and equipment. The next asset category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Assets which are those net assets available for any lawful purpose to support the College.

Detailed statements of net position are included with the financial statements. A condensed version is shown below:

Condensed Statement of Net Position – 2023, 2022, and 2021 (in thousands)

	College	Foundation	2023 Total	2022 Total (As Restated)	2021 Total (As Restated)
ASSETS					
Current assets	$ 104,665	$ 1,165	$ 105,830	$ 12,546	$ 13,915
Noncurrent assets	611,219	1,666	612,885	623,219	636,842
Total assets	715,884	2,831	718,715	635,765	650,757
Deferred outflows of resources	14,284	-	14,284	20,752	16,600
Total assets and deferred outflows of resources	$ 730,168	$ 2,831	$ 732,999	$ 656,517	$ 667,357
LIABILITIES					
Current liabilities	$ 34,652	$ -	$ 34,652	$ 33,167	$ 34,224
Noncurrent liabilities	517,958	-	517,958	517,746	500,485
Total liabilities	552,610	-	552,610	550,913	534,709
Deferred inflows of resources	29,053	-	29,053	33,462	45,148
TOTAL NET POSITION					
Net investment in capital assets	76,575	-	76,575	76,620	77,270
Restricted:					
Nonexpendable	26,333	179	26,512	25,727	28,805
Expendable	(15,243)	2,425	(12,818)	3,581	19,337
Unrestricted	60,840	227	61,067	(33,786)	(37,912)
Total net position	148,505	2,831	151,336	72,142	87,500
Total liabilities, deferred inflows of resources, and net position	$ 730,168	$ 2,831	$ 732,999	$ 656,517	$ 667,357

Assets

In 2023, for the College and the Foundation, current assets increased by $93.3 million (743.5%) compared to the prior year. The primary cause of this growth is an appropriation of $90 million included in the Budget Act of 2022 to partially fund the renovation of McAllister Tower, located at 100 McAllister Street. Of this amount, $45 million is deposited in restricted cash equivalents (the Short-Term Investment Pool (“STIP”)). The remaining $45 million is allocated as restricted investments in the TRIP pool. Additionally, $44 million in investments for the Authority held with BNY Mellon was transferred to restricted cash as the project over Academe at 198 nears completion.

In 2022, for the College and the Foundation, current assets decreased by $1.4 million (9.8%) compared to the prior year. The primary cause of this decrease is the decrease of accounts receivable by $0.8 million (33.5%) and a decrease of current pledge receivables by $0.5 million (35.1%) which are related to large balances outstanding at year end 2021 for the Building UC Law’s fundraising effort and the planned paydown of the Cotchett pledge which occurred in 2022.

For 2023, noncurrent assets decreased by $10.3 million (1.7%) compared to the prior year. This is due in part by $45 million received from the State of California is sitting in long term investments for the renovation of 100 McAllister Street. Additionally, for the Academe at 198, after current year construction cost increased capital assets by $126 million, excess cash sitting in the operating funds for the Authority Investments were moved to restricted cash. This in tandem with payment of debt service fees decreased the Authority's long term assets by $60 million. The remainder of this difference is attributed to investment gains for the current fiscal year.

For 2022, noncurrent assets decreased by $13.6 million (2.1%) compared to the prior year. The primary cause of this is the decrease of long-term investments by $75.5 million (20.6%) offset by an increase in capital assets of $64.8 million (32.0%). Both are caused by the construction costs associated with the Authority and the building of 198 McAllister. The remaining difference is the decrease of assets held by others due to the close out of the T. Patino Fellowship; the program was modified such that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools. The financial statement impact for this reconsolidation was a decrease of $4.7 million.

UC Law follows the investment philosophy of the University of California ("UC") and invests excess cash and long-term investments – endowments and operating reserves – in the General Endowment Pool ("GEP") managed by the Office of the Chief Investment Officer. Cash needed for near term liquidity needs is allocated to the STIP.

- The GEP experienced total returns of 8.2% in 2023 compared to total returns of -7.56% in 2022. Over time, funds managed by the University of California have performed well with average annualized returns of 10.17% over three years, 8.72% over five years and 8.77% over ten years. These results also compare favorably to policy benchmarks for these time frames adopted by the Investment Committee of the Regents of the University of California (9.68% over three years, 7.51% over five years, and 7.59% over ten years).

- The STIP experienced total returns of 2.77% in 2023 compared to 0.04% in 2022.

- Total market value of all funds managed for the College by UC Investments increased to $224.1 million as of June 30, 2023, from $125.3 million as of June 30, 2022, an increase of $98.7 million (78.8%) for the College and the Foundation.

	2023	2022	Dollar Change	% Change
Endowment Fund (GEP)	$ 51,870,292	$ 49,760,768	$ 2,109,524	4.2%
Operating Fund (GEP)	70,102,593	64,797,831	5,304,762	8.2%
Endowed Funds Held by Regents	10,140,815	10,114,991	25,824	0.3%
Tower - TRIP	45,000,000	-	45,000,000	100.0%
Tower - STIP	46,937,656	-	46,937,656	100.0%
Cash Pool - STIP	18,949	661,880	(642,931)	-97.1%
Total	$ 224,070,305	$ 125,335,470	$ 98,734,835	78.8%

Liabilities

For 2023, for the College and the Foundation, current liabilities increased by $1.5 million (4.5%) compared to the prior year. The primary cause is the increase of accounts payable by $1.4 million (5.5%), which is an increase in amounts owed to UC Path offset by a decrease in payables for the Authority.

For 2022, the College and the Foundation, current liabilities decreased by $1.1 million (3.1%) compared to the prior year. The primary cause is the decrease of accounts payable by $2.6 million (9.2%) which is a decrease in amounts owed to UC Path compared to prior year of approximately $5.5 million offset by an increase in payables for the Authority of $3.8 million due to additional construction cost incurred near year end compared to the prior year.

For 2023, noncurrent liabilities increased by $0.2 million (0.0%) compared to the prior year. The primary cause of this increase is the increase of the net pension liability and retiree health benefits liability of $1.0 million (1.4%).

For 2022, noncurrent liabilities increased by $17.3 million (3.4%) compared to the prior year. The primary cause of this increase is the increase of the net pension liability and retiree health benefits liability of $17.0 million (31.2%) due to 2021 having a significantly smaller balance caused by large investment returns that year.

Deferred Outflows and Inflows of Resources

Deferred Outflows and Inflows of Resources are reflected below for the fiscal year periods ended:

	2023	2022	2021
Deferred outflows of resources	$ 14,283,814	$ 20,752,200	$ 16,600,586
Deferred inflows of resources	$ 29,053,427	$ 33,461,854	$ 45,147,754

These amounts reflect the acquisition (outflows) or consumption (inflows) of net assets to support employer pension benefits in the current accounting period but applicable to a future period. Specifically, these amounts are related to the College's share of pension and other postemployment benefits, the calculation of which is guided by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. These amounts fluctuate as actuarial data, such as mortality tables, salary increases, cost of living adjustments, length of service, inflation, investment rates and other assumptions change from year to year. For example, if employees are living longer than expected, the total pension liability increases. With no change to the total pension assets, deferred outflows of resources would increase. The source of these figures is provided by Segal Consulting Report dated September 2023, as commissioned by the University of California Controller's Office.

The 2023 amount in deferred inflows of resources also reflects the $1.7 million fair value of the College's beneficial interest in a remainder trust as well as $3.8 million for lease receivables. For the beneficial interest, the revenue will be recognized when cash is received for the remainder interest, as determined by the terms of the governing documents. For the lease receivables, the revenue will be recognized over the term of the lease.

Net Position

For 2023, nonexpendable restricted net assets – the corpus of endowed funds – increased by $0.8 million (3.1%) compared to the prior year. Gifts supporting scholarships and professorships account for $0.6 million with the balance of the increase derived from gains on investment in excess of payout for current use.

For 2022, nonexpendable restricted net assets – the corpus of endowed funds – decreased by $3.1 million (10.7%) compared to the prior year. The primary driver of this decrease is due to changes made by the trustees of the T. Patino Fellowship; the program was modified such that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools. This financial statement impact for this reconsolidation was a decrease of $4.7 million.

For 2023, expendable restricted net assets decreased by $16.4 million (-458.0%) from prior year of which the primary driver is capital projects related to the construction of building 198 McAllister.

For 2022, expendable restricted net assets decreased by $15.8 million (81.5%) from the prior year of which the primary driver is capital projects related to the construction of building 198 McAllister.

A key measure of financial status is an entity's unrestricted net position. Unrestricted net position is defined as a group of items with commercial or exchange value that have no external restrictions regarding their use or function. Unrestricted net position can be utilized for any decided-upon purpose. This contrasts with restricted net position that is assigned to specific purposes.

For 2023, the unrestricted net position of the College and its Foundation increased by $94.9 million (280.7%) going from a deficit of -$33.8 million to a surplus of $60.8 million. This is attributed to the revenues and expense of the College related to unrestricted programs which includes additional state appropriations and enrollment fee revenues, most notably the $90 million received for the renovation of the tower at 100 McAllister.

For 2022, the unrestricted net position of the College and its Foundation increased by $4.1 million (10.9%) this is primarily attributed to the revenues and expense of the College related to unrestricted programs which includes additional state appropriations and enrollment fee revenues.

Results of Operations

The Statements of Revenues, Expenses, and Changes in Net Position present UC Law's operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public institution's dependency on revenues such as state appropriations, gifts, and investment income, which are prescribed by GASB as nonoperating revenues, operating expenses will always exceed operating revenues resulting in an operating loss. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net position.

For 2023, the College with the Foundation, experienced a net income of $77.6 million; when other changes to net assets are included, there is a total increase to net assets of $79.2 million (41.7% of total operating and nonoperating revenues). For 2022, the College with the Foundation experienced a net loss of $14.3 million; when other changes to net assets are included, there is a total decrease to net assets of $15.4 million (16.4% of total operating and nonoperating revenues). For 2021, the College with the Foundation, experienced a net income of $4.4 million; when other changes to net assets are included, there is a total increase to net assets of $9.4 million (9.5% of total operating and nonoperating revenues). The major driver for the change in performance between 2023 and 2022 is that in 2023 the College received $90 million in state appropriations for the renovation of the tower at 100 McAllister.

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023, 2022, and 2021 (in thousands)

	2023 Operating		2023 Nonoperating		Gifts Transferred from Foundation to College	2023 Total	2022 Total (As Restated)	2021 Total (As Restated)
	College	Foundation	College	Foundation				
REVENUES								
Tuition and fees, net of grants and scholarships	$ 33,407	$ -	$ -	$ -	$ -	$ 33,407	$ 31,035	$ 27,392
State appropriations	-	-	113,008	-	-	113,008	31,072	18,674
Grants and contracts	5,014	-	-	-	-	5,014	4,667	4,289
Auxiliary enterprises	9,212	-	-	-	-	9,212	8,247	5,321
Private gifts	-	7,078	6,303	-	(5,992)	7,389	10,663	5,270
Block grant - allocation from Foundation	-	-	750	-	(750)	-	-	-
Investment income	-	-	4,073	6	-	4,079	1,712	1,611
Realized/unrealized (loss) gain on investments	-	-	7,949	38	-	7,987	(8,747)	26,493
Other revenues	3,280	11	-	-	-	3,291	3,141	3,521
Loan interest, net of expense	8	-	-	-	-	8	11	16
Total revenues	50,921	7,089	132,083	44	(6,742)	183,395	81,801	92,587
EXPENSES								
Salaries and benefits	48,292	-	-	-	-	48,292	45,119	38,975
Auxiliary enterprises	7,700	-	-	-	-	7,700	6,619	5,735
Utilities	1,037	-	-	-	-	1,037	954	818
Supplies and services	21,735	10	-	-	-	21,745	17,909	19,858
Depreciation	3,854	-	-	-	-	3,854	3,366	3,150
Scholarships and fellowships	369	-	-	-	-	369	637	371
Grants to UC Hastings	-	6,742	-	-	(6,742)	-	12	26
Interest on debt	-	-	20,404	87	-	20,491	20,262	16,316
Events	-	19	-	-	-	19	5	5
Other	2,247	56	-	-	-	2,303	1,177	2,957
Total expenses	85,234	6,827	20,404	87	(6,742)	105,810	96,060	88,211
(Loss) income	$ (34,313)	$ 262	$ 111,679	$ (43)	$ -	$ 77,585	$ (14,259)	$ 4,376
OTHER CHANGES IN NET POSITION								
Capital grants and gifts	$ -	$ -	$ -	$ -	$ -	$ 434	$ 584	$ 894
Changes in allocation for pension payable to University of California	-	-	-	-	-	281	758	494
Reclassification of restricted net position to a liability (termination of Federal Perkins Loan Program)	-	-	-	-	-	-	-	25
Other changes in endowments	-	-	-	-	-	895	(2,442)	3,625
Total other changes in net position	-	-	-	-	-	1,610	(1,100)	5,038
(Decrease) increase in net position	$ (34,313)	$ 262	$ 111,679	$ (43)	$ -	$ 79,195	$ (15,359)	$ 9,414

Revenues

The College's instructional program is primarily supported by a combination of net tuition and fees and state appropriations; for 2023, these revenues represented 80.4% of total operating and nonoperating revenues (excluding realized gain/loss on sale of investment and unrealized gain/loss on market value of investment).

Tuition and fees net of grants and scholarships increased in 2023 from $31.0 million in 2022 to $33.4 million in 2023, an increase of $2.4 million (7.6%). 2023 enrollment roughly conformed to planned levels for a total of approximately 1,163 FTE's, up from the 2022 enrollment of approximately 1,100 FTE's. For 2023, the College's overall discount rate was 33%. Tuition discounting has historically ranged between 28% – 31% driven in large measure by state policy regarding return-to-aid.

State appropriations increased from $31.1 million in 2022 to $113.0 million in 2023 (an increase of $81.9 million, 263.7%). This increase is mainly attributed to the $90 million received for the 100 McAllister St Renovation Project.

In 2023, auxiliary enterprises saw a net income of $1.5 million. This is down $0.1 million compared to the net income in 2022 of $1.6 million. Both years are comparable to one and other and income from auxiliary enterprises is expected to continue to help with the College's bottom line.

The GEP experienced total returns of 8.20% in 2023. This level of market performance generated realized and unrealized gains of $7.9 million.

Cultivating alumni support and private foundation support continues to be a priority. In 2023, the UC Law Foundation raised and transferred to the College $6.6 million in restricted gifts and $0.5 million in unrestricted gifts. This is down from $10.7 million in restricted gifts and $0.8 million in unrestricted gifts raised and transferred in 2022. The primary cause for the decrease from prior year is due to a major contribution provided by the estate of Mary Kay Kane, Chancellor and Dean Emeriti. Fundraising priorities are focused on need and merit based current-use scholarship awards and capital improvements to support the LRCP and its vision of an Academic Village. The UC Law Foundation continues to play an essential role in leveraging the College's most valuable assets, its strong alumni base.

Expenses

For 2023, the College's total operating expense increased by $9.4 million (12.4%) from $75.8 million in 2022 to $85.2 million in 2023. The primary driver for this increase was the payroll expense including pension benefits which increased by $3.1 million from 2022 to 2023.

For 2023, the College's interest expense of $20.4 million is comparable to the 2022 amount of $20.3 million. As there were no new debt undertakings in the current year or prior year this is in line with expectations.

As shown in the 2023 Condensed Statement of Revenues, Expenses, and Changes in Net Position, the College and the Foundation finished the fiscal year with a net income of $77.4 million (before an increase of $1.6 million in other changes in net position for a total increase in net assets of $79.0 million). The major driver for this change being $90 million received in state appropriations for the renovation of the Tower at 100 McAllister.

Cash Flows

The Statements of Cash Flows provide information about cash receipts and cash payments during the year. These statements also help users assess the College's and the Foundation's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

	College (In thousands)			Foundation (In thousands)		
	2023	2022	2021	2023	2022	2021
		(As Restated)	(As Restated)			
Cash provided (used) by						
Operating activities	$ (23,621)	$ (26,908)	$ (28,619)	$ (96)	$ (47)	$ 15
Noncapital financing activities	118,369	42,296	23,321	-	-	-
Capital and related financing activities	(147,866)	(82,794)	(57,040)	-	-	-
Investing activities	146,561	67,206	58,378	23	25	24
Net (decrease) increase in cash	93,443	(200)	(3,960)	(73)	(22)	39
Cash, beginning of year	7,358	7,558	11,518	108	130	91
Cash, end of year	$ 100,801	$ 7,358	$ 7,558	$ 35	$ 108	$ 130

As required under GASB reporting standards, negative cash flow for "operating activities" is due to the classification of revenue from state general support appropriations as a "noncapital financing activity" and investment income as an "investing activity".

Looking Forward

The path forward for the College is marked both by major opportunities to enhance the school's competitive position through physical plant upgrades coupled with the upward trajectory of the academic program and its success elevating the College's prominence in higher education.

Outlined are major developments that will affect the near-term future of the institution.

- **Strategic Plan 2025**

In 2020, the College's Board of Directors adopted a new operational strategic plan, UC Law 2025. This new plan is a blueprint to ensure that UC Law becomes one of the nation's premier public law schools by 2025. It marries an evolving LRCP with an overarching vision for the law school and for the Academic Village (as described below) for which its new buildings and academic partnerships create a platform for a reimagined community of learning.

The new campus is a physical manifestation of the substance of our strategic plan which allows us to build collaborations that will catapult our existing academic program to new heights. The faculty are second to none in their commitment to teaching and scholarly excellence.

- **State of California – State Budget for 2023-24**

In June of 2023, the State of California's Governor signed the Budget Act of 2023. The approved budget continues our partnership with the State of California. Major budget adjustments include an 11.5% ongoing increase in General Fund support and an additional $3 million to be expended over three years for sidewalk safety services provided by Urban Alchemy.

The table below summarizes year-over-year growth:

Item	2022-2023	2023-2024	Dollar Change	% Change
Ongoing General Fund Support	$ 18,789,000	$ 20,956,000	$ 2,167,000	11.5%
100 McAllister Renovation & Seismic Upgrade Project	90,000,000	-	(90,000,000)	-100.0%
Renaming Costs	885,000	-	(885,000)	-100.0%
Alternative Public Safety Program (3-year funding package)	-	3,000,000	3,000,000	0.0%
State General Fund Operations	109,674,000	23,956,000	(85,718,000)	-78.2%
333 Golden Gate Lease-Revenue Rent Payment	3,089,000	3,088,000	(1,000)	0.0%
Total State General Fund Appropriation	$ 112,763,000	$ 27,044,000	$ (85,719,000)	-76.0%

This success is a function of the College's institutional standing with executive and legislative branch stakeholders.

- **Academic Village**

A key element of the new strategic plan is the execution of the LRCP and its central focus, the creation of an Academic Village in the heart of San Francisco serving UC Law's broad educational mission and the State of California's priorities for higher education. Sustainability is an important part of the Academic Village as the College strives to become the greenest urban campus by 2025.

The Academic Village is a platform for interdisciplinary engagement among individuals and across institutions. The Academic Village includes shared housing (for students, trainees and faculty) and amenities (library, food services, study areas, recreational space, etc.) on UC Law's campus for students from multiple graduate and professional schools, as well as a network of collaborations that transcend and enrich the law school, connecting graduate programs and institutions with each other and with the wider community. As a step towards this vision, in the fall of 2017, UC Davis began offering a Business Analytics MBA program at the UC Law campus. This program has doubled in size since its inception and now enrolls approximately 100 students.

All projects of the LRCP are fully entitled under the California Environmental Quality Act (CEQA) except for the 202-247 Golden Gate Avenue sites. UC Law has partnered with Local 2/Unite Here executing an Option Agreement to allow for a fourth phase if a financially feasible project can be developed to expand the College's footprint and allow for the full potential of the Academic Village vision. The projects that comprise the Academic Village are listed below.

1. Academic Building - Cotchett Law Center – 333 Golden Gate Avenue: Completed March 2020

2. Campus Housing & Academic Building – 198 McAllister Street: Completed August 2023

3. Campus Housing & Academic Building: Seismically Upgrade McAllister Tower: Phase 1 funded by $90 million appropriation; Design begins in June 2023

4. Campus Expansion: Campus Housing and Academic Building – 202-247 Golden Gate Avenue, Local 2/Unite Here (Option Agreement): Project entitlements underway.

At its June 2021 meeting, the Board of Directors authorized the commencement of an environmental review process as required under the California Environmental Quality Act (CEQA) to update existing entitlements to include the Local 2 / Unite Here parcels at 201-247 Golden Gate Avenue to support further development of the Academic Village.

Financial Statements

UC College of the Law, San Francisco
Statements of Net Position
June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
ASSETS				
Current assets				
Cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673
Restricted cash and cash equivalents	90,599,485	-	1,653,391	-
Accounts receivable, net	2,642,773	-	1,629,274	-
Notes receivable, current portion	100,395	-	101,889	-
Leases receivable, current portion	629,597	-	573,210	-
Pledges receivable, net	-	1,129,566	-	961,014
Prepaid expenses and other assets	490,857	-	1,813,556	-
Total current assets	104,664,937	1,164,985	11,476,205	1,069,687
Noncurrent assets				
Endowment investments	51,277,102	587,302	49,192,479	567,976
Other long-term investments	155,342,784	5,888	291,626,167	5,409
Notes receivable, net	312,228	-	379,864	-
Leases receivable, net	3,471,136	-	2,831,731	-
Operating lease right-of-use assets, net	26,320	-	-	-
Subscription assets, net	918,394	-	1,410,488	-
Pledges receivable, net	-	1,073,263	-	969,172
Assets held by others	8,722,439	-	8,605,874	-
Capital assets, net	391,045,099	-	267,517,711	-
Prepaid expenses and other assets	103,805	-	111,355	-
Total noncurrent assets	611,219,307	1,666,453	621,675,669	1,542,557
Total assets	715,884,244	2,831,438	633,151,874	2,612,244
Deferred outflows of resources	$ 14,283,814	$ -	$ 20,752,200	$ -
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 27,420,579	$ -	$ 25,978,910	$ -
Compensated absences	1,988,742	-	1,893,523	-
Deposits	24,242	-	256,990	-
Unearned revenues	2,107,970	-	1,983,736	-
Long-term debt, current portion	2,583,819	-	2,455,335	-
Operating lease liabilities, current portion	5,640	-	-	-
Subscription liabilities, current portion	520,793	-	598,772	-
Total current liabilities	34,651,785	-	33,167,266	-
Noncurrent liabilities				
Long-term debt, net	428,505,464	-	431,534,616	-
Accreted interest on bonds payable	4,571,704	-	2,504,913	-
Operating lease liabilities, net of current portion	20,680	-	-	-
Subscription liabilities, net of current portion	378,935	-	811,716	-
Revolving fund advance from the State	811,900	-	811,900	-
Pension liability, net	33,368,000	-	35,343,000	-
Retiree Health Benefits liability, net	39,002,000	-	36,012,000	-
Payable to University of California	11,299,609	-	10,727,684	-
Total noncurrent liabilities	517,958,292	-	517,745,829	-
Total liabilities	552,610,077	-	550,913,095	-
Deferred inflows of resources	$ 29,053,427	$ -	$ 33,461,854	$ -

See accompanying notes.

UC College of the Law, San Francisco
Statements of Net Position (Continued)
June 30, 2023 and 2022

	2023		2022	
	College	**Foundation**	**College** (As Restated)	**Foundation**
NET POSITION				
Net investment in capital assets	$ 76,574,524	$ -	$ 76,620,002	$ -
Restricted for				
Nonexpendable				
Scholarships and fellowships	17,256,559	-	16,658,869	-
Instruction and research	7,826,352	-	7,699,272	-
Institutional support	1,250,000	178,755	1,190,000	178,755
Sub-total restricted, nonexpendable	26,332,911	178,755	25,548,141	178,755
Expendable				
Student services	236,242	-	371,779	-
Instruction and research	14,478,840	-	13,091,439	-
Public and professional services	302,898	-	300,034	-
Institutional support	260,151	2,425,134	252,574	1,911,586
Capital projects	(51,899,876)	-	(34,363,762)	-
Scholarships and fellowships	21,128,574	-	21,820,301	-
Perkins loan funds	10,888	-	10,346	-
Other	239,606	-	185,975	-
Sub-total restricted, expendable	(15,242,677)	2,425,134	1,668,686	1,911,586
Unrestricted	60,839,796	227,549	(34,307,704)	521,903
Total net position	$ 148,504,554	$ 2,831,438	$ 69,529,125	$ 2,612,244

See accompanying notes.

UC College of the Law, San Francisco
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
REVENUES				
Operating revenues				
Tuition and fees	$ 51,178,149	$ -	$ 48,282,068	$ -
Less: UC Law SF's grants	(14,666,437)	-	(13,857,583)	-
Less: Tuition and fee scholarships	(3,105,078)	-	(3,389,283)	-
Tuition and fees, net	33,406,634	-	31,035,202	-
Contributions, capital campaign	-	7,078,046	-	11,492,549
Government grants and contracts	1,560,188	-	1,381,754	-
Private grants and contracts	3,454,391	-	3,285,304	-
Sales and services of auxiliary enterprises	9,211,591	-	8,247,435	-
Other operating revenues	3,280,269	11,400	3,054,349	85,738
Loan interest, net of expenses	7,500	-	10,786	-
Federal Perkins loan interest	543	-	615	-
Total operating revenues	50,921,116	7,089,446	47,015,445	11,578,287
EXPENSES				
Operating expenses				
Salaries and wages				
Faculty	13,978,213	-	13,547,163	-
Nonfaculty	19,935,953	-	17,977,961	-
Benefits nonpension	5,932,727	-	5,530,874	-
Pension benefits	8,060,945	-	7,280,546	-
Retiree Health Benefits	384,807	-	782,259	-
Scholarships and fellowships	369,251	-	636,645	-
Auxiliary enterprises, including depreciation expense of $968,946 ($989,781 in 2022)	7,700,820	-	6,618,874	-
Utilities	1,036,746	-	953,988	-
Supplies and services	21,734,867	9,800	17,888,560	19,986
Depreciation, excluding auxiliary enterprise portion	3,853,942	-	3,365,893	-
Events	-	19,042	-	5,055
Grants	-	5,992,296	12,200	11,287,100
Block grant - allocation to the College	-	750,000	-	1,000,000
Other	2,247,010	55,571	1,178,021	400
Total operating expenses	85,235,281	6,826,709	75,772,984	12,312,541
Operating (loss) income	(34,314,165)	262,737	(28,757,539)	(734,254)
NONOPERATING REVENUES (EXPENSES)				
State operating appropriations	113,008,067	-	31,071,989	-
Gifts, noncapital	6,303,017	-	10,457,548	-
Investment income (loss)	4,073,345	6,372	1,712,157	(312)
Realized and unrealized net (loss) gain on investments	7,949,130	37,442	(8,711,960)	(34,039)
Interest on debt	(20,403,673)	(87,357)	(20,262,454)	-
Block grant - allocation from the Foundation	750,000	-	1,000,000	-
Net nonoperating revenues (expenses)	111,679,886	(43,543)	15,267,280	(34,351)
Income (loss) before other changes in net position	77,365,721	219,194	(13,490,259)	(768,605)
OTHER CHANGES IN NET POSITION				
Capital grants and gifts	434,131	-	584,084	-
Changes in allocation for pension payable to University of California	281,075	-	758,434	-
Other changes to endowments	894,502	-	(2,442,576)	-
Total other changes in net position	1,609,708	-	(1,100,058)	-
INCREASE (DECREASE) IN NET POSITION	78,975,429	219,194	(14,590,317)	(768,605)
NET POSITION, beginning of year	69,529,125	2,612,244	84,119,442	3,380,849
NET POSITION, end of year	$ 148,504,554	$ 2,831,438	$ 69,529,125	$ 2,612,244

See accompanying notes.

UC College of the Law, San Francisco
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023 College	2023 Foundation	2022 College (As Restated)	2022 Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees (net of all scholarships and grants)	$33,037,205	$ -	$ 30,503,555	$ -
Contributions	-	6,729,446	-	12,236,527
Grants and contracts	5,014,579	-	4,667,058	-
Events	-	(19,042)	-	(73,180)
Payments to vendors	(19,732,474)	(9,800)	(26,590,764)	(8,661)
Salaries and benefits	(45,166,645)	-	(42,547,803)	-
Collections of student loans	69,129	-	91,961	-
Foundation awards	-	(6,796,866)	-	(12,201,362)
Sales - auxiliary enterprises	8,921,024	-	8,247,435	-
Expenses - auxiliary enterprises	(6,730,610)	-	(5,570,149)	-
Loan interest income net of expenses	8,043	-	11,401	-
Other receipts	958,265	-	4,279,756	-
Net cash used in operations	(23,621,484)	(96,262)	(26,907,550)	(46,676)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	110,735,346	-	28,086,003	-
Gifts for endowment	580,335	-	2,752,703	-
Other gifts	7,053,017	-	11,457,548	-
Net cash provided by noncapital financing activities	118,368,698	-	42,296,254	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	256,575	-	584,084	-
Purchases of capital assets	(129,933,116)	-	(65,325,168)	-
Amortization of bond premium/discount	(445,333)	-	(470,530)	-
Principal paid on long-term debt	(710,000)	-	(600,000)	-
Interest paid on long-term debt	(17,033,730)	-	(16,982,655)	-
Net cash used by capital and related financing activities	(147,865,604)	-	(82,794,269)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	188,712,127	20,092	80,286,642	18,493
Interest on investments	2,849,302	2,916	1,347,503	6,688
Purchase of investments	(45,000,000)	-	(14,428,288)	-
Net cash provided by investing activities	146,561,429	23,008	67,205,857	25,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,443,039	(73,254)	(199,708)	(21,495)
CASH AND CASH EQUIVALENTS, beginning of year	7,358,276	108,673	7,557,984	130,168
CASH AND CASH EQUIVALENTS, end of year	$ 100,801,315	$ 35,419	$ 7,358,276	$ 108,673

See accompanying notes.

UC College of the Law, San Francisco
Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023		2022	
	College	Foundation	College (As Restated)	Foundation
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED IN OPERATING ACTIVITIES				
Operating (loss) income	$ (34,314,165)	$262,737	$ (28,757,539)	$ (734,254)
Depreciation	4,822,888	-	4,355,674	-
Allowance for doubtful accounts	5,913	-	85,563	-
Loss on disposal of capital assets	-	-	-	-
Scholarship expense	-	-	105,000	-
Pension expense	3,630,000	-	2,650,000	-
Retiree health benefits expense	(504,000)	-	(79,000)	-
Perkins loans access cash	-	-	-	-
Awards and Honorariums	-	1,000	-	-
Changes in operating assets and liabilities				
Accounts receivable, net	(1,808,265)	-	731,959	-
Notes receivable, net	69,129	-	91,961	-
Pledges receivable, net	-	(359,999)	-	744,378
Lease receivable, net	(883,942)		-	-
Operating lease right-of-use assets, net	(26,320)		-	-
Subscription assets, net	(730,243)		-	-
Accounts payable and accrued liabilities	3,874,343	-	(6,695,022)	-
Deposits	(232,748)	-	(21,464)	-
Unearned revenues	124,234	-	774,965	(68,125)
Operating lease liabilities	26,320	-	-	-
Subscription liabilities	899,727	-	-	-
Prepaid expenses and other assets	1,330,425	-	(279,167)	11,325
Compensated absences	95,220	-	129,520	-
Net cash used in operations	$ (23,621,484)	$ (96,262)	$ (26,907,550)	$ (46,676)
NONCASH TRANSACTIONS				
Scholarships from assets held by others	$ -	$ -	$ 105,000	$ -
Gifts in-kind	$ 177,556	$ -	$ 9,334	$ -
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Current cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673
Current restricted cash and cash equivalents	90,599,485	-	1,653,391	-
Total Cash and Cash Equivalents, end of year	$ 100,801,315	$ 35,419	$ 7,358,276	$ 108,673

See accompanying notes.

Note 1 – Organization

UC College of the Law, San Francisco (the "College" or "UC Law") was established as the law department of the University of California (the "University") in 1878. The College, established by the California Legislature with its own Board of Directors, has operated independently of the Board of Regents of the University of California since its founding. The Board of Regents possesses degree-granting authority, but all other aspects of the College are under control of the College's Board of Directors. The College is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The College is also accredited by the Western Association of Schools and Colleges ("WASC").

The Hastings Campus Housing Finance Authority (the "Authority") is a joint exercise of powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Law and the California Public Finance Authority and the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California. The Authority is authorized to issue bonds for, among other things, financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by UC Law. The Authority has a broad mandate to operate, construct and finance project facilities and other activities undertaken in furtherance of the Long-Range Campus Plan adopted in December 2017.

The Authority is governed by a seven-member board of directors, all appointed by the UC Law Board of Directors. Three of the seven-member governing board are the persons serving in the capacities of UC Law's Chancellor and Dean of the College, the Chief Financial Officer, and the General Counsel of the College, unless the UC Law Board of Directors specifies otherwise. All Directors serve for terms of four years; provided, however, that any Director who is serving in an ex officio capacity by virtue of his or her position with the College shall serve as a Director so long as he or she is in such position with the College. Vacancies occurring in the Governing Board by expiration of a Director's term, death, resignation or removal are filled by a majority vote of the members of the UC Law Board of Directors. In addition, the UC Law Board of Directors has the discretion to remove any Authority Director with or without cause.

The UC Law Foundation (the "Foundation"), formerly known as the 1066 Foundation, was established in 1971 by a group of alumni in order to provide private sources of funds to allow academic programs to grow and to create unique opportunities exclusively at UC Law.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of the College and the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements as promulgated by the Governmental Accounting Standards Board ("GASB").

The College and the Foundation consider assets to be current that can reasonably be expected, as part of their normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the College's and Foundation's normal business operations, to be liquidated within twelve-months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be noncurrent; except for those amounts that are required to be reported as deferred outflows or inflows of resources.

The College and the Foundation follow GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net position in one period that are applicable to future periods.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* is further clarified by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and clarifies the concept of what a major component unit is. Major component units are determined based on the nature and significance of their relationship to the primary government. This determination would generally be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government. The GASB standards require the College's legally separate, tax-exempt, affiliated campus foundation to be considered a component unit of the College and presented discretely in the College's financial statements due to the nature and significance of the Foundation's relationship with the College.

The activities of the Authority are blended into the College's basic financial statements, as the governing body is substantially the same as the governing body of the College.

The following is the condensed combining information for the Authority and the College as of June 30, 2023 (in thousands):

	College (Stand Alone)	Campus Housing Authority	College Total
ASSETS			
Current assets	$ 60,671	$ 43,994	$ 104,665
Noncurrent assets	323,476	287,743	611,219
Total assets	384,147	331,737	715,884
Deferred outflows of resources	14,284	-	14,284
LIABILITIES			
Current liabilities	19,271	15,381	34,652
Noncurrent liabilities	149,774	368,184	517,958
Total liabilities	169,045	383,565	552,610
Deferred Inflows of resources	29,053	-	29,053
TOTAL NET POSITION			
Net investment in capital assets	76,575	-	76,575
Restricted			
Nonexpendable	26,333	-	26,333
Expendable	36,585	(51,828)	(15,243)
Unrestricted	60,840	-	60,840
Total net position	$ 200,333	$ (51,828)	$ 148,505

	2023				
	Operating		Nonoperating		
	College (Stand Alone)	Campus Housing Authority	College (Stand Alone)	Campus Housing Authority	College Total
REVENUES					
Tuition and fees, net of grants and scholarships	$ 33,407	$ -	$ -	$ -	$ 33,407
State appropriations	-	-	113,008	-	113,008
Grants and contracts	5,014	-	-	-	5,014
Auxiliary enterprises	9,212	-	-	-	9,212
Private gifts	-	-	6,303	-	6,303
Block grant - allocation from Foundation	-	-	750	-	750
Investment income	-	-	3,286	787	4,073
Realized/unrealized loss on investments	-	-	7,949	-	7,949
Other revenues	3,280	-	-	-	3,280
Loan interest, net of expense	8	-	-	-	8
Total revenues	50,921	-	131,296	787	183,004
EXPENSES					
Salaries and benefits	48,256	36	-	-	48,292
Auxiliary enterprises	7,700	-	-	-	7,700
Utilities	1,037	-	-	-	1,037
Supplies and services	21,729	6	-	-	21,735
Depreciation	3,854	-	-	-	3,854
Scholarships and fellowships	369	-	-	-	369
Interest on debt	-	-	1,880	18,524	20,404
Other	2,247	-	-	-	2,247
Total expenses	85,192	42	1,880	18,524	105,638
(Loss) income	$ (34,271)	$ (42)	$ 129,416	$ (17,737)	$ 77,366
OTHER CHANGES IN NET POSITION					
Capital grants and gifts	$ -	$ -	$ -	$ -	$ 434
Changes in allocation for pension payable to University of California	-	-	-	-	281
Other changes in endowments	-	-	-	-	895
Total other changes in net position	-	-	-	-	1,610
(Decrease) increase in net position	$ (34,271)	$ (42)	$ 129,416	$ (17,737)	$ 78,976

	College (Stand Alone)	Campus Housing Authority	College Total
Cash provided (used) by			
Operating activities	$ (23,983)	$ 362	$ (23,621)
Noncapital financing activities	118,369	-	118,369
Capital and related financing activities	(2,499)	(145,367)	(147,866)
Investing activities	(40,820)	187,381	146,561
Net increase in cash	51,067	42,376	93,443
Cash, beginning of year	5,741	1,617	7,358
Cash, end of year	$ 56,808	$ 43,993	$ 100,801

The following is the condensed combining information for the Authority and the College as of June 30, 2022 (in thousands):

	College (Stand Alone)	Campus Housing Authority	College Total (As Restated)
ASSETS			
Current assets	$ 9,858	$ 1,618	$ 11,476
Noncurrent assets	273,617	348,059	621,676
Total assets	283,475	349,677	633,152
Deferred outflows of resources	20,752	-	20,752
LIABILITIES			
Current liabilities	15,758	17,409	33,167
Noncurrent liabilities	151,430	366,316	517,746
Total liabilities	167,188	383,725	550,913
Deferred Inflows of resources	33,462	-	33,462
NET POSITION			
Net investment in capital assets	76,620	-	76,620
Restricted			
Noexpendable	25,548	-	25,548
Expendable	35,717	(34,048)	1,669
Unrestricted	(34,308)	-	(34,308)
Total net position	$ 103,577	$ (34,048)	$ 69,529

	2022				
	Operating		Nonoperating		
	College (Stand Alone)	Authority	College (Stand Alone)	Authority	College Total (As Restated)
REVENUES					
Tuition and fees, net of grants and scholarships	$ 31,035	$ -	$ -	$ -	$ 31,035
State appropriations	-	-	31,072	-	31,072
Grants and contracts	4,667	-	-	-	4,667
Auxiliary enterprises	8,247	-	-	-	8,247
Private gifts	-	-	10,458	-	10,458
Block grant - allocation from Foundation	-	-	1,000	-	1,000
Investment income	-	-	367	1,345	1,712
Realized/unrealized gain (loss) on investments	-	-	(8,712)	-	(8,712)
Other revenues	3,055	-	-	-	3,055
Loan interest, net of expense	11	-	-	-	11
Total revenues	47,015	-	34,185	1,345	82,545
EXPENSES					
Salaries and benefits	45,119	-	-	-	45,119
Auxiliary enterprises	6,619	-	-	-	6,619
Utilities	954	-	-	-	954
Supplies and services	17,870	19	-	-	17,889
Depreciation	3,366	-	-	-	3,366
Scholarships and fellowships	637	-	-	-	637
Grants to UC Hastings	12	-	-	-	12
Interest on debt	-	-	1,882	18,380	20,262
Other	1,177	-	-	-	1,177
Total expenses	75,754	19	1,882	18,380	96,035
(Loss) income	$ (28,739)	$ (19)	$ 32,303	$ (17,035)	$ (13,490)
OTHER CHANGES IN NET POSITION					
Capital grants and gifts	$ -	$ -	$ -	$ -	$ 584
Changes in allocation for pension payable to University of California	-	-	-	-	758
Other changes in endowments	-	-	-	-	(2,442)
Total other changes in net position	-	-	-	-	(1,100)
(Decrease) increase in net position	$ (28,739)	$ (19)	$ 32,303	$ (17,035)	$ (14,590)

	2022		
	College (Stand Alone)	Authority	College Total (As Restated)
Cash provided by (used in)			
Operating activities	$ (26,889)	$ (19)	$ (26,908)
Noncapital financing activities	42,296	-	42,296
Capital and related financing activities	(1,681)	(81,113)	(82,794)
Investing activities	(14,129)	81,335	67,206
Net (decrease) increase in cash	(403)	203	(200)
Cash, beginning of year	6,144	1,414	7,558
Cash, end of year	$ 5,741	$ 1,617	$ 7,358

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits and pooled cash invested in the University of California Office of the Treasurer's Short-Term Investment Pool ("STIP"), since such amounts are readily convertible to known amounts of cash. All cash and cash equivalents are carried at cost, which approximates fair market value.

Legally restricted cash balances – The College holds legally restricted cash balances totaling \$90,599,485 and \$1,653,391 as of June 30, 2023 and 2022, respectively. These balances are recorded in restricted cash and cash equivalents.

Accounts receivable, net – Accounts receivable are \$2,642,773 and \$1,629,274 as of June 30, 2023 and 2022, respectively. Of these amounts, \$1,696,900 and \$902,133 are due from the State of California ("State"), as of June 30, 2023 and 2022, respectively, for general appropriations. Allowance for doubtful accounts is \$36,125 and \$36,125 as of June 30, 2023 and 2022, respectively.

Leases receivable, net – The College recognizes lease contracts or equivalents that have a term exceeding one year and meet the definition of other than short-term. The College's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The College uses the same interest rate it charges to the lessee as the discount rate or that is implicit in the contract to the lessee. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. Short-term lease receipts and variable lease receipts are not included in the measurement of the lease receivable and are recognized as income when earned.

Operating lease right-of-use assets, net – The College has recorded operating lease right-of-use assets as a result of implementing GASB Statement No. 87, *Leases* ("GASB No. 87"). The College's operating lease right- of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The operating lease right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets, net – The College has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). The College's subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the SBITA vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Investments – Investments are reported at fair value. The College's investments consist of investments in the UC Regents General Endowment Pool ("GEP") as well as investments held for the Authority. The basis of determining the fair value of pooled funds or mutual funds is determined as the number of units held in the pool multiplied by the price per unit share, computed on the last day of the fiscal year. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on the basis of a price provided by a single source.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Prepaid expenses – Prepaid expenses primarily consist of amounts paid on projects expected to be realized in the fiscal year ending June 30, 2023. Such projects include law library online services and other remote cloud services beginning in fiscal year 2023. Other assets primarily consist of bond issuance costs for long-term debt outstanding. These amounts are amortized over the course of the debt's life.

Pledges – Pledges of private gifts to the Foundation to be received in the future are recorded as pledges receivable and revenue in the year promised. Endowment pledges are recorded in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and are recognized as revenue once the proceeds are received.

The allowance for uncollectible pledges is calculated based on ten percent of all pledge balances in which scheduled pledge payments are past due for twelve-months. Management's estimation of the uncollectible pledge amount is based on past collection experience, current conditions, and specific identification of accounts with known uncertainty.

Capital assets – Land and improvements, buildings and improvements, equipment, and library books and collections of works of art are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Significant additions, replacements, major repairs, and renovations are generally capitalized if the cost exceeds $25,000; equipment and furniture are capitalized if the cost exceeds $5,000 and they have a useful life of more than one year. Minor renovations are charged to operations, as incurred.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets.

Estimated economic lives are generally as follows:

Land improvements	20 years
Buildings	50 to 75 years
Building improvements	30 years
Furniture and equipment	5 to 15 years
Computer software	10 years
Library books and materials	15 years

Inexhaustible capital assets such as land, special collections that are protected, preserved, and held for public exhibition, education or research, and intangible assets of indefinite life, are not depreciated.

Deposits – Deposits include amounts received in advance of being earned for the following: rental of various College facilities, nonstudent library usage, and payments from employers who have hired students with federal work-study grants. Deposits on work-study wages and the library are fully refundable. Deposits are recognized as revenue when earned.

Unearned revenues – Unearned revenues primarily represent nonrefundable enrollment deposits and deposits related to the on-campus interview program along with revenue invoiced for the new Summer Session program. There are also unearned revenues related to housing from the Authority and certain multi-year exchange grants for which the work has not been completed. Unearned revenues are recognized when earned, generally in the following fiscal year.

Lease liabilities – The College recognizes lease contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. The College uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the College's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Subscription liabilities – The College entered into various agreements for information technology ("IT") subscriptions. These agreements range in terms up to year 2026. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance – therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable lease expenses or payments in the fiscal years ended June 30, 2023 and 2022. The College did not enter into any additional subscription agreements that have yet to commence as of June 30, 2023.

The College recognizes SBITA contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. The College uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the College's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

Revolving fund advance from the State – The revolving fund advance from the State is an advance on the College's general appropriation from the State of California. It is expected that the revolving fund advance will be renewed annually; hence, the entire amount has been classified as a noncurrent liability.

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively.

Changes in net pension liability not included in pension expense, including proportionate shares of collective pension expense from the University of California Retirement Plan, are reported as deferred outflows of resources or deferred inflows of resources related to pensions for the College.

Changes in net retiree health benefits liability not included in retiree health benefits expense, including proportionate shares of collective retiree health benefits expense from the University of California, are reported as deferred outflows of resources or deferred inflows of resources related to retiree health benefits of the College.

Included in deferred inflows of resources, the Organization's deferred lease resources related to lessor arrangements.

The College's beneficial interest in an irrevocable split-interest agreement, in which a third party is the intermediary, is reported as a deferred inflow of resources.

Retiree health benefits liability, net – The University provides retiree health benefits to retired employees of the College. The University established the University of California Retiree Health Benefit Trust ("UCRHBT") to allow certain University locations and affiliates, including the College, to share the risks, rewards, and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Contributions from the College to the UCRHBT are effectively made to a single-employer health plan administered by the University as a cost-sharing plan. The College is required to contribute at a rate assessed each year by the University.

Net retiree health benefits liability includes the College's share of the University's net retiree health benefits liability for UCRHBT. The College's share of net retiree liability, deferred inflows of resources, deferred outflows of resources and retiree health benefits expense have been determined based upon their proportionate share of the University of California Retirement Plan ("UCRP") covered compensation for the fiscal year. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. For the purpose of measuring UCRHBT's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Pension liability, net – UCRP provides retirement benefits to retired employees of the College. The College is required to contribute to UCRP at a rate set by The Regents of the University of California ("The Regents"). The pension liability includes the College's share of the net pension liability for UCRP. The College's share of net pension liability, deferred inflows of resources, deferred outflows of resources and pension expense have been determined based upon its proportionate share of covered compensation for the fiscal year. The fiduciary net position and changes in the fiduciary net position of UCRP have been measured consistent with the accounting policies used by the plan. For the purpose of measuring UCRP's fiduciary net position, investments are reported at fair value and benefit payments are recognized when due and payable in accordance with the benefit terms.

Payable to University of California – Additional deposits in UCRP have been made using the University of California resources to make up the gap between the approved contribution rates and the required contributions based on the Regents' funding policy. These deposits, carried as internal loans by the University, are being repaid by the College, plus accrued interest, over a 30-year period through a supplemental pension assessment. The College's share of the internal loans has been determined based upon its proportionate share of covered compensation for the fiscal year. Supplemental pension assessments are reported as pension expense by the College. Additional deposits in UCRP by the University, and changes in the College's share of the internal loans, are reported as other changes in net position.

Net position – The College's net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets

This category includes all the College's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to unspent proceeds is excluded from the calculation, in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

Restricted

The College and the Foundation classify assets resulting from transactions with purpose restrictions as restricted assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact. When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are generally applied first.

Nonexpendable

Assets subject to externally imposed restrictions that they be maintained in perpetuity by the College and the Foundation are classified as nonexpendable net position. Such assets include the College and the Foundation's permanent endowment funds.

Expendable

Assets whose use by the College and the Foundation are subject to externally-imposed restrictions by donors, grantors, creditors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation are classified as expendable net position.

Unrestricted

This category includes assets of the College and the Foundation that are neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by the Board of Directors.

Revenues and expenses – Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the College and the Foundation are presented in the statements of revenues, expenses, and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities,* certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the College and the Foundation are mandated to be recorded as nonoperating revenues, including State general appropriations, private gifts and investment income. Nonoperating revenues and expenses include State general appropriations (for the support of College operating expenses), private gifts for other than capital purposes, investment income, realized and net unrealized gains or losses on investments and interest expense. All grants expended by the Foundation are reflected by the College as either noncapital or capital gifts, or gifts for endowment.

Other changes in net assets include State capital appropriations, gifts for capital funds for specified purposes and gifts of endowments, and the reclassification of restricted net position to a liability as a result of the termination of the Perkins Loan program.

Student tuition and fees – All of the student tuition and fees provide for current operations of the College. Certain waivers of the student tuition and fees considered to be scholarship and financial aid grant allowances (i.e., tuition remission) are recorded as an offset to revenue. Tuition and fee revenue is recognized in the fall, spring, and summer semesters of each year.

Scholarship allowances – The College recognizes certain financial aid allowances (e.g., UC Law grants) and enrollment fee waivers as the difference between the stated charge for tuition and fees and the amount that is paid by the student, as well as third parties making payments on behalf of the student. Payments of financial aid and scholarships made directly to students from private gifts, donations, and endowment income are classified as scholarship and fellowship expenses.

State appropriations – The State of California provides appropriations to the College on an annual basis. State educational appropriations for the general support of the College are recognized as nonoperating revenue, however, related expenses incurred to support either educational operations or other specific operating purposes are designated as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements adopted or under consideration – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB No. 96”). The objectives of the Statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users (governments). This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The College has adopted this pronouncement as of July 1, 2022, applied retrospectively. The College calculated and recognized and recorded subscription assets, net of $1,410,488 and subscription liabilities of $1,410,488 as of June 30, 2022. There was no material impact to beginning net position from the adoption of GASB 96.

In April 2022, the GASB issued Statement No. 99, *Ominbus 2022* (“GASB No. 99”). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement that are effective are as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62* (“GASB No. 100”). The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (“GASB No. 101”). The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The College is analyzing the effects of the adoption of this pronouncement.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 and 2022, consist of the following:

	2023		2022	
	College	**Foundation**	**College**	**Foundation**
Cash in banks and on hand	$10,182,881	$ -	$ 5,043,017	$ -
Pooled cash included in STIP	18,949	35,419	661,868	108,673
Total cash and cash equivalents	$ 10,201,830	$ 35,419	$ 5,704,885	$ 108,673

Restricted cash and cash equivalents as of June 30, 2023 and 2022, consist of the following:

	2023		2022	
	College	**Foundation**	**College**	**Foundation**
Cash held for the Tower	$46,937,656	$ -	$ -	$ -
Cash held for the Authority	43,657,660	-	1,643,683	-
Cash held for notes receivables	4,169	-	9,708	-
Total cash and cash equivalents	$90,599,485	$ -	$1,653,391	$ -

The College and the Foundation follow the practice of pooling cash. The cash and cash equivalents pools allocate earnings based on the number of units held of the total on a monthly basis. The College and the Foundation utilize STIP, which is managed by the University of California Office of the Treasurer. STIP consists of money market and fixed income investments with a maximum maturity of five years. The objective of STIP is to maximize returns consistent with liquidity and cash flow needs. The College and the Foundation consider STIP to operate as a demand deposit.

As of June 30, 2023 and 2022, the carrying amounts of the College's deposits in banks were $10,182,881 and $5,043,017, respectively, and the bank balances were $7,101,500 and $5,704,009, respectively.

Of the bank balances for 2023, $250,000 was covered by federal depository insurance and $6,851,500 was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

As of June 30, 2023 and 2022, the carrying amounts of the College's deposits in banks for restricted cash were $43,657,660 and $1,643,684, respectively, and the bank balances were $51,985,410 and $9,971,614, respectively.

Of the bank balances for restricted cash in 2023, $250,000 was covered by federal depository insurance and $51,735,410 was uninsured but collateralized with securities held by a third-party financial institution in accordance with the State of California Government Code, but not in the College's name.

Note 4 – Investments

The College and the Foundation follow the investment philosophy of the University and invest their excess cash and long-term investments with the University Office of the Treasurer ("Office of the Treasurer"). Accordingly, all investments held by the Office of the Treasurer are uninsured and unregistered and are not held in the College's or the Foundation's name.

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

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities commingled funds (exchange traded funds and mutual funds) and other publicly traded securities.

Level 2 – Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2 investments include fixed or variable-income securities, commingled funds (institutional funds not listed in active markets) and other assets that are valued using market information.

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

Net asset value ("NAV") – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in nongovernmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include commingled balanced funds.

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

The University managed commingled funds ("UC pooled funds") serve as the core investment vehicle for the College and the Foundation.

GEP – An investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scales. GEP is a balanced portfolio of equities, fixed income securities, and alternative investments. The primary goal is to maximize long-term total return, growth of principal and a growing payout stream to ensure that future funding for endowment-supported activities can be maintained. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements. The College's investment in GEP is classified as commingled funds. GEP is considered to be an external investment pool from the College's perspective.

The fair value of the College's and the Foundation's share in the GEP's investments – all measured at NAV, as well as funds held in investment for the Housing Authority as of June 30, 2023 and 2022, are as follows:

	2023		2022	
	College	Foundation	College	Foundation
GEP Endowment Investments	$ 51,277,102	$ 593,190	$ 49,192,479	$ 573,385
GEP Operating Investments	70,102,593	-	64,791,739	-
Tower Renovation Investments	45,000,000	-	-	-
Authority Investments	40,240,191	-	226,834,428	-
Total investments	$ 206,619,886	$ 593,190	$ 340,818,646	$ 573,385

Risk profile of the investments – Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U.S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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 may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

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 security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed-income portion of that pool. That fixed-income benchmark, the Barclay's Capital U.S. Aggregate Bond Index is comprised of approximately 35 percent treasuries, 30 percent mortgage/asset-backed securities, and 30 percent corporate bonds all of which carry some degree of credit risk. The remaining 5 percent are government-related bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted-average credit rating must be "A" or higher.

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 (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Office of the Treasurer portfolio guidelines limit the fixed and variable income portion of the GEP weighted-average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Barclay's Capital US Aggregate Index). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2023 and 2022, were 2.56 and 2.71 months, respectively.

Foreign currency risk – The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-U.S. equities and nondollar denominated bonds. The benchmark for these investments is not hedged; therefore, foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for U.S. investment-grade fixed income securities also allow exposure to non-U.S. dollar denominated bonds up to 10 percent of the total portfolio market value.

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. The portions of total investments of the College and the Foundation in the Office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2023 and 2022, were $11,292,700 and $14,007,433, respectively.

Note 5 – Notes Receivable

Notes receivable of the College as of June 30, 2023 and 2022, consist of the following:

	2023	2022
Federal Perkins and NDSL loans	$ 5,300	$ 6,794
O'Neill loans	120,651	156,564
UC Law loans	198,502	224,245
California Bar Preparation loans	124,295	130,275
Less: allowance for doubtful accounts	(36,125)	(36,125)
Ending notes receivable	$ 412,623	$ 481,753

All loans, except the California Bar Preparation loans, are payable over approximately ten years following College attendance. Federal Perkins loans accrue interest at 5 percent. O'Neill loans made prior to July 1, 1996, are interest-free; and loans made July 1, 1996, or after accrued interest at 5 percent. Funding for the O'Neill Loan program is made by a private gift to the College. O'Neill loans are advanced to students who reside in Sacramento County. During 2015, the College transitioned the O'Neil loan fund to a scholarship fund. Therefore, there will be no new loans given out from this fund after that fiscal year. UC Law loans are also funded by private gifts to the College and accrue interest at 5 percent.

The allowance for doubtful accounts is based upon 5 percent of the outstanding balance of all loans. Management's estimation of the collectible notes receivable amount is based on past collection experience, current conditions, and specific identification of accounts with known uncertainty.

Note 6 – Leases

The College is a lessee for a noncancellable lease of office equipment with a lease term through 2028. For the year ended June 30, 2023, the College recognized $1,880 in lease expense related to the office equipment lease. The College recognized interest expense of $587 for the year ended June 30, 2023. There are no residual value guarantees included in the measurement of College's lease liability nor recognized as an expense for the years ended June 30, 2023. The College does not have any commitments that were incurred at the commencement of the leases. The College is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statement of changes of net position for the year ended June 30, 2023. No termination penalties were incurred during the fiscal year.

The College has the following operating lease right-of-use activities for the year ended June 30:

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Accumulated Amortization as of June 30, 2023	Net Value as of June 30, 2022	Additions	Amortization	Net Value as of June 30, 2023
Pitney Bowes	Office Equipment	$ 28,200	3/1/2023	60	(1,880)	-	28,200	(1,880)	26,320
						$ -	$ 28,200	$ (1,880)	$ 26,320

For the year ended June 30, 2023, the College recognized $1,880 in amortization expense included in depreciation, excluding auxiliary enterprise expense on the statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	5,640	1,761	7,401
2025	5,640	1,761	7,401
2026	5,640	1,761	7,401
2027	5,640	1,761	7,401
2028	3,760	1,174	4,934
	$ 26,320	$ 8,218	$ 34,538

The College evaluated the operating lease right-of-use assets for impairment and determined there was no impairment for the years ended June 30, 2023.

The College is also a lessor for noncancellable leases of various retail space, long-term parking and rental space with lease terms through fiscal year 2036. For the years ended June 30, 2023 and 2022, the College recognized $858,617 and $699,332, respectively, in lease revenue released from deferred inflows of resources related to the various office, retail and rental space leases. The College recognized interest revenue of $35,152 and $28,250 for the years ended June 30, 2023 and 2022, respectively. No variable payments charged to the lessees. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the year.

Leases receivable is calculated based on principal payment maturities described as follows for the years ended June 30:

Leasee	Lease Type	Commencement Date	Expiration Date	Interest Rate	Lease Term (Months)	Monthly Rent as of June 30, 2023	Outstanding as of June 30, 2022	Additions	Payments	Outstanding as of June 30, 2023
U.S. Attorney	Parking Lease	9/1/2022	8/31/2023	0.90%	12	$ 11,990	$ 22,234	$ 119,795	$ (118,593)	$ 23,436
General Service Admin	Parking Lease	5/1/2018	10/31/2023	0.90%	66	18,538	274,581	-	(203,930)	70,651
SF VA	Parking Lease	9/1/2021	8/31/2026	0.90%	60	1,262	63,034	-	(14,916)	48,118
USACE	Parking Lease	7/1/2021	8/31/2026	0.90%	28	427	6,785	-	(5,059)	1,726
Philz	Retail Lease	2/12/2013	2/11/2028	0.90%	180	9,085	573,339	-	(97,976)	475,363
Build Group	Retail Lease	10/1/2020	3/31/2023	0.90%	30	-	83,850	-	(83,850)	-
Golden Era	Retail Lease	12/1/2013	11/30/2033	0.90%	240	10,248	1,422,418	-	(109,576)	1,312,842
Subway	Retail Lease	8/1/2021	12/31/2036	0.90%	185	5,033	958,700	-	(35,670)	923,030
UC Davis	Rent Lease	8/1/2022	7/31/2028	2.40%	72	20,673	-	1,469,766	(224,199)	1,245,567
							$ 3,404,941	$ 1,589,561	$ (893,769)	$ 4,100,733

Leasee	Lease Type	Commencement Date	Expiration Date	Interest Rate	Lease Term (Months)	Monthly Rent as of June 30, 2022	Outstanding as of June 30, 2021	Additions	Payments	Outstanding as of June 30, 2022
U.S. Attorney	Parking Lease	9/1/2022	8/31/2023	0.90%	12	$ 11,990	$ 155,464	$ -	$ (133,230)	$ 22,234
General Service Admin	Parking Lease	5/1/2018	10/31/2023	0.90%	66	17,656	470,546	-	(195,965)	274,581
SF VA	Parking Lease	9/1/2021	8/31/2026	0.90%	60	1,240	-	75,383	(12,349)	63,034
USACE	Parking Lease	7/1/2021	8/31/2026	0.90%	28	415	-	11,741	(4,956)	6,785
Philz	Retail Lease	2/12/2013	2/11/2028	0.90%	180	8,820	669,316	-	(95,977)	573,339
Build Group	Retail Lease	10/1/2020	3/31/2023	0.90%	30	9,500	196,533	-	(112,683)	83,850
Golden Era	Retail Lease	12/1/2013	11/30/2033	0.90%	240	9,445	1,527,769	-	(105,351)	1,422,418
Subway	Retail Lease	8/1/2021	12/31/2036	0.90%	185	1,000	-	969,651	(10,951)	958,700
							$ 3,019,628	$ 1,056,775	$ (671,462)	$ 3,404,941

The future principal and interest lease receipts as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	$ 629,597	$ 37,375	$ 666,972
2025	539,885	44,026	583,911
2026	546,110	55,139	601,249
2027	539,532	65,995	605,527
2028-2032	1,314,188	182,224	1,496,412
2033-2037	531,421	79,648	611,069
	$ 4,100,733	$ 464,407	$ 4,565,140

Note 7 – Subscription-Based Information Technology Arrangements

The College is a lessee for noncancellable leases of various subscription-based information technology arrangements (“SBITA”) with lease terms through fiscal year 2028. For the year ended June 30, 2023, the College recognized $664,911 in lease expense related to the various SBITA. The College recognized interest expense of $52,355 for the year ended June 30, 2023. No variable payments charged by the lessor are included in the lease payable balance. No expenses were recognized in the year related to termination penalties or residual value guarantees during the year. For the lease payables, the underlying assets include initial setup fees which are included in the balance of the leased asset and amortized over its useful life.

The College has the following subscription asset activities for the years ended June 30:

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Accumulated Amortization as of June 30, 2023	Net Value as of June 30, 2022	Additions	Amortization	Net Value as of June 30, 2023
Thomson Reuters	SBITA	$ 911,198	5/1/2021	48	$ (493,565)	$ 645,432	$ -	$ (227,800)	$ 417,632
Axiom	SBITA	301,019	3/2/2019	60	(260,883)	100,340	-	(60,204)	40,136
LexisNexis Digital Library	SBITA	228,543	7/1/2021	48	(114,272)	171,407	-	(57,136)	114,271
CourseDog	SBITA	193,384	9/1/2021	36	(107,436)	139,666	-	(64,461)	75,205
LexisNexis	SBITA	158,005	7/1/2022	36	(52,668)	-	158,005	(52,668)	105,337
Carahsoft (docusign)	SBITA	115,442	6/30/2020	36	(115,442)	38,480	-	(38,480)	-
StarRez	SBITA	101,836	10/1/2021	60	(30,550)	86,561	-	(20,367)	66,194
Pantheon	SBITA	80,029	7/1/2021	36	(53,352)	53,353	-	(26,676)	26,677
Elsevier	SBITA	71,555	8/1/2021	36	(43,728)	49,691	-	(23,852)	25,839
BlackBaud	SBITA	147,449	5/15/2020	38	(147,449)	46,563	-	(46,563)	-
PlanetBids	SBITA	58,828	1/14/2021	60	(29,415)	41,180	-	(11,766)	29,414
Brightly	SBITA	26,533	7/1/2022	36	(8,844)	-	26,533	(8,844)	17,689
Concur	SBITA	194,476	2/24/2020	36	(221,486)	37,815	-	(37,815)	-
						$ 1,410,488	$ 184,538	$ (676,632)	$ 918,394

Subscription Based IT Asset	Leased Asset	Lease Asset Value	Commencement Date	Amortization Period (Months)	Amortization as of June 30, 2022	Net Value as of June 30, 2021	Additions	Amortization	Net Value as of June 30, 2022
Thomson Reuters	SBITA	$ 911,198	5/1/2021	48	$ (265,766)	$ 873,231	$ -	$ (227,799)	$ 645,432
Axiom	SBITA	301,019	3/2/2019	60	(200,679)	160,544	-	(60,204)	100,340
LexisNexis Digital Library	SBITA	228,543	7/1/2021	48	(57,136)	-	228,543	(57,136)	171,407
CourseDog	SBITA	193,384	9/1/2021	36	(53,718)	-	193,384	(53,718)	139,666
Carahsoft (docusign)	SBITA	115,442	6/30/2020	36	(76,961)	76,961	-	(38,481)	38,480
StarRez	SBITA	101,836	10/1/2021	60	(15,275)	-	101,836	(15,275)	86,561
Pantheon	SBITA	80,029	7/1/2021	36	(26,676)	-	80,029	(26,676)	53,353
Elsevier	SBITA	71,555	8/1/2021	36	(21,864)	-	71,555	(21,864)	49,691
BlackBaud	SBITA	147,449	5/15/2020	38	(100,886)	93,126	-	(46,563)	46,563
PlanetBids	SBITA	58,828	1/14/2021	60	(17,649)	52,946	-	(11,766)	41,180
Concur	SBITA	194,476	2/24/2020	36	(156,661)	102,640	-	(64,825)	37,815
						$ 1,359,448	$ 675,347	$ (624,307)	$ 1,410,488

For the year ended June 30, 2023, the College recognized $676,632 in amortization expense included in depreciation, excluding auxiliary enterprise expense on the statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Payments	Interest	Total
2024	$ 520,793	$ 40,540	$ 561,333
2025	349,651	25,907	375,558
2026	24,632	4,342	28,974
2027	4,652	2,343	6,995
	$ 899,728	$ 73,132	$ 972,860

The College evaluated the subscription assets for impairment and determined there was no impairment for the year ended June 30, 2023.

Note 8 – Assets Held By Others

Assets held by others represent the College's right to the perpetual income streams resulting from irrevocable and perpetual trusts held by external trustees. The College's right to the income from these trusts is valued at the market value of the investments held by the trusts. One trust is administered by Deutsche Bank and the other by The Regents of the University of California ("UC"). Investment income of $0 and $105,000 for 2023 and 2022, respectively, was distributed by the external trustees to recipients of the Tony Patino Fellowship.

During fiscal year 2022, changes were made by the trustees of the T. Patino Fellowship such that the program was modified that funds previously earmarked for the College were reconstituted and merged with amounts similarly earmarked for other law schools making the balance on the College's financial statements $0 as of June 30, 2022 and onward. In addition, UC holds seven endowments (not pursuant to irrevocable agreements) for which income is allocated to the College and recorded in the accompanying financial statements as other changes in net position, gifts, and other changes to endowment. Income generated from three of these endowments has been designated by the donor to be distributed exclusively to the College's students. For the remaining four, the income allocated to the College conforms to the donors' intent that endowment income be used for financial support of University of California law students. The market value of the College's share of the remaining four endowments as of June 30, 2023 and 2022, is $3,193,266 and $3,185,135, respectively. These four endowments are not reflected on the College's statements of net position. Assets held by others also include $35,000 held as an interest account in Citizens Business Bank for workers' compensation payments.

The following table summarizes the assets held by others reported at fair value within the fair value hierarchy as of June 30, 2023:

Assets Held by Others	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled
Beneficial Interest in Charitable Remainder Trust ("CRT")	$ 1,739,890	$ -	$ -	$ -	$ 1,739,890	$ -
Endowments Held by UC	6,947,549	-	-	-	6,947,549	-
Workers' Compensation	35,000	-	-	-	-	35,000
Total Assets Held by Others	$ 8,722,439	$ -	$ -	$ -	$ 8,687,439	$ 35,000

The following table summarizes the assets held by others reported at fair value within the fair value hierarchy as of June 30, 2022:

Assets Held by Others	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Not Leveled
Beneficial Interest in Charitable Remainder Trust ("CRT")	$ 1,641,017	$ -	$ -	$ -	$ 1,641,017	$ -
Endowments Held by UC	6,929,857	-	-	-	6,929,857	-
Workers' Compensation	35,000	-	-	-	-	35,000
Total Assets Held by Others	$ 8,605,874	$ -	$ -	$ -	$ 8,570,874	$ 35,000

Note 9 – Capital Assets

The activities related to capital assets during fiscal year 2023 for the College are summarized below:

	2022	Additions/ Transfers	Disposals/ Transfers	2023
Capital assets, not being depreciated:				
Land	$ 5,088,532	$158,000	$ -	$ 5,246,532
Construction in progress	122,336,763	126,657,019	(1,490,727)	247,503,055
Works of art	421,309	13,500	-	434,809
Intangible assets	115,920	-	-	115,920
Total capital assets, not being depreciated	127,962,524	126,828,519	(1,490,727)	253,300,316
Capital assets, being depreciated:				
Buildings	128,603,918	1,490,727	-	130,094,645
Building improvements	57,103,311	843,244	-	57,946,555
Equipment, furniture, and fixtures	3,135,347	-	-	3,135,347
Computer software	1,482,856	-	-	1,482,856
Library books and materials	2,832,808	-	-	2,832,808
Total capital assets, being depreciated	193,158,240	2,333,971	-	195,492,211
Less accumulated depreciation for:				
Buildings	(25,229,631)	(1,472,173)	-	(26,701,804)
Building improvements	(22,670,638)	(2,310,241)	-	(24,980,879)
Equipment, furniture, and fixtures	(2,547,127)	(149,430)	-	(2,696,557)
Computer software	(735,013)	(107,635)	-	(842,648)
Library books and materials	(2,420,644)	(104,896)	-	(2,525,540)
Total accumulated depreciation	(53,603,053)	(4,144,375)	-	(57,747,428)
Total capital assets, being depreciated, net	139,555,187	(1,810,404)	-	137,744,783
Capital assets, net	$ 267,517,711	$ 125,018,115	$ (1,490,727)	$ 391,045,099

The activities related to capital assets during fiscal year 2022 for the College are summarized below:

	2021	Additions/ Transfers	Disposals/ Transfers	2022
Capital assets, not being depreciated:				
Land	$ 5,088,532	$ -	$ -	$ 5,088,532
Construction in progress	53,198,327	69,138,436	-	122,336,763
Works of art	421,309	-	-	421,309
Intangible assets	115,920	-	-	115,920
Total capital assets, not being depreciated	58,824,088	69,138,436	-	127,962,524
Capital assets, being depreciated:				
Buildings	128,603,918	-	-	128,603,918
Building improvements	57,103,311	-	-	57,103,311
Equipment, furniture, and fixtures	3,128,121	7,226	-	3,135,347
Computer software	1,482,856	-	-	1,482,856
Library books and materials	2,832,808	-	-	2,832,808
Total capital assets, being depreciated	193,151,014	7,226	-	193,158,240
Less accumulated depreciation for:				
Buildings	(23,058,855)	(2,170,776)	-	(25,229,631)
Building improvements	(21,037,610)	(1,633,028)	-	(22,670,638)
Equipment, furniture, and fixtures	(2,271,599)	(275,528)	-	(2,547,127)
Computer software	(596,100)	(138,913)	-	(735,013)
Library books and materials	(2,283,215)	(137,429)	-	(2,420,644)
Total accumulated depreciation	(49,247,379)	(4,355,674)	-	(53,603,053)
Total capital assets, being depreciated, net	143,903,635	(4,348,448)	-	139,555,187
Capital assets, net	$ 202,727,723	$ 64,789,988	$ -	$ 267,517,711

Note 10 – Long-Term Debt

Long-term debt of the College consists of the following at June 30, 2023 and 2022:

	2023	2022
Hastings College of the Law Refunding Bonds, Series 2017	$ 14,605,000	$ 15,315,000
Campus Housing Authority Revenue Bonds, Series 2020A and 2020B	360,715,525	360,715,525
Total bonds payable	375,320,525	376,030,525
Capital lease obligation	51,377,839	53,123,174
Bond premium	4,390,919	4,836,252
Total long-term debt	$ 431,089,283	$ 433,989,951

The College issued the Series 2017 Refunding Bonds for $17,610,000 to refund the previously issued Series 2008 Bonds for the construction of the UC Hastings Parking Garage, and to reimburse the College for associated development costs. Located at 376 Larkin Street in San Francisco, California, the multi-level structure contains 395 parking stalls, and 12,612 square feet of ground-level retail space. These bonds bear interest rates ranging from 2.0% to 5.0%. Principal and interest payments are made on a semi-annual basis and the bonds mature through April 2037.

In April 2020, the College entered into a facility lease agreement with the State of California totaling $76,737,957, which is recorded as a capital lease. The State of California sold lease revenue bonds to finance the construction of a new building to be used by the College. The building was then leased to the College under terms and amounts that are sufficient to satisfy the State of California's lease revenue bond requirements with the understanding that the State of California will provide financing appropriations to the College to satisfy the annual lease requirements. At the conclusion of the lease term, ownership of the building transfers to the College.

In September 2020, the College issued Campus Housing Revenue Bonds, Series 2020A and Series 2020B with an original principal amount of $333,110,000 and $27,605,525 for the construction of a student housing facility, academic and administrative space, and construction of retail space on the UC Law campus. Additionally, capital appreciation bonds were issued as part of Series 2020B, Campus Housing Revenue Bonds issuance. Interest on the 2020B Bonds will not be payable on a current basis but will compound from the date of issuance on a semi-annual basis beginning on January 1, 2021 through the conversion date, July 1, 2035. Future accreted interest accruals of $8,254,752 have not been reflected in the long-term debt balance for the Series 2020A Bonds in its payment schedule below.

The scheduled principal and interest, including accrued interest, reported in the College's financial statements for the year ended June 30, 2023 contain amounts related to this facility lease with the State of California as well as the Campus Housing Revenue Bonds.

The activity with respect to the College's current and noncurrent debt for the years ended June 30, 2023 and 2022 is as follows:

	2023
Balance as of June 30, 2022	$ 433,989,951
Unamortized bond premium	(445,333)
Principal payments in fiscal year 2023	(2,455,335)
Balance as of June 30, 2023	$ 431,089,283
Current loan payable	$ 2,583,819
Noncurrent loan payable	428,505,464
Balance as of June 30, 2023	$ 431,089,283

	2022
Balance as of June 30, 2021	$ 436,761,956
Unamortized bond premium	(470,530)
Principal payments in fiscal year 2021	(2,801,475)
Balance as of June 30, 2022	$ 433,489,951
Current loan payable	$ 2,455,335
Noncurrent loan payable	431,534,616
Balance as of June 30, 2022	$ 433,989,951

Principal and interest payments required to be made for each of the next five fiscal years and thereafter for the Series 2017 bond payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total Bond Payable
2024	745,000	730,250	$ 1,475,250
2025	785,000	693,000	1,478,000
2026	820,000	653,750	1,473,750
2027	865,000	612,750	1,477,750
2028	905,000	569,500	1,474,500
2029-2033	5,250,000	2,121,750	7,371,750
2034-2037	5,235,000	545,511	5,780,511
	$ 14,605,000	$ 5,926,511	$ 20,531,511

The annual payments required to amortize the Series 2020A, Campus Housing Revenue Bonds, outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ -	$ 16,655,500	$ 16,655,500
2025	-	16,655,500	16,655,500
2026	-	16,655,500	16,655,500
2027	390,000	16,645,750	17,035,750
2028	920,000	16,613,000	17,533,000
2029-2033	14,160,000	81,526,750	95,686,750
2034-2038	28,160,000	76,027,500	104,187,500
2039-2043	35,940,000	68,052,500	103,992,500
2044-2048	45,870,000	57,875,000	103,745,000
2049-2053	58,545,000	44,884,875	103,429,875
2054-2058	74,730,000	28,304,250	103,034,250
2059-2063	74,395,000	7,666,125	82,061,125
	$ 333,110,000	$ 447,562,250	$ 780,672,250

The annual payments required to amortize the Series 2020B, Campus Housing Revenue Bonds outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2024	$ -	$ -	$ -	$ -
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029-2033	3,279,512	3,219,541	-	6,499,053
2034-2038	3,156,040	4,864,232	9,645,075	17,665,347
2039-2043	2,153,291	3,601,709	18,175,219	23,930,219
2049-2053	4,141,951	6,928,048	12,687,638	23,757,637
2054-2058	5,737,744	9,597,255	8,269,595	23,604,594
2059-2063	6,149,320	10,285,681	2,309,343	18,744,344
	$ 27,605,526	$ 43,493,799	$ 66,963,038	$ 138,062,363

Principal and interest payments required to be made for each of the next five fiscal years and thereafter for the facility capital lease payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total Capital Lease Payable
2024	$ 1,792,696	$ 1,276,104	$ 3,068,800
2025	1,838,819	1,231,731	3,070,550
2026	1,883,075	1,186,225	3,069,300
2027	1,930,416	1,139,634	3,070,050
2028	1,975,669	1,091,881	3,067,550
2029-2033	10,645,399	4,701,601	15,347,000
2034-2038	12,033,276	3,319,124	15,352,400
2039-2043	13,593,079	1,276,131	14,869,210
2044-2045	5,685,410	220,254	5,905,664
	$ 51,377,839	$ 15,442,685	$ 66,820,524

Note 11 – Endowments

The endowments held by the College as of June 30, 2023, are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$19,385,364	$18,353,901	$ -	$ 37,739,265
Funds functioning as endowments	-	-	14,752,056	14,752,056
Endowment assets held by others	6,947,549	-	-	6,947,549
College's endowments	$ 26,332,913	$ 18,353,901	$ 14,752,056	$ 59,438,870

The endowments held by the College as of June 30, 2022, are as follows:

	Restricted Net Position		Unrestricted	
	Nonexpendable	Expendable	Net Position	Total
Endowments	$ 18,618,284	$ 17,248,512	$ -	$ 35,866,796
Funds functioning as endowments	-	-	13,663,399	13,663,399
Endowment assets held by others	6,929,857	-	-	6,929,857
College's endowments	$ 25,548,141	$ 17,248,512	$ 13,663,399	$ 56,460,052

Endowments held by the Foundation as of June 30 are as follows:

	2023 Restricted Net Position		2022 Restricted Net Position	
	Nonexpendable	Expendable	Nonexpendable	Expendable
Foundation's endowments	$178,755	$408,547	$ 178,755	$ 389,221

The College's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve a maximum long-term total return. As a result of this emphasis on total return, the portion of the annual income distribution funded by dividend and interest income and by capital gains may vary significantly from year to year.

Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of the College's programs. The College utilizes a total-return spending policy governing the payout on endowed funds. Total-return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board of Directors. The payout rate for 2023 and 2022 was 4.55 and 4.55 percent, respectively. The rates are calculated on a 12-quarter average market value of endowed funds. Endowment income is available to meet spending needs, subject to donor terms and conditions and the approval of the Board. Net appreciation on investments of donor-restricted endowments is reflected in the above tables as restricted expendable net position.

Generally, the College's practice is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. In addition, endowment net position reflects not only endowment investments but also cash gifted to endowments and not yet invested.

The total distribution from endowments was $1,824,127 and $1,610,722 for the years ended June 30, 2023 and 2022, respectively. From that distribution, $1,801,272 and $1,589,686 was distributed to the College, and $22,855 and $21,036 was distributed to the Foundation, for the years ended June 30, 2023 and 2022, respectively.

Note 12 – Deferred Outflows and Inflows of Resources

The composition of deferred outflows of resources at June 30 is summarized as follows:

	2023	2022
Deferred Outflows of Resources		
Retiree health benefits liability, net	$ 9,548,000	$ 10,702,000
Pension liability, net	4,648,000	9,956,000
Loss on defeasance of debt	87,814	94,200
Total deferred outflows of resources	$ 14,283,814	$ 20,752,200
Deferred Inflows of Resources		
Retiree health benefits liability, net	$ 21,172,000	$ 25,820,000
Pension liability, net	2,328,000	2,884,000
Remainder interest in charitable remainder trust	1,739,890	1,641,018
Lease assets	3,813,537	3,116,836
Total deferred inflows of resources	$ 29,053,427	$ 33,461,854

Note 13 – Retiree Health Benefits

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through UCRHBT. The Regents has the authority to establish and amend the plan. Additional information on the retiree health plans can be obtained from the 2022-2023 annual reports of the University of California.

The contribution requirements of the eligible retirees and the participating University locations, such as the College, are established and may be amended by the University. Membership in UCRP is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years for service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service.

Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Contributions – The College's contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amount currently due under the University's retiree health benefit plans for retirees who previously worked at the College. UCRHBT reimburses the University for these amounts.

Participating University locations, such as the College, are required to contribute at a rate assessed each year by the University. The contribution requirements are based upon projected pay-as-you-go financing requirements. The assessment rates were $2.23 and $2.36 per $100 of UCRP covered payroll effective July 1, 2023 and 2022, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

The College's contributions for the years ended June 30 were as follows:

	2023	2022
Total employer contributions	$ 889,000	$ 861,000
Total contributions	$ 889,000	$ 861,000

Net retiree health benefits liability – The College's proportionate share of the net retiree health benefits liability as of June 30 is as follows:

	2023	2022
Proportion of the net retiree health benefits liability	0.2%	0.2%
Proportionate share of net retiree health benefits liability	$ 39,002,000	$ 36,012,000

The College's net retiree health benefits liability was measured as of June 30, 2023 and 2022, and calculated using the plan net position valued as of the measurement date except for census data. The valuation results for fiscal years ended June 30, 2023 and 2022, are based on March 1, 2023 and 2022, census data, respectively. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the College's net retiree health benefits liability were:

	2023	2022
Discount rate	3.65%	3.54%
Inflation	2.50%	2.50%
Investment rate of return	2.50%	2.50%
Health care cost trend rates	Initially ranges from -3.06 to 29.06 decreasing to an ultimate rate of 3.94 for 2075 and later years	Initially ranges from 1.35 to 14.55 decreasing to an ultimate rate of 3.94 for 2075 and later years

The UCRP undergoes experience studies periodically to determine reasonable and appropriate economic assumptions for purposes of valuing the defined benefit plan. Where applicable, the assumptions for this valuation are consistent with UCRP. The most recent UCRP experience study covered the four-year period ending June 30, 2022.

Sensitivity of net retiree health benefits liability to the health care cost trend rate – The following presents the June 30, 2023, net retiree health benefits liability of the College calculated using the June 30, 2023, health care cost trend rate assumption with initial trend ranging from -3.06 percent to 29.06 percent grading up to an ultimate trend of 3.94 percent over 15 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

2023			2022		
1% Decrease (-4.06 to 28.06%) Decreasing to 2.94%	**Current Discount (-3.06 to 29.06%) Current Discount 3.94%**	**1% Increase (-2.06 to 30.06%) Increasing to 4.94%**	**1% Decrease (0.35% to 13.55%) Decreasing to 2.94%**	**Current Discount (1.35% to 14.55%) Current Discount 3.94%**	**1% Increase (2.35% to 15.55%) Increasing to 4.94%**
$ 32,663,000	$ 39,002,000	$ 47,254,000	$ 29,958,000	$ 36,012,000	$ 43,968,000

Discount rate – The discount rate used to estimate the net retiree health benefits liability as of June 30, 2023 and 2022, was 3.65 percent and 3.54 percent, respectively. The discount rate was based on the Bond Buyer 20-Bond General Obligation index since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of the net retiree health benefits liability – The following presents the June 30, 2023, net retiree health benefits liability of the College calculated using the June 30, 2023, discount rate assumption of 3.65% as well as what the net retiree health benefits liability would be if it were calculated using a discounted rate different than the current assumption:

2023			2022		
1% Decrease (2.65%)	Current Discount (3.65%)	1% Increase (4.65%)	1% Decrease (2.54%)	Current Discount (3.54%)	1% Increase (4.54%)
$ 45,997,000	$ 39,002,000	$ 33,402,000	$ 42,679,000	$ 36,012,000	$ 30,709,000

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources as of the years ended June 30:

	2023	2022
Deferred Outflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 1,703,000	$ 2,000,000
Changes of assumptions or other inputs	6,186,000	8,403,000
Net difference between projected and actual earnings on plan investments	8,000	12,000
Difference between expected and actual experience	1,651,000	287,000
Total deferred outflows of resources	$ 9,548,000	$ 10,702,000
Deferred Inflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 6,991,000	$ 7,878,000
Changes of assumptions or other inputs	10,341,000	12,703,000
Net difference between projected and actual earnings on plan investments	4,000	-
Difference between expected and actual experience	3,836,000	5,239,000
Total deferred inflows of resources	$ 21,172,000	$ 25,820,000

The net amount of deferred outflows of resources and deferred inflows of resources related to retiree health benefits that will be recognized in retiree health benefit expense during the years ending June 30 is as follows:

Year Ending June 30,	
2024	$ (2,733,000)
2025	(2,842,000)
2026	(1,648,000)
2027	(1,265,000)
2028	(1,389,000)
Thereafter	(1,747,000)
	$ (11,624,000)

Note 14 – Retirement Benefits

Substantially all full-time employees of the College participate in the University of California Retirement System ("UCRS") that is administered by the University. The UCRS consists of the University of California Retirement Plan ("UCRP"), a cost-sharing defined benefit pension plan, and the University of California Retirement Savings Program ("UCRSP") that includes four defined contribution pension plans with several investment portfolios generally funded with employee nonelective and elective contributions. The Regents have the authority to establish and amend the benefit plans. Additional information on the retirement plans can be obtained from the 2022-2023 annual reports for the University of California Retirement System.

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent of the time for one year or more for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments ("COLAs") are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

Contributions – Contributions to the UCRP may be made by the College and the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and based upon recommendations of the consulting actuary. The Regents' determine the portion of the total contribution to be made by the College and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. Effective July 1, 2013, employee member contributions range from 7.0 percent to 9.0 percent. The College pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of UCRP members. Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or lump sum equal to the present value of their accrued benefits.

Contributions were as follows during the years ended June 30:

	2023	2022
College	$ 4,536,000	$ 4,926,000
Employee	1,873,000	1,743,000
Total contributions	$ 6,409,000	$ 6,669,000

Additional deposits were made by the University of California to UCRP of $500 million and $700.0 million for the fiscal years ended June 30, 2023 and 2022, respectively. The College's reported pension expense and an increase in the pension payable to the University of California for its portion of these additional deposits based upon its proportionate share of covered compensation for the years ended June 30, 2023 and 2022. These balances were $853,000 and $1,224,000, respectively.

Net pension liability – The College's proportionate share of the net pension liability for UCRP as of June 30 is as follows:

	2023	2022
Proportion of the net pension liability	0.2%	0.2%
Proportionate share of net pension liability	$ 33,368,000	$ 35,343,000

The College's net pension liability was measured as of June 30, 2023 and 2022, and calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, 2023 and 2022, respectively.

Actuarial valuations represented a long-term perspective and involved estimates of the value of reported benefits and assumptions about the probability of certain events occurring far into the future. The College's net pension liability was calculated using the following methods and assumptions:

	2023	2022
Inflation	2.50%	2.50%
Salary increase (varying by service, including inflation)	3.65 - 5.95%	3.65 - 5.95%
Investment rate of return (net of pension plan investment expense, including inflation)	6.75%	6.75%
COLAs	2.00%	2.00%

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in 2023 and 2022 were based upon the results of an experience study conducted for the period July 1, 2018 through June 30, 2022.

For active and inactive members, mortality rates are based on the Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table decreased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

For healthy Faculty retirees, mortality rates are based on the Pub-2010 Teacher Healthy Retiree Amount-Weighted Above-Median Mortality Table decreased by 15% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

For healthy Staff & Safety retirees, mortality rates are based on the Pub-2010 Teacher Healthy Retiree Amount-Weighed Above-Median Mortality Table unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

In addition, for purposes of determining the discount rate, it was assumed that 65% of eligible Campus and Medical Center future hires of the University System will elect UCRP's 2016 Tier with the remaining 35% assumed to elect the defined contribution plan and that 55% of eligible LBNL Segment future hires will elect UCRP's 2016 Tier with the remaining 45% assumed to elect the defined contribution plan.
The long-term expected investment rate of return for UCRP was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset class	Target	Long-term expected real rate return
U.S. equity	33.0%	5.97%
Developed international equity	13.0%	6.75%
Emerging market equity	7.0%	8.50%
Core fixed income	13.0%	1.79%
High yield bonds	2.5%	4.57%
Emerging market debt	1.5%	4.64%
Real estate	7.0%	3.91%
Private equity	12.0%	9.63%
Private credit	3.5%	2.93%
Absolute return	3.5%	1.13%
Real assets	4.0%	4.03%
Total	100%	

Discount rates – The discount rate used to estimate the net pension liability as of June 30, 2023 and 2022 was 6.75 percent. To calculate the discount rate, cash flows into and out of UCRP were projected to determine whether UCRP has sufficient cash in future periods for projected benefit payment for current members. For this purpose, College contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected College and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2023.

Sensitivity of the net pension liability to the discount rate assumption – The following presents the June 30, 2023, net pension liability of the College calculated using the June 30, 2023, discount rate assumption of 6.75 percent as well as what the net pension liability would be if it were calculated using a discounted rate different than the current assumption:

2023			2022		
1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
$ 56,616,000	$ 33,368,000	$ 14,330,000	$ 57,897,000	$ 35,343,000	$ 16,939,000

Deferred outflows of resources and deferred inflows of resources – Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of June 30, 2023 and 2022:

	2023	2022
Deferred Outflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ -	$ 44,000
Changes of assumptions or other inputs	710,000	2,147,000
Net excess of projected over actual earnings on plan investments (if any)	2,866,000	6,854,000
Difference between actual and expected experience in the total pension liability	1,072,000	911,000
Total deferred outflows of resources	$ 4,648,000	$ 9,956,000
Deferred Inflows of Resources		
Changes in proportion and differences between the College's contributions and proportionate share of contributions	$ 2,237,000	$ 2,687,000
Net excess of actual over projected earnings on pension plan investments (if any)	-	-
Difference between expected and actual experience in the total pension liability	91,000	197,000
Total deferred inflows of resources	$ 2,328,000	$ 2,884,000

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending June 30 as follows:

Year Ending June 30,	
2024	$ (382,000)
2025	(1,071,000)
2026	4,324,000
2027	(551,000)
	$ 2,320,000

The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan, and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pre-tax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) Plans accept pre-tax employee contributions and the College may also make contributions on behalf of certain members of management. Benefits from the plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Note 15 – Federal and State Income Taxes

As a separate law department of the University of California, the College is an instrument of the State and, accordingly, is not subject to federal or state income taxes, except for taxes on unrelated business income.

Note 16 – Contingencies

The College receives substantially all its unrestricted revenue from tuition and fees and State appropriations. The College tuition and fee schedule is established annually by the Board of Directors. The State legislature establishes the annual appropriation to the College. The appropriation may increase or decrease during the year due to State budget changes.

Substantial amounts are received and expended by the College under federal and state grants and contracts and are subject to audit by cognizant governmental agencies. This funding relates primarily to student financial assistance and related programs. College management believes that liabilities, if any, arising from such audits will not have a significant effect on the College's financial condition or results of operations.

Note 17 – Insurance

The College is exposed to various risks of loss including general liability, property and casualty, workers' compensation, employee health, and legal defense. The College purchases insurance through commercial and risk retention insurance companies with various ranges of deductibles depending on the policy type. Settled claims have not exceeded this coverage in any of the past three fiscal years. The College continues to self-insure its workers' compensation program.

Note 18 – Litigation

From time to time, the College is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the College in connection with its legal proceedings is expected not to have a material adverse effect on the College's financial position and activities.

Note 19 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date, but before the financial statements are available to be issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before the financial statements were available to be issued.

The College has evaluated subsequent events through _______, 2023, which is the date the financial statements were available to be issued and no material events were noted.

Required Supplementary Information

Net Retiree Health Benefits Liability – Required Supplementary Information

The schedule of the College's proportionate share of UCRHBT's net retiree health benefits liability is presented below:

Year Ended June 30,	Proportion of the net retiree health benefits liability	Proportionate share of net retiree health benefits liability	Covered payroll	Proportionate share of the net retiree health benefits liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total retiree health benefits liability
2023	0.2%	$ 39,002,000	$ 30,000,000	130.0%	0.9%
2022	0.2%	$ 36,012,000	$ 27,712,000	130.0%	0.9%
2021	0.2%	$ 42,608,000	$ 23,915,000	178.2%	0.7%
2020	0.2%	$ 45,135,000	$ 25,577,000	176.5%	0.7%
2019	0.2%	$ 40,220,000	$ 25,926,000	155.1%	0.8%
2018	0.2%	$ 37,604,000	$ 24,929,000	150.8%	0.7%
2017	0.2%	$ 40,908,000	$ 24,471,000	167.2%	0.6%
2016	0.2%	$ 49,576,000	$ 24,451,000	202.8%	0.3%
2015	0.3%	$ 45,293,000	$ 24,499,000	184.9%	0.3%

The schedule of the College's Plan to UCRHBT is presented below:

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2023	$ 669,000	$ 669,000	$ -	$ 30,000,000	2.2%
2022	$ 654,000	$ 654,000	$ -	$ 27,712,000	2.4%
2021	$ 814,000	$ 814,000	$ -	$ 23,915,000	3.4%
2020	$ 868,000	$ 868,000	$ -	$ 25,577,000	3.4%
2019	$ 908,000	$ 908,000	$ -	$ 25,926,000	3.5%
2018	$ 899,000	$ 899,000	$ -	$ 24,929,000	3.6%
2017	$ 906,000	$ 906,000	$ -	$ 24,471,000	3.7%
2016	$ 927,000	$ 927,000	$ -	$ 24,451,000	3.8%
2015	$ 649,000	$ 649,000	$ -	$ 24,499,000	2.6%

Net Pension Liability – Required Supplementary Information

The schedule of the College's proportionate share of UCRP's net pension liability as of June 30 is:

Year Ended June 30,	Proportion of the net pension liability	Proportionate share of net pension liability	Covered employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.2%	$ 33,368,000	$ 25,306,000	131.9%	81.2%
2022	0.2%	$ 35,343,000	$ 23,749,000	148.8%	79.3%
2021	0.2%	$ 11,772,000	$ 22,784,000	51.7%	93.9%
2020	0.2%	$ 40,007,000	$ 24,993,025	160.1%	76.6%
2019	0.2%	$ 35,932,000	$ 24,751,000	145.2%	79.5%
2018	0.2%	$ 19,434,000	$ 24,035,000	80.9%	87.2%
2017	0.2%	$ 21,931,000	$ 23,788,000	92.2%	84.0%
2016	0.2%	$ 32,086,000	$ 24,451,000	131.2%	77.2%
2015	0.3%	$ 24,207,000	$ 24,499,000	98.8%	82.9%
2014	0.3%	$ 18,664,000	$ 24,039,000	77.6%	86.3%

The schedule of the College's plan contribution to UCRP is presented below:

Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
2023	$ 6,409,000	$ 6,409,000	$ -	$ 25,306,000	25.3%
2022	$ 6,669,000	$ 6,669,000	$ -	$ 23,749,000	28.1%
2021	$ 6,188,000	$ 6,188,000	$ -	$ 22,784,000	27.2%
2020	$ 6,384,000	$ 6,384,000	$ -	$ 24,993,000	25.5%
2019	$ 6,438,000	$ 6,438,000	$ -	$ 24,751,000	26.0%
2018	$ 6,301,000	$ 6,301,000	$ -	$ 24,035,000	26.2%
2017	$ 6,246,000	$ 6,246,000	$ -	$ 23,788,000	26.3%
2016	$ 6,631,000	$ 6,631,000	$ -	$ 24,451,000	27.1%
2015	$ 7,057,000	$ 7,057,000	$ -	$ 24,499,000	28.8%
2014	$ 4,376,000	$ 4,376,000	$ -	$ 24,039,000	18.2%

October ___, 2023

Moss Adams LLP
101 Second Street, Suite 900
San Francisco, CA 94105

We are providing this letter in connection with your audits of the financial statements of UC College of Law, San Francisco ("the College" or "UC Law") and its discretely presented component unit, the UC Law Foundation ("the Foundation"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). We have also provided you with the Schedule of Expenditures of Federal Awards ("SEFA") for the purpose of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than $420,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter,

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the statement of work on April 3, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. There were no uncorrected financial statement misstatements.
9. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
10. Material concentrations have been appropriately disclosed with U.S. GAAP.
11. Guarantees, whether written or oral, under which the College is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. As part of your audit, you assisted with the preparation of the financial statements and related notes, schedule of expenditures of federal awards, and Data Collection Form. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

    The Hastings Campus Housing Finance Authority (the "Authority") is a joint exercise of powers authority created in 2019 pursuant to a Joint Exercise of Powers Agreement between UC Law and the California Public Finance Authority and the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State of California. The Authority is authorized to issue bonds for, among other things, financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by UC Law. The Authority has a broad mandate to operate, construct and finance project facilities and other activities undertaken in furtherance of the Long-Range Campus Plan adopted in December 2017.

    The Authority is governed by a seven-member board of directors, all appointed by the UC Law Board of Directors. Three of the seven-member governing board are the persons serving in the capacities of UC Law's Chancellor and Dean of the College, the Chief Financial Officer, and the General Counsel of the College, unless the UC Law Board of Directors specifies otherwise. All Directors serve for terms of four years; provided, however, that any Director who is serving in an ex officio capacity by virtue of his or her position with the College shall serve as a Director so long as he or she is in such position with the College. Vacancies occurring in the Governing Board by expiration of a Director's term, death, resignation or removal are filled by a majority vote of the members of the UC Law Board of Directors. In addition, the UC Law Board of Directors has the discretion to remove any Authority Director with or without cause.

    The activities of the Authority are blended into the College's basic financial statements, as the governing body is substantially the same as the governing body of the College.

Information Provided

13. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

b. Minutes of the meetings of trustees, and committees of trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared;

c. Additional information that you have requested from us for the purpose of the audit;

d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

14. All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.
15. We have retained copies of all information we provided to you during the engagement and have been provided copies of all necessary financial and non-financial schedules, memos, data, and other information related to all services performed by you, such that in our opinion our records are complete, including our records supporting our financial statements and all related accounting policies and positions. Furthermore, you do not act as the sole host of any financial or non-financial information system for us, nor do you provide any electronic security or back-up services for our data or records.
16. We have disclosed to you the results of our assessment of the risk that financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud that affects the entity and involves—

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others when the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
19. We have no knowledge of instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of all the entity's related parties and all the related party relationships and transactions of which we are aware.
22. We are responsible for compliance with the laws and regulations, and provisions of contracts and agreements applicable to us; we have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
23. We are not aware of any instances of fraud and noncompliance with provisions of laws and regulations that could have a material effect on the financial statements or other financial data significant to the audit objectives, or any other instances that warrant the attention of those charged with governance.
24. We are not aware of any instances of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

25. We are not aware of any instances of abuse that could be quantitatively or qualitatively material to the consolidated financial statements or other financial data significant to audit objectives.

26. Substantially all full-time employees of the College participate in the University of California Retirement System ("UCRS") that is administered by the Regents of the University of California ("University"). The UCRS consists of the University of California Retirement Plan ("UCRP"), a cost-sharing defined benefit pension plan, and the University of California Retirement Savings Program ("UCRSP") that includes four defined contribution pension plans with several investment portfolios generally funded with employee non-elective and elective contributions. The University has the authority to establish and amend the benefit plans.

27. The College pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of UCRP members. Employee contributions to UCRP are accounted for separately and accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or lump sum equal to the present value of their accrued benefits.

28. The College's reported pension expense and an increase in the pension payable to the University for its portion of these additional deposits based upon its proportionate share of covered compensation for the years ended June 30, 2023 and 2022 were $853,000 and $1,224,000, respectively.

29. The College contributes to the University of California Retiree Health Benefit Trust ("UCRHBT") (the "Trust"), a cost-sharing multiple-employer defined benefit, postemployment healthcare plan administered by the University. The Trust provides non-pension post-employment medical benefits and other health and welfare benefits to eligible retirees and their spouses, domestic partners, dependents and beneficiaries to retired University employees and retired employees of other employers affiliated with the University. The College contributes as an authorized affiliate.

30. We believe the assumptions made and methods used to measure the pension liability and costs are appropriate and materially correct.

31. We acknowledge our responsibility for presenting "required supplementary information" ("RSI") in accordance with accounting principles generally accepted in the United States of America and we believe the RSI is measured and presented in accordance with the prescribed guidelines. The methods of measurement and presentation of the RSI have not changed from those used in the prior periods, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the required supplementary information.

32. With respect to RSI reported in the financial statements, the Management's Discussion and Analysis ("MD&A"), the net pension liability schedule, and the net retiree health benefits liability schedule:

    a. RSI is based on facts, decisions, or conditions currently known to management and does not contain forecasts or other prospective information.

    b. RSI is measured and presented within prescribed guidelines.

    c. RSI is consistent with the basic financial statements.

33. Receivables recorded in the financial statements represent valid claims against debtors for services or other charges arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value. The College and the Foundation are responsible for determining the allowances for doubtful notes, loans, inter-fund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb

currently estimated bad debts in the receivable account balances. Further, management believes that provisions for uncollectible receivables have been properly identified and recorded.

34. We believe that all expenditures that have been deferred to future periods are recoverable.

35. In estimating fair values for certain assets and liabilities, such as investments and endowments, we believe that the market assumptions used were the most appropriate in the circumstances and that they are properly valued as of June 30, 2023 and 2022.

36. All activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you and appropriately reported in the financial statements for fiscal years ended June 30, 2023 and 2022.

37. The College has complied with the endowment investment and management policies of The Regents of the University of California codes 92205 and 92205.5 for the years ended June 30, 2023 and 2022, respectively.

38. We represent to you the College is in compliance with all bond covenants as of June 30, 2023 and the date of this letter.

39. We are not aware of any circumstances either on the College campus or on property owned or leased by the College that would indicate an impairment of assets as defined by GASB 42.

40. We are not aware of any circumstances either on the University campus or on property owned or leased by the University that would indicate a pollution remediation obligation as defined by GASB 49.

41. We have apprised you of all significant transactions that have occurred between the Foundation and the College during the fiscal years ended June 30, 2023 and 2022, respectively.

42. The College has appropriately recorded and disclosed all applicable transactions in accordance with GASB 68, including all deferred inflows of resources and deferred outflows of resources related to pensions.

43. The College has appropriately recorded and disclosed all applicable transactions in accordance with GASB 75, including all deferred inflows of resources and deferred outflows of resources related to postemployment benefits other than pensions.

44. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

45. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

46. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the College and Foundation vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.

47. We are responsible for compliance with the laws and regulations, and provisions of contracts and agreements applicable to us; we have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

48. Assets and liabilities subject to fair value measurement have been appropriately classified and disclosed under the fair value hierarchy in Note 4. We have provided to

you the necessary documentation to support the fair value measurement disclosures included in the financial statements. The fair values of those accounts subject to fair value measurements have been reviewed by management and we believe they represent fair value as of June 30, 2023.

49. We have recorded investments in accordance with U.S. GAAP, we have maintained internal controls over investments, and we have established valuation methodologies that are appropriate. The disclosures related to estimated fair value of investments are complete and accurate. There were no subsequent events requiring adjustment to the estimated fair value measurements and disclosures.

50. The College and Foundation's investments consist of investments in the UC Regents General Endowment Pool ("GEP"). The GEP models its portfolio by virtue of the chosen benchmark. The College represents that the GEP methodology, chosen benchmark, and investment allocation percentages as presented below and within Note 4 of the financial statements are true and accurate to the best of management's knowledge and agree to the University of California Office of the President ("UCOP") GEP Policy Benchmark as presented on UCOP's website under investment policies:

    a. Financial instruments that potentially subject the College and the Foundation to concentrations of credit risk consist principally of investments with the Office of the Treasurer, which may invest in cash equivalents, U.S. Government and federal agency obligations, common stocks, and corporate debt securities; the remainder of the Office of the Treasurer's portfolio is diversified and issuers of the securities are dispersed throughout many industries and geographies. 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 may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

    b. 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 security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

    c. The Office of the Treasurer recognizes that credit risk is appropriate in balanced investment pools such as GEP, by virtue of the benchmark chosen for the fixed-income portion of that pool. That fixed-income benchmark, the Barclay's Capital US Aggregate Bond Index is comprised of approximately 35 percent treasuries, 30 percent mortgage/asset-backed securities, and 30 percent corporate bonds all of which carry some degree of credit risk. The remaining 5 percent are government-related bonds. Credit risk in the GEP is managed primarily by diversifying across issuers and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted-average credit rating must be "A" or higher.

d. 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 (1 percentage point) change in the level of interest rates. It is not a measure of time.

e. The Office of the Treasurer portfolio guidelines for the fixed and variable income portion of GEP limit weighted-average effective duration to plus or minus 20 percent of the effective duration of the benchmark (Barclay's Capital US Aggregate Index). This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. The effective durations of total investments of the College and the Foundation in the office of the Treasurer's GEP as of June 30, 2023 and 2022, were 2.56 and 2.71 months, respectively.

f. Foreign currency risk – The Office of the Treasurer's strategic asset allocation policy for GEP includes an allocation to non-U.S. equities and nondollar denominated bonds. The benchmark for these investments is not hedged; therefore, foreign currency risk is an essential part of the investment strategy. Portfolio guidelines for U.S. investment-grade fixed income securities also allow exposure to non-U.S. dollar denominated bonds up to 10 percent of total the portfolio market value.

g. 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. The portions of total investments of the College and the Foundation in the Office of the Treasurer's GEP associated with various foreign currency denominations as of June 30, 2023 and 2022, were $11,292,700 and $14,007,433, respectively.

51. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of the College's programs. The College utilizes a total return spending policy governing the payout on endowed funds. Total return policies permit the expenditure of both current income and appreciation. The portion of investment returns earned on endowments held by the College and distributed each year to support current operations is based upon a payout rate that is approved by the Board of Directors. The payout rate for 2023 and 2022 was 4.55 and 4.55 percent, receptively, calculated on the 12-quarter average market value of endowed funds. Endowment income is available to meet spending needs, subject to donor terms and conditions and the approval of the Board. Net appreciation on investments of donor-restricted endowments is reflected in the above tables as restricted expendable net position.

52. We have reviewed and evaluated the impact of adopting GASB 96, *Subscription-Based Information Technology Arrangements*, under the retrospective approach, as discussed in Note 2 of the financial statements.

53. We are in the process of evaluating the effect that will result from adopting GASB 99 *Ominbus 2022*, GASB 100 *Accounting Changes and Error Corrections*, and GASB 101 *Compensated Absences*.

54. A substantial portion of tuition is paid through students' participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the College are made in accordance with the U.S. Department of Education requirements. The financial aid and assistance programs are subject to political and budgetary considerations. The College's administration of these programs is periodically reviewed by various regulatory agencies. If the College were to lose its eligibility to participate in federal student financial aid programs, the students at the College would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students obtain access to federal student financial aid through a U.S. Department of Education prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs to pay their tuition and fees.

55. With respect to federal award programs:

    a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to the preparation of the schedule of expenditures of federal awards.

    b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

    c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

    d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have identified and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

    f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended

g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements, including, when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards. There are no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j) There are no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor’s report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor’s report. We did not note any in the reporting period.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB’s Uniform Guidance (2 CFR part 200, subpart E).

m) We have no interpretations of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period. We did not note any in the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor’s report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor’s report.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency.

t) We have charged costs to federal awards in accordance with applicable Uniform Guidance cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, if applicable, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

56. We have provided you with the actuarial report for the defined benefit pension plan and single-employer health and welfare plans to support related disclosures and are not aware of any noncompliance involving the service organization, which prepared the actuarial report.

____

David Faigman, Chancellor & Dean

____

David Seward, Chief Financial Officer

____

Sandra Plenski, Controller

____

Zack Naqvi, Associate Director of Fiscal Services, Accounting and Reporting